

Douglas

Douglas Borough Council



New Douglas Golf Clubhouse renamed "The Meadows Pavilion". Officially opened by the Worshipful the Mayor of Douglas, Mrs D L Pitts, J P on the 31st October 2008

Statement of Accounts for the Year ending 31st March 2010



Glutton Machine



Britain in Bloom Large Town/Small City Silver Award Winner 2008 and RHS Britain in Bloom Tourism Award



Custodians of the Capital

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DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

EXPLANATORY FOREWORD

1. Introduction

The purpose of this set of accounts is to present the financial results of the Council's activities for the year ended 31st March 2010, and to summarise the overall financial position as at 31st March 2010. The following paragraphs provide an overview of the financial performance and position of the Council, with the supporting detail being set out within the subsequent sections of these accounts.

2. The Accounting Statements

For 2009/2010 there have been major changes in both the content and format of the Statement of Accounts compared to 2008/2009. These changes have arisen out of the need to comply with the *Accounts and Audit Regulations 2007*, as supported by the Isle of Man Government Treasury's *Statement of Recommended Practice 2007* ("the SORP"). Although significant progress towards compliance has been achieved (in particular the implementation of current cost accounting), a small number of departures from the regulations still remain in the Council's accounts, mainly in connection with the presentation of the prior year comparative figures. These departures are disclosed within the Statement of Accounting Principles section of these statements (clause 1). As far as possible, however, there is restatement of prior year figures, in order to achieve closer compliance.

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

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

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

The Core Accounting Statements:

INCOME AND EXPENDITURE ACCOUNT - This account reports the day to day running costs for all of the functions for which the Council is responsible, and how those costs are financed from income from grants, fees, charges, rents and local ratepayers (i.e. the General Rate Fund). The 2008/2009 prior year comparatives have been restated to reflect the exclusion of all capital financing charges from within the net cost of services, together with the reclassification of expenditure categories along the lines of the SORP.

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL) – This statement discloses all gains and losses of the Council for the year. In addition to the surplus or deficit generated on the Income and Expenditure Account, any other gains or losses disclosed elsewhere on the Balance Sheet are also included here. Again, the 2008/2009 prior year comparatives have been restated to reflect the revaluation, depreciation and capital financing charge adjustments.

BALANCE SHEET – This statement sets out the overall financial position of the Council at the end of the year, incorporating the General Fund, Housing Revenue Account, and Tramways Undertaking balance sheet areas. This Balance Sheet summarises the Council's overall financial position as at 31st March 2010. In line with the SORP requirements, the Balance Sheet now presents fixed assets based on independent valuation amounts. All internal debtors and creditors have been eliminated. The 2008/2009 prior year comparatives have been restated to reflect the revaluation and current cost accounting adjustments, and also the SORP's classification of fixed asset categories.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

EXPLANATORY FOREWORD (CONTINUED)

CASH FLOW STATEMENT – This statement summarises the cash inflows and outflows arising from transactions with third parties for revenue and capital purposes. This replaces the Consolidated Statement of Revenue and Capital Movements included in previous published Statement of Accounts. Because the 2008/2009 accounts are not fully compliant with the SORP, it has not proved possible to produce the comparative figures for that year.

GENERAL RATE FUND – In compliance with the *Accounts and Audit Regulations 2007*, this statement presents the rates levied by the Borough, together with details of rates collected and the rate arrears.

Other Statements:

SUMMARY STATEMENT OF CAPITAL EXPENDITURE AND FINANCING – this statement provides an overall summary of capital expenditure, summarised in respect of the Council's different statutory functions, and presents the sources of finance for the year's total capital expenditure. This statement is a requirement for Isle of Man local authorities under the *Accounts and Audit Regulations 2007*.

THE HOUSING REVENUE ACCOUNT - INCOME AND EXPENDITURE ACCOUNT - The Housing Revenue Account (HRA) reflects the statutory obligation to provide a separate account for the Council's public sector housing function. This account independently records the costs of maintaining and managing the Council's own housing stock and how these costs are met by rental income and government subsidy. The rateborne burden of the Housing Administration function is excluded from this statement. This format of presentation complies with the *Accounts and Audit Regulations 2007*. The 2008/2009 comparative figures have been restated to reflect current cost accounting adjustments.

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

THE TRAMWAYS UNDERTAKING SUMMARY INCOME AND EXPENDITURE ACCOUNT – The inclusion of this statement reflects the statutory obligation to provide a separate account for this unique function. The 2008/2009 comparative figures have also been restated here to reflect current cost accounting adjustments.

3. Appendices

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

DETAILED INCOME AND EXPENDITURE ACCOUNTS – This provides a detailed service by service breakdown of the SORP's operational service classification headings now showing within the Income and Expenditure Account (previously reflecting the Council's committee structure).

EXPLANATION OF RESERVES – This provides some explanation behind the purpose and use of the various reserve funds held by the Council.

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

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

EXPLANATORY FOREWORD (CONTINUED)

4. Summary Performance

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

INCOME AND EXPENDITURE

The table below summarises the revenue income and expenditure outturn for 2009/2010, compared with the approved estimates of the Council. The estimates have been restated to reflect approved budget virements and also the removal of Direct Revenue Financing (or Revenue Contribution to Capital Outlay - RCCO) charges, which are restated within the Depreciation and Capital Financing heading. All Financial Reporting Standard 17 "Retirement Benefits" (FRS17) adjustments have been excluded here.

Revenue Outturn compared with Estimates

	Restated Estimates 2009/2010	Net Expenditure 2009/2010	Variance 2009/2010
	£	£	£
Public Health & Housing (non HRA)	1,070,680	647,951	(422,729)
Public Works	3,179,540	2,149,303	(1,030,237)
Leisure Services	3,522,740	3,198,248	(324,492)
Policy & Resources	2,330,590	2,474,308	143,718
Net General Rate Fund	10,103,550	8,469,810	(1,633,740)
Housing Revenue Account	(18,020)	2,293,223	2,311,243
Net Cost of Services (excl FRS17)	10,085,530	10,763,033	677,503
Surplus on sale of Fixed Assets	-	(25,663)	(25,663)
Interest Payable	4,317,900	3,156,787	(1,161,113)
Interest and Investment Income	(274,520)	(63,459)	211,061
Net Operating Expenditure (excl FRS17)	14,128,910	13,830,698	(298,212)
Depreciation and Capital Financing	(3,637,900)	(3,777,780)	(139,880)
Net Transfers (from)/to all Reserves	(578,130)	(721,771)	(143,641)
Net Budget Requirement	9,912,880	9,331,147	(581,733)
Total from Rate Income	(9,886,800)	(10,017,628)	(130,828)
Final Revenue Contribution from/(to) Balances	26,080	(686,481)	(712,561)

The General Rate Fund Net Cost of Services figure is lower than the estimated figure, partly due to the charging of capital charges below service level. The HRA service level, however, remains higher due to the significant level of depreciation charges now in place in respect of the Council's housing stock, which is not reflected in the restated estimates.

The Net Operating Expenditure (excluding Pension Fund liability adjustments) incorporates all service expenditure, income from Government, fees and charges and interest income and payments. Interest payable is now shown as a separate heading in line with SORP requirements, whereas this had previously been included within the approved service estimates. Capital financing costs (loan repayments and capital expenditure financed from revenue), are now showing below the Net Operating Expenditure level, together with the depreciation credits, which offset the depreciation charges now at service level.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

EXPLANATORY FOREWORD (CONTINUED)

Compared to the approved estimates for the year, the Net Budget Requirement was some £581,733 less than budgeted. This is due to a combination of a number of underspends at the revenue service level and also to the delays in expenditure on the budgeted capital programme, resulting in reduced levels of capital charges to the services. An additional 2.5% Housing Administration Allowance from the Department of Local Government and the Environment also meant that a £148,000 cost burden on the ratepayers has now been removed and appears in the HRA. It should be noted, however, that there is still a burden on ratepayers for Housing Administration.

There was, however, a partly-offsetting adverse effect of the significantly reduced level of investment income received during the year. Due to the maintenance of the Bank of England's base rate at 0.5%, the level of interest income fell to £63,459, some £211,061 short of the estimated figure.

The favourable final outturn position was bolstered by a surplus of £130,828 income from Borough Rates over the estimated figure, reflecting a higher penny rate product for the Borough.

The outcome of all of the above means that a final contribution into the General Fund General Revenue Reserve Balances of £686,481 could be made. This compares with an estimated contribution from Balances of £26,080 when setting the Rate in January 2009 (Difference: £712,561). The following table provides a list of the major items contributing towards the favourable outturn position.

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

Estimate Variance Item	Comparison with Estimate	
	Favourable £'000	Adverse £'000
Reduced interest income		211
External audit fee		39
Reduced Building Control fee income		34
Reduced Car Park fee income		14
Public conveniences maintenance		12
Staff salaries' savings	(156)	
General Rate Fund loan charges	(155)	
Additional Housing Administration allowance (net of costs)	(148)	
Rates income	(131)	
Refuse restructure savings	(127)	
Waged on-cost savings	(81)	
Trading agencies	(67)	
Street Cleaning efficiency savings	(43)	
Decorative lighting overtime savings	(22)	
Nobles Park building utilities	(18)	
Public Events savings	(15)	
Beach maintenance	(14)	
Crematorium fees	(12)	
Horse Trams' efficiencies	(11)	
Civic Amenity Site lower waste charges	(10)	
Other miscellaneous (net)	(13)	
(Favourable)/adverse variances	(1,023)	310
Net favourable variance	(713)	

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

EXPLANATORY FOREWORD (CONTINUED)

GENERAL REVENUE RESERVE BALANCES

During the year, there was an overall net reduction in the position of the General Revenue Reserve Balance of £446,004. After all appropriations to and from balances and income from rates are taken into account, the position on the General Revenue Reserve Balance is £2.772m; some £1.394m higher than had been estimated at the beginning of the year. The General Fund outturn did benefit from the higher than budgeted contribution back into balances at the end of the year, although there remain planned expenditure items, most of which are capital, including planned investments into the Council's ICT infrastructure. The available balance on the General Fund at the end of the year is £1.801m, some £0.697m higher than originally envisaged, as the following table shows.

Outturn position on General Revenue Reserve

	Original Estimates 2009/2010	Actual 2009/2010	Variance 2009/2010
	£	£	£
Balance at Year Beginning	2,289,944	3,217,768	927,824
All Revenue Transfers to/(from) Balance	(707,350)	(480,444)	226,906
Non Revenue Contributions to/(from) Balance	(205,000)	34,440	239,440
Increase/(decrease) in Balance	(912,350)	(446,004)	466,346
Balance at Year End	<u>1,377,594</u>	<u>2,771,764</u>	<u>1,394,170</u>
Further planned net expenditure against Balance	(273,240)	(970,810)	(697,570)
Available Balance	<u>1,104,354</u>	<u>1,800,954</u>	<u>696,600</u>

CAPITAL EXPENDITURE

Capital expenditure of £5.892m was undertaken during the year, of which £4.293m was for HRA purposes and £1.599m was spent on General Fund assets. The total capital expenditure compares with the Capital Programme original estimate of £16.4m, which was revised down to £8.051m during the year. Most of this variance is accounted for by delayed commencement to a number of large items in the Capital Programme, particularly within the HRA. Capital expenditure on Housing was mainly for various programme maintenance and refurbishment schemes. Capital expenditure on the General Fund during the year included the Town Hall Refurbishment scheme and also public lighting.

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

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

EXPLANATORY FOREWORD (CONTINUED)

5. Pension Liability

The SORP requires the Council to disclose certain pension liability information arising from FRS17 within its Statement of Accounts and this appears in notes 2 (Income and Expenditure Account) and 27 (Balance Sheet) to the Core Financial Statements. Included within that information is the net liability on the Isle of Man Local Government Superannuation Scheme that is attributable to Douglas Borough Council. This is the difference between future liabilities and assets, as valued at 31st March 2010, and amounts to £14.945m; an increase of £9.009m on the previous year. The significant level of increase reflects changes in the actuary's assumptions (in particular life expectancy) used in calculating the Scheme's liabilities, and also assumptions regarding investment yield returns.

In addition to the pension liability arising from the Council's participation in the Isle of Man Local Government Superannuation Scheme, there is also a liability arising from the unfunded discretionary benefits which are paid to ex employees whose employment pre-dates the establishment of the Scheme. In previous years the benefits payable had only been recognised as revenue expenditure on a "pay as you go" basis funded through the Council's rates, but an estimated long term future liability is now incorporated into the Balance Sheet at £143,030 (2008/2009 restated: £173,553), in addition to the FRS17-calculated liability. In order that this liability does not impact upon the Council's balances, an offsetting adjustment has been made to the Pensions Reserve, alongside the FRS17-calculated Scheme liability. The prior year balance sheet has also been restated to reflect the prior year liability. The £30,523 liability in respect of the ex gratia benefits payable within 12 months of the balance sheet date is included within the current liabilities section of the balance sheet (2008/2009 restated: 31,357).

6. Audit of Accounts

These accounts are published following completion of the statutory audit by PKF (Isle of Man) LLC (see Audit Report on pages 18-19).

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

STATEMENT OF ACCOUNTING POLICIES

1. Accounts and Audit Regulations

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

The revaluation of certain assets as at 31st March 2009 has enabled the use of current cost valuations for the Balance Sheet. Asset depreciation charges have also been applied during 2009/2010. The Income and Expenditure Account has been reworked in line with the SORP requirements.

There are a number of areas where the Council's Statement of Accounts are not yet fully compliant with the *Accounts and Audit Regulations 2007*. These are mostly in connection with the presentation of the prior year figures. The principal areas of departure from the *Accounts and Audit Regulations 2007* are:

- (i) Certain land fixed assets are not included on the Balance Sheet as they have not yet been subject to periodic independent valuation (although arrangements are in place for this to be undertaken during 2011).
- (ii) The 2008/2009 Income and Expenditure Account does not include depreciation charges, as the valuation exercise was only carried out to apply current cost accounting principles as at 31st March 2009.
- (iii) Prior year service contributions to the Vehicles and Plant Renewals Fund Reserve are still showing within the Net Cost of Services. This is in place of formal depreciation charges against these assets, which is charged in 2009/2010. The prior year Income and Expenditure Account has not been restated to reflect this change in accounting practice.
- (iv) The 2008/2009 financial year comparatives in respect of the Cash Flow Statement as required under Financial Reporting Standard 1 could not be produced. 2009/2010 represents the first year that this statement is produced, as the prior year figures could not be obtained.

2. Capital Expenditure

The capital accounts of the Council record the expenditure incurred in the provision of assets and other long term outlay over £10,000, together with sources of finance. In the case of vehicles, the purchase of all road registered vehicles, regardless of cost, is capitalised. Building property asset additions are recorded at current cost. Capital expenditure items are generally financed by loans, by the use of internal balances, or through the application of usable capital receipts and any capital contributions from third parties. Capital contributions which have been received from third parties in respect of capital schemes are retained in the capital accounts.

3. Valuations

Asset valuations have been carried out during 2009 by the Estates Department of Lancashire County Council, in accordance with guidelines established by the Royal Institute of Chartered Surveyors (RICS) and the Chartered Institute of Public Finance and Accountancy (CIPFA). Operational assets have been valued at the lower of net replacement cost or net realisable value in existing use. In the case of vehicles, plant and equipment, historical cost has been used as a proxy for valuation, subject to depreciation on a prudent basis using conservative estimates of working lives. Infrastructure assets are included in the Balance Sheet at historical cost, net of depreciation where appropriate. Non operational assets have been valued at the lower of net current replacement cost or net realisable value. Assets under the course of construction are reflected at the lower of net current replacement cost and historical cost until such time as they are brought into commission. Routine valuations will be carried out at intervals of not more than five years; although major changes in value are recorded as they occur, including any arising from an annual review of impairments.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

4. Depreciation

Depreciation is provided on all assets with a finite useful life, other than freehold land and also investment property assets. Where depreciation is provided for, assets are being depreciated by applying the straight line method to balance sheet value over periods reflecting their estimated useful lives. This is in contrast to previous years when there was no provision for depreciation in the accounts and so no depreciation charges have been included at service level in the 2008/2009 comparatives. In the case of plant and vehicles, services made an annual contribution to the Plant Renewals Fund, which is still showing in the prior year comparatives. This had been in place of an annual depreciation charge. No depreciation is charged on assets under the course of construction or surplus assets held for disposal.

5. Intangible Fixed Assets

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

6. Finance Leases

Assets acquired by means of lease, and the matching obligations due to lessors, are written down each year in accordance with the 'Rule of 78' method. Lease repayments due within 12 months of the balance sheet date are transferred into the current liabilities section of the Balance Sheet (creditors).

7. Operating Leases

The Council had a number of operating leases in respect of operational buildings and land during the 2009/2010 financial year. The annual rental payable on those leases is charged to the relevant service revenue account on a straight-line basis over the term of the lease, when it becomes payable. Operational rentals paid during the 2009/2010 year amounted to £152,374 (2008/2009: £194,939).

8. Disposals

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

9. 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 sources are bank loans and (historically) mortgage bonds. Provision for the redemption of debt (or Revenue Provision for Capital Financing) has been made in accordance with statutory borrowing powers. Provision for repayment of these liabilities is on the basis of an increasing annual accumulation, set at 5%. Repayments are accounted for through the Statement of Movement on the General Fund Balance, whilst interest on the balance of principal outstanding, is charged to the Income and Expenditure Account. During the 2009/2010 year, the average rate of interest amounted to 4.5% (2008/2009: 5.0%).

10. Valuation of Investments

Investments are recorded at mid price. The only long term investments currently held by the Council represent war stock holdings.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

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

Revenue account transactions are accounted for on an accruals basis. Expenditure is accrued for sums due but not paid at the end of the year, subject to a cut-off value of £1,500. In the case of payroll costs, however, expenditure is included on the basis of complete pay periods, which fall within the financial year, although the creditors figure at the balance sheet date does include a provision for time in lieu worked and owed to salaried employees. Capital transactions are now also recorded on an accruals basis, allowing for the cost of work carried out but not paid for at 31st March 2010. The total value of capital creditor items had been previously disclosed by way of note within the 2008/2009 Statement of Accounts. All known income is recorded when the debt is established. Rental income for the Council's housing stock, however, is recorded on the same basis as payroll expenditure in that rental income relates to the completed rental weeks in the financial year.

12. Interest Payable and Receivable

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

13. Provision for Bad Debts

A provision for bad debts is made within these accounts, and is split across the General Rate Fund and the HRA. Provisions are made against all rates arrears, the percentage of debt provision depending upon the age of the debt, whilst a percentage provision of overdue amounts is made against all sundry debt amounts over 3 months old. In terms of housing rents, a provision is made in respect of all former tenants' arrears and all current tenant arrears greater than £500.

14. Long Term Debtors

The 2008/2009 accounts include a long term debtor, which relates to the loan debt on the Drainage infrastructure assets (transferred to the Government under the terms of the Sewerage Act 1999). The outstanding balance on this is reduced each year by the amount of loan repayments, which are a charge upon the General Rate Fund, and reimbursed to the Council through the Drainage Agency with the (then) Department of Transport (this item is now under the responsibility of the Isle of Man Water and Sewerage Authority). As the outstanding loan amount of £886,249 is due to be settled in full during 2010/2011 by the Isle of Man Water and Sewerage Authority, this item has been transferred to the Current Assets (Debtors) section of the Balance Sheet for the Year ending 31st March 2010.

15. Stocks and Stores

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

16. General Revenue Reserve

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

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

17. Earmarked Reserves

A number of renewal and reserve funds are maintained within the Council's accounts. Sums are provided for the renewal of vehicles and plant based upon the estimated cost of replacement at the end of their estimated life. In other cases, reserve funds are maintained to finance unforeseen costs of asset repair. Two reserves have been established in accordance with accounting requirements, and as such are not backed by cash and are not generally available to finance expenditure. A "negative" reserve is held to account for the pensions liability for the Council's portion of the Isle of Man Local Government Superannuation Scheme, whilst the Revaluation Reserve represents principally the balance of the surpluses or deficits arising from the periodic revaluation of the Council's fixed assets. The establishment of all these reserves has been approved by the (then) Department of Local Government and the Environment (now Department of Infrastructure). A full explanation of reserves is shown at Appendix B on pages 58 and 59.

18. Contingent Liabilities

Contingent liabilities as at the balance sheet date relate to claims covered by the Council's insurance, and claims by contractors on building works. Known and quantifiable obligations are accounted for within the relevant earmarked reserve or the General Revenue Reserve where appropriate, and are included within the planned expenditure figures against those reserves shown in the disclosure note 31 to the core financial statements.

19. Revenue Expenditure

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

20. Overheads and Support Services

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

21. Government Grants

Government revenue grants have been accounted for on an accruals basis and income has been credited to the relevant revenue account to match expenditure to which they relate to. The Housing Deficiency grant is accounted for on an accruals basis and represents an amount due in respect of the shortfall of housing income from housing rental receipts in the year, in accordance with the housing deficiency scheme operated by the (then) Department of Local Government and the Environment (now the Department of Social Care). Waste levy subsidy income is included within the accounts on a gross basis, together with the waste levy charged to the Council, which is also accounted for on a gross basis. Other agency or contracted income received from the Isle of Man Government is included within the overall Government income total disclosed within the accounts (note 13).

22. Pensions and Financial Reporting Standard 17

The accounts and notes in relation to the Isle of Man Local Government Superannuation Scheme have been prepared in accordance with the SORP and Financial Reporting Standard 17 "Retirement Benefits" (FRS17). The financial and demographic assumptions used by the actuary are highlighted in note 27 to the accounts. The pension cost has been assessed by the Fund's actuary based on triennial valuations, the 2009/10 contributions being based on the results of the review as at 31st March 2007. A liability has also been calculated, using the Scheme actuary's FRS17 life expectancy assumptions, to determine the future liability in connection with unfunded ex-gratia and discretionary added years' pension benefits to previous employees, outside of the Scheme.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

23. VAT

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

24. 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.

25. Post Balance Sheet Events

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

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

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

The Responsible Financial Officer's Responsibilities

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

In preparing this Statement of Accounts, the Responsible Financial Officer has:

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

The Responsible Financial Officer has also:

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

The Responsible Financial Officer should sign and date the Statement of Accounts, stating that it presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 2010.

Certificate by the Responsible Financial Officer

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

I certify that the Statement of Accounts as set out in pages 20 to 52 have been prepared in accordance with proper accounting practices and present fairly the financial position of the Council as at 31st March 2010 and its income and expenditure for the year ended 31st March 2010.

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

30th July 2010

The Statement of Accounts was approved by the Policy and Resources Committee on 30th July 2010 and passed to PKF (Isle of Man) LLC for audit. The accounts were then resubmitted to and approved by this Committee on 29th October 2010, taking into account a number of changes that had been made as a result of required adjustments identified during the audit process.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

STATEMENT OF INTERNAL CONTROL

Scope of Responsibility

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

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

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

The purpose of the system of internal control

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

A system of internal control has been in place at the Council for the year ending 31st March 2010 and up to the date of approval of the accounts. The internal control systems of the Council are currently under review, and system processes are subject to change as part of a drive to secure continuous improvement in the way the Council's processes are exercised, having regard to a combination of economy, efficiency and effectiveness.

The internal control environment

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

Establishment of the Council's objectives – The Council launched its first Corporate Plan in 2007, for the period 2008-2011. This document sets out the Council's policy and future strategy with nine Corporate Aims for the Council, together with Corporate and Strategic Objectives in the areas of: Governance; Environment; Housing; Recreation and Culture; Public Health; Economic Development; and Partnerships. The Corporate Plan lists short and long term priorities for each of these headline areas. It is recognised by the Chief Officers Management Team (COMT), that the Corporate Plan requires further development in time for the next elected Council in 2012, and work is already progressing on this.

Monitoring achievement against the objectives – Performance management of service delivery has, until the publication of the Corporate Plan, been by way of service-specific reporting on achievements and service developments to the relevant service committees of the Council. Accountability for each area is secured with an assigned Chief Officer and Project Officer responsible. As each of the Strategic Objectives is measurable and time-related, performance can be assessed. It is recognised by COMT that the systems for monitoring performance against achieving the objectives requires further development.

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

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

STATEMENT OF INTERNAL CONTROL (CONTINUED)

The publication of the Corporate Plan, and in particular therein the Council's Strategic Governance Objectives, has helped the Council to focus on the need to develop its governance framework. A Governance Working Group meets regularly to review those areas of the Council's operations where changes and improvements to the corporate governance framework are required. During the year, progress was made in the following areas:

- Ward Visits took place during the year, giving Council Members the opportunity to tour their ward areas with officers, and to identify areas where action may be required to improve the local environment, or where Council policy may not be enforced.
- Improvements made to the monthly Members Bulletin issued to all Members of the Council, keeping them informed of Council business developments and key information.
- A review of the petition process was commenced during the year, with some training given to Council Members.
- During the autumn of 2009, seeking early views of the Committee Chairmen on which budget savings should be incorporated into the rate setting process.
- The development of a Data Quality Strategy.
- Raising Members' awareness of the need to declare interests (now a standard item at the beginning of every Committee agenda).
- The establishment of a Gifts and Hospitality Register.
- A review of asset security, in particular improvements to the Town Hall building security.

In July 2009 the (then) Department of Local Government and the Environment (now Department of Infrastructure) issued the document *Corporate Governance Principles and Code of Conduct for Local Authorities*. This was considered initially by senior management before being presented to the Policy and Resources Committee. It is encouraging that the significant progress made in areas of governance in recent years has meant that the Council is now much closer to compliance with the Code of Conduct, although further work is still required in a number of key areas.

Facilitation of policy and decision making – The decision making process is defined in the Council's Standing Orders. Decisions within this framework are required to proceed through the relevant service committee and full Council for approval. There is a framework for delegated decision-making powers at service committee level, where decisions made fall within the parameters of existing Council policy. All decisions are recorded in the Council minute book, with formal minutes being available for public inspection. The Chief Officers Management Team (COMT) meets weekly to consider operational management issues and, where required, determines where reports are needed for Committee consideration and decision-making. The work of COMT is supported by the Extended Chief Officers Management Team (EXCOMT – comprising of Assistant Chief Officers as well as the Chief Officers), which meets on a monthly basis to consider wider management issues, including regular reports at both the strategic and operational levels.

In order to streamline the decision-making process in respect of the Council's commercial property portfolio, towards the end of the 2009/2010 financial year, the Council agreed to dissolve the Commercial Lettings Committee, with its business transferred to the Policy and Resources Committee as of 1st April 2010. The Council also agreed to look at a proposal for reducing the number of its Members from 18 to 12, and the Council's committee structures as a whole, as of the 2012 local authority election. During the course of 2010/2011, reports will be brought to the Policy and Resources Committee on the Council's decision making processes and structures, with proposals for a new Committee structures to be implemented following the election of a new Council.

Risk Management – The Council is committed to its risk management and business continuity strategies. This is recognised as a high priority within the Corporate Plan's Strategic Governance Objectives. During 2009/2010 there was further development of the Council's risk management framework, through the work of the Risk Management Group, assisted by the services of an independent risk management consultant. The consultant's services were used to help produce a corporate risk register, which has now been endorsed by the Policy and Resources Committee, alongside the Risk Management Policy, which has now been formally approved.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

STATEMENT OF INTERNAL CONTROL (CONTINUED)

A review of the Council's insurance needs was undertaken during the year, with assistance from the Council's insurance brokers and advisers, resulting in the establishment of a new long term agreement with the Council's insurers. The appointed insurance brokers and advisers advise the Council on areas of risk management and proactively manage its insurance requirements through a detailed knowledge of the Council's risk management environment. Regular meetings with the insurance advisers are an opportunity to discuss any new risks facing the Council, and any action required.

Senior Management has focused considerable attention on the area of emergency planning. A Business Continuity Strategy and Emergency Plan has now been prepared to cover eventualities such as a flu pandemic. As a result, during 2009 this Council took a number of precautionary measures at the time of the outbreak of the H1N1 virus ("swine flu"), and operations were not adversely affected to any quantifiable extent.

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

A framework exists for capital and revenue budgetary control reporting to the Budget Managers on a monthly basis, the Extended Chief Officers Management Team on a quarterly basis, and now also the Policy and Resources Committee on a six monthly basis. A Budget Manager's Forum was established during 2008, and this is now used to facilitate the discussion of budgetary and accounting issues, and matters of financial control.

During the 2010/2011 rate setting process, the need to identify significant levels of budget savings in order to offset the financial pressures facing the Council led to much closer engagement from Budget Managers in the budget process than in previous years. Some very positive savings proposals came forward for consideration by COMT and committees. This has helped foster a greater awareness of budgetary needs and accountability at Budget Manager level, and has established a very useful framework for close liaison between officers and Members in determining key aspects of the policy budget process.

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 function is now a robust and integral element of the Council's internal control environment. The service's objectives are primarily to satisfy the Council's statutory responsibility under the *Accounts and Audit Regulations 2007* to "maintain in accordance with proper practices an adequate and effective system of internal audit of its accounting records and of its system of internal control". More specifically, the internal audit function must provide a service that objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources. All audit reviews now also make reference to the extent to which the Council's Financial Regulations and Standing Orders are being complied with. 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). Using the Strategic Audit Plan, audit reviews have been undertaken in many of the Council's major systems, as well as a range of specific areas of audit interest and minor systems. As of 2009/2010 internal audit also now provide an annual report to the Policy and Resources Committee on the effectiveness of the operation of the systems of internal control.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

STATEMENT OF INTERNAL CONTROL (CONTINUED)

Project Management - The Council has adopted the principles of and is committed to project management in order to facilitate the effective delivery of projects throughout the operations of the authority. PRINCE2 has been adapted to local needs through the development of Douglas Project Management (DPM). All managers responsible for projects have received training on DPM, and a project team is responsible for the effective implementation of DPM across the Council. The project team reports to the Chief Officers Management Team on a monthly basis, with an update on progress against all projects, and a report is also provided to elected Members through the Members Bulletin.

Review of effectiveness

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

Following a wide-ranging Best Value Review of the Housing Maintenance and Administration functions commissioned through an independent consultant from the Society of Local Authority Chief Executives (SOLACE), significant changes have been made in order to ensure the effective management and governance arrangements of the Housing Service. Further changes will be made during the course of 2010, in order to optimise the management arrangements within the overall Housing service.

During 2009/2010, a review of the management arrangements within the Council's Parks and Gardens Department was undertaken by a separate independent management consultant. Towards the end of the financial year, a report was presented to COMT, in which a series of recommendations were made in order to improve the Department's effectiveness and performance. These will be progressed during the course of 2010/2011. The same consultant also conducted a review of the Building Control section, resulting in a report with recommendations to the Policy and Resources Committee. Recommendations have already been implemented.

Following the completion in the prior year of a detailed review by the Society of Information Technology Management (SOCITM) of the Council's Information Technology and Communications (ICT) function, changes to the ICT management and business continuity arrangements and infrastructure have been made. The ICT Virtualisation project recently completed, in particular, is a significant development for business continuity. Through the ICT Development Plan, major improvements have been made in the area of network security and also in establishing a permanent staffing structure designed to meet the future ICT service needs of the Council. An ICT Strategy has now been completed, and an ICT Steering Group set up to ensure best and prioritised use of ICT resources. Briefings to all staff and elected Members about best ICT practice and security issues have also taken place.

A number of key processes in the Human Resources function have also been reviewed in order to improve effectiveness and the internal control framework. There is now a more effective process management of staff starters and leavers, in particular in terms of the integration with ICT and granting access to or removal from ICT systems. The introduction of a new leave management system (TeamSeer) for NJC staff operated by the Human Resources Department has had a positive impact in terms of effectiveness in the Human Resources Section due to the streamlining of the administration associated with staff absence management.

Significant internal control issues

We are not aware of any actual or potential non-compliance with laws and regulations that could have a material effect on the Council to conduct its business or on the results and financial position disclosed in the financial statements for the year ended 31st March 2010.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

STATEMENT OF INTERNAL CONTROL (CONTINUED)

A review of the internal control processes was carried out by internal audit to establish whether assurance has been obtained for key controls operating during the financial year ending 31st March 2010. In so far as the internal auditor has been able to place reliance on the audit work undertaken during the financial year, no significant internal control weaknesses have been identified. The overall conclusion is as follows: **“Our current understanding and experience of the Borough Council shows that they have a risk-aware and adaptable approach to their system of internal control. We understand that the system of internal control is designed to reduce the risks to which the Council is exposed, down to a reasonable level, and not to reduce the impact of all risk.”**

Attention is drawn to the fact that systems of internal control and corporate governance are designed to manage rather than eliminate the risk of failure to achieve objectives. They can therefore only provide reasonable and not absolute assurance. Accordingly, reasonable assurance is given that, except for the developmental areas listed above, the Council's internal control and corporate governance arrangements are adequate and operate effectively during the year ending 31st March 2010.

Nevertheless, taking into account all of the information made available, the Council is not in a position to provide complete assurance to internal control strength but is intent on making further improvements. This is because, although the Council is now committed to a good governance framework and significant progress has been achieved in this area since the last balance sheet date, the systems of performance and risk management are either not yet sufficiently formalised or developed in order to provide a properly informed opinion or assurance on these matters.

In view of the internal control status, it is accepted that further development work is required in the following areas over the next few financial years:

- Further implementation of the Council's Risk Management Policy, through the training of elected Members and operational managers in the principles of risk management, leading to the development of risk registers at operational level.
- Further development of the Council's Medium Term Financial Plan, and its application into the Policy Budget and Rate Setting processes.
- Development of a more effective central procurement function for the Council, following a review of the procurement and stores functions.
- A review of and improvements to the communication to relevant officers of decisions made at committee level, together with the monitoring of progress against their implementation.
- A review of the Council's Standing Orders, in particular with a view to streamlining the petition process and progression of capital projects.
- A review of the application of Douglas Project Management (DPM) principles across the Council's capital programme schemes.
- The incorporation of land assets within the Council's fixed asset register, following a senior officer review of land assets owned by the Council.
- Improving line manager awareness of the principles of internal control and the importance of the control environment, including the provision of clear guidance on those principles, which will be appended to the Financial Regulations.
- Full implementation of the Council's Staff Development Scheme to Whitley Council staff, to assist with the cascaded implementation of the corporate aims and objectives, and to assist with continuous improvement generally.
- The development of an asset management plan for the Council.
- A review of potential areas of collaborative working and shared services with other local authorities and areas of Government.
- Consideration is given to the preparation of an updated Corporate Plan to commence in 2012, to coincide with the newly elected Council in that year.

Progress against these items will be monitored by both COMT and ExCOMT on an ongoing basis through the use of an Internal Control Delivery Plan.

K J RICE, B.A. (Hons), Solicitor
CHIEF EXECUTIVE
16th July 2010

G M BOLT, CPFA
BOROUGH TREASURER
16th July 2010

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

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

We have audited the financial statements of Douglas Borough Council for the year ended 31 March 2010 set out on pages 20 to 52. The financial statements have been prepared in accordance with the accounting policies directed by the Isle of Man Treasury as relevant to local authorities set out therein.

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

Respective responsibilities of Council and auditors

The Council's responsibilities for preparing the Statement of Accounts, including the financial statements, in accordance with applicable law are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the financial statements give a true and fair view and have been prepared in accordance with the Accounts and Audit Regulations 2007 made under the Audit Act 2006 ('the Act').

In addition, we are required by section 4 of the Audit Act 2006 to consider whether the financial statements comply with the regulations made under section 12 of the Act and any directions under section 13, whether expenditure or income or any other transaction effected by or on account of the authority is or will be contrary to law, and whether the internal organisation of the authority and the controls maintained by it are such as to secure proper management of the finances of the authority and economy and efficiency in the use of its resources. Where we are not satisfied in respect of any of these matters our report will include a statement to that effect.

We read other information published with the Statement of Accounts and consider whether it is consistent with the audited financial statements. This other information comprises the explanatory forward, the statement of responsibilities for the statement of accounts and the statement of internal control. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the authority's circumstances, consistently applied and adequately disclosed.

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

However, with respect to land included in fixed assets, as explained in Accounting Policies note 1, certain land assets owned by the Council have not been included in the Statement of Accounts as the Council has been unable to identify the full extent of their assets. The audit evidence available to us was therefore limited as we were unable to obtain sufficient evidence to give reasonable assurance to support this amount in the accounts.

In addition, with respect to requirement 4.31 (15) of the SORP to disclose the details of significant commitments under capital contracts, these disclosures have not been made as the Council cannot quantify the details of relevant commitments at the year end date. The audit evidence available to us was therefore limited and we have been unable to quantify the effect of this omission on the financial statements.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

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

The financial statements do not comply with the Statement of Recommended Practice 2007: Accounting for entities subject to the Audit Act 2006 ('the SORP') in the following areas:

- There was an impairment of fixed assets in the prior year (£1,562,000) which has been transferred directly to reserves rather than being recognised in the restated 2008/09 Income and Expenditure Account as required by Section 3.25 of the SORP.
- The prior year adjustment to account for accumulated depreciation of certain fixed assets, required by Section 3.25 of the SORP, did not comply as there was no depreciation charge recognised in the restated Income and Expenditure account for the year ended 31 March 2009.
- Comparative information in respect of the Cash Flow Statement and associated disclosures have not been produced as required by Section 4.3 of the SORP

Except for the effect on the financial statements of the matters referred to in the preceding paragraphs, and the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the completeness of land assets held and quantification of capital commitments, in our opinion the financial statements:

- give a true and fair view, in accordance with the requirements of the SORP, of the state of the authority's affairs as at 31 March 2010 and of its result, for the year then ended; and
- have been prepared in accordance with the Accounts and Audit Regulations 2007 made under the Audit Act 2006.

In respect solely of the limitation on our work in connection with the completeness of land assets and the disclosure of capital commitments as referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper accounting records had been maintained.

PKF (Isle of Man) LLC
Douglas
Isle of Man

Date: 29th October 2010

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

INCOME AND EXPENDITURE ACCOUNT

	Restated 2008/2009		2009/2010	
Note	Net Expenditure £	Gross Expenditure £	Gross Income £	Net Expenditure £
SUMMARY OF SERVICES				
Central services to the public	539,022	588,522	(8,258)	580,264
Cultural, environmental and planning services	5,144,552	10,078,131	(5,065,497)	5,012,634
Highways and transport services	411,602	2,734,638	(2,106,487)	628,151
Housing services (non HRA)	529,929	760,157	(445,754)	314,403
Corporate and democratic core	1,598,061	1,717,460	(11,551)	1,705,909
Non distributed costs	269,895	622,568	(394,119)	228,449
Total General Fund Services	<u>8,493,061</u>	<u>16,501,476</u>	<u>(8,031,666)</u>	<u>8,469,810</u>
Housing Revenue Account	(4,830,797)	11,100,571	(8,807,348)	2,293,223
Actual Pension Scheme contributions	2 (1,358,000)	-	(1,432,000)	(1,432,000)
Current service cost of Pension Scheme	2 868,000	802,000	-	802,000
Net Cost of Services	<u>3 3,172,264</u>	<u>28,404,047</u>	<u>(18,271,014)</u>	<u>10,133,033</u>
(Surplus)/Deficit on disposal of fixed assets	4 (20,998)	235,000	(260,663)	(25,663)
Interest payable and similar charges	3,484,092			3,156,787
Interest and investment income	(481,447)			(63,459)
Pensions interest cost and expected return on pension assets	2 270,000			491,000
Net Operating Expenditure	<u>6,423,911</u>			<u>13,691,698</u>
Income from General Rate Fund	5 (9,583,398)			(10,017,628)
Net (Surplus)/Deficit for the year	<u>6 (3,159,487)</u>			<u>3,674,070</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

	Note	Restated 2008/2009 £	2009/2010 £
(Surplus)/Deficit on Income and Expenditure account	6	(3,159,487)	3,674,070
Net additional amount required to be credited to the General Fund Balance for the year		3,407,704	(3,228,066)
(Increase)/decrease in General Rate Fund balance for the year		<u>248,217</u>	<u>446,004</u>
General Rate Fund Balance brought forward		(3,465,985)	(3,217,768)
General Rate Fund Balance carried forward	32	<u>(3,217,768)</u>	<u>(2,771,764)</u>

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

	Note	Restated 2008/2009 £	2009/2010 £
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance:			
Depreciation and disposal of fixed assets (2009/2010 only)	16	-	(7,639,021)
Net charges made for retirement benefits in accordance with FRS17	2	(1,138,000)	(1,293,000)
		<u>(1,138,000)</u>	<u>(8,932,021)</u>
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the General Fund Balance for the year:			
Revenue provision for capital financing		2,865,636	2,845,254
Capital expenditure charged in-year to Revenue (RCCO)		285,361	1,015,987
Actual amount charged against the General Fund balance for pensions in the year	2	1,358,000	1,432,000
		<u>4,508,997</u>	<u>5,293,241</u>
Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year:			
Net transfers to/(from) Earmarked Reserves – General Fund	14	(54,613)	304,287
Net transfers to/(from) Earmarked Reserves – re surplus on sale of fixed assets	14	20,998	25,663
Net transfers to/(from) Earmarked Reserves – Housing Revenue Account	14	51,165	115,204
Non-Revenue transfers (to)/from Balances	14	19,157	(34,440)
		<u>36,707</u>	<u>410,714</u>
Net additional amount required to be credited to the General Fund Balance for the year		<u>3,407,704</u>	<u>(3,228,066)</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

	Note	Restated 2008/2009 £	2009/2010 £
(Surplus)/Deficit on Revenue Income and Expenditure Account	6	(3,159,487)	3,674,070
Actuarial (gains)/losses on Pension Fund assets and liabilities	27b	1,928,000	9,148,000
Net impact of FRS17 appropriation to Pensions Reserve		220,000	139,000
Increase/(Reduction) in ex gratia pensions benefits liability	28	-	(31,357)
Revaluation of war stock investment		(200)	394
Other prior year SORP transition related reconciling items		(199,133)	-
Total recognised (gains)/losses for the year		<u>(1,210,820)</u>	<u>12,930,107</u>
Prior year adjustment	33		<u>(142,715,172)</u>
Total recognised (gains)/losses since the last annual report			<u>(129,785,065)</u>

Changes under the SORP have resulted in prior period adjustments to the Balance Sheet totalling £142,715,172. A reconciliation is shown below:

	£	£
Closing Balance Sheet as at 31 st March 2009 as published last year		36,995,158
Revaluation of fixed assets	147,923,998	
Historical assets restatement	(1,562,124)	
Accumulated depreciation applied	(2,740,028)	
Write down of assets	(701,764)	
Recognition of ex gratia pensions liability	<u>(204,910)</u>	142,715,172
Opening Balance Sheet as at 1 st April 2009 (restated)		<u><u>179,710,330</u></u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

BALANCE SHEET AS AT 31ST MARCH 2010

	Note	Restated As At 31st March 2009 £	As At 31st March 2010 £	£
Intangible Fixed Assets	16e	-		19,485
Tangible Fixed Assets				
<i>Operational assets:</i>				
Council dwellings		219,131,998	214,461,578	
Other land & buildings		17,998,533	18,899,294	
Vehicles, plant & equipment		1,793,129	1,647,909	
Infrastructure assets		2,125,636	2,115,637	
<i>Non operational assets:</i>				
Investment properties		4,580,715	4,601,205	
Assets under construction		166,385	2,258,406	
Surplus assets held for disposal		225,000	-	243,984,029
Total Fixed Assets	16	246,021,396	244,003,514	
Long term debtors	17	1,024,250	-	
Long term investments	18	7,296	6,587	
		1,031,546	6,587	
Total Long Term Assets		247,052,942		244,010,101
Current Assets				
Stocks	19	227,724	206,039	
Debtors	20	1,801,788	1,870,598	
Bank and cash	21	1,262,720	1,545,766	
Total Current Assets		3,292,232	3,622,403	
Current Liabilities				
Creditors	22	(2,207,785)	(2,505,861)	
Short term borrowing	23	(3,555,537)	(4,044,821)	
Cash overdrawn	24	(560,463)	(936,535)	
Total Current Liabilities		(6,323,785)	(7,487,217)	
Total Assets less Current liabilities		244,021,389		240,145,287
Long Term Liabilities				
Long term borrowing	25	(58,196,006)	(58,277,034)	
Finance leases	26	(5,500)	-	
Pension Fund liability	27a	(5,936,000)	(14,945,000)	
Other unfunded pension liabilities	28	(173,553)	(143,030)	
		(64,311,059)	(73,365,064)	
Total Assets less Liabilities		179,710,330	166,780,223	

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

BALANCE SHEET (CONTINUED)

	Note	Restated As At 31st March 2009 £	As At 31st March 2010 £
Financed by			
Capital Adjustment Account	29	31,104,668	32,047,025
Revaluation Reserve	30,32	147,923,998	143,285,958
Usable Capital Receipts Reserve	31	183,510	366,336
Pensions Reserve	32	(6,140,910)	(15,118,553)
General Revenue Balance	32	3,217,768	2,771,764
Specific reserves	32	2,995,527	2,940,531
Housing Revenue Account reserves	32	425,769	487,162
Total Net Worth		<u>179,710,330</u>	<u>166,780,223</u>

The Financial Statements were approved and authorised for issue by the Policy and Resources Committee on behalf of the Council.

D W CHRISTIAN, J P
 CHAIRMAN OF POLICY AND RESOURCES COMMITTEE
 29th October 2010

G M BOLT, CPFA
 BOROUGH TREASURER
 29th October 2010

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

CASH FLOW STATEMENT

		2009/2010	
	Note	£	£
Revenue activities			
Cash outflows			
Cash paid to and on behalf of employees		9,484,757	
Other operating cash expenses		<u>6,970,468</u>	
			16,455,225
Cash inflows			
Rates receipts		(8,759,774)	
Rent receipts		(8,013,384)	
Government grants		(4,426,490)	
Cash received for goods and services		(2,628,704)	
Other revenue cash receipts		<u>(443,326)</u>	
			<u>(24,271,678)</u>
Net cash inflow from revenue activities	35		<u>(7,816,453)</u>
Return on investments and servicing of finance			
Cash outflows			
Interest paid		3,122,667	
Other		<u>625</u>	
			3,123,292
Cash inflows			
Interest received			<u>(15,077)</u>
Net cash outflow from servicing of finance			<u>3,108,215</u>
Capital activities			
Cash outflows			
Purchase of fixed assets			5,655,946
Cash inflows			
Sale of fixed assets		(250,663)	
Capital grants received		(19,207)	
Other capital cash receipts		<u>(20,000)</u>	
			<u>(289,870)</u>
Net cash outflow from capital activities			<u>5,366,076</u>
Net cash outflow before financing	36		<u>657,838</u>
Financing			
Cash outflows			
Repayment of amounts borrowed		4,217,073	
Capital element of finance lease rental payments		<u>4,875</u>	
			4,221,948
Cash inflows			
New loans raised			<u>(4,786,760)</u>
			<u>(564,812)</u>
Net decrease/(increase) in cash	37		<u>93,026</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

GENERAL RATE FUND

	Note	2008/2009 £	2009/2010 £	£
Total Rates levied for the year	5	9,704,203		10,177,394
Add:				
Gross arrears brought forward		50,615	62,153	
Refunds		32,397	38,439	
		<u>83,012</u>		<u>100,592</u>
		9,787,215		10,277,986
Less:				
Rate paid in advance brought forward		(30,524)	(31,794)	
Discounts	5	(325,546)	(337,567)	
Statutory allowances	5	(120,805)	(159,766)	
		<u>(476,875)</u>		<u>(529,127)</u>
Total Rates collectable		<u><u>9,310,340</u></u>		<u><u>9,748,859</u></u>
Rates received in the year:				
Current year Rates		9,268,172	9,714,341	
Arrears collected		11,809	6,702	
Total revenue income		9,279,981		9,721,043
Balances outstanding carried forward:				
Current year arrears		53,871	52,044	
Current year Rates paid in advance		(31,794)	(47,885)	
		<u>22,077</u>	<u>4,159</u>	
Previous years arrears		8,282	23,657	
Total arrears		30,359		27,816
		<u><u>9,310,340</u></u>		<u><u>9,748,859</u></u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Retirement Benefits

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

2. Pensions Costs

In 2009/2010 the Council paid an employer's superannuation contribution of £1.409m (2008/2009: £1.341m), representing 23.0% (2008/2009: 23.0%) of pensionable pay into the Pension Fund. The contribution rate is determined by the Fund's actuary, based on triennial valuations; the last full review being at 31st March 2007. There were also Scheme benefits paid by the employer of £16,698 (2008/2009: £17,014) in respect of unfunded discretionary compensatory added years benefits granted by the Council. In addition there were £31,357 (2008/2009: £28,124) ex gratia benefit payments made by the Council outside the Scheme in respect of unfunded discretionary Benefits.

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

Income and Expenditure Account	2008/2009		2009/2010	
	£'000	£'000	£'000	£'000
<u>Net cost of services</u>				
Current service cost of Pension Scheme		868		802
<u>Net operating expenditure</u>				
Interest cost on Pension Scheme liabilities	1,409		1,402	
Expected return on Scheme assets	(1,139)	270	(911)	491
Net charge to Income and Expenditure Account		1,138		1,293
<u>Statement of Movement on General fund Balance</u>				
Reversal of net charges made for retirement benefits in accordance with FRS17		(1,138)		(1,293)
<u>Actual amount charged against ratepayers in year:</u>				
Employer contributions payable to scheme		1,358		1,432

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial net losses of £9,148,000 (2008/2009: £1,928,000) were included in the Statement of Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £9,718,000.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

3. Net Cost of Services

The Net Cost of Services for 2008/2009 has been restated due to changes in accounting treatment, in particular the removal of capital charges, with an overall net reduction of £6,614,091. The loan charge interest payments and surplus from the sale of assets are now included within the Net Operating Expenditure heading of the Income and Expenditure Account, whilst the loan charge principal payments (i.e. Revenue provision for capital financing) are now accounted for within the Statement of Movement on the General Fund Balance. The table below presents a reconciliation of the prior year published accounts to the restated 2008/2009 figures.

	2008/2009 Published Accounts	Loan charges (principal and interest payments)	RCCO	Surplus on sale of vehicles	2008/2009 Restated Accounts
	£	£	£	£	£
General Fund	10,327,520	(1,570,096)	(285,361)	20,998	8,493,061
HRA	(51,165)	(4,779,632)	-	-	(4,830,797)
FRS17 adjustment	(490,000)	-	-	-	(490,000)
Net Cost of Services	9,786,355	(6,349,728)	(285,361)	20,998	3,172,264

A detailed service by service breakdown within the Net Cost of Services figure can be found at Appendix A.

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

During 2009/2010, the Curator's Lodge at the Borough Cemetery was sold for a surplus of £25,000 over the valued figure. The surplus gained from vehicle sales during the year was £663. During the prior year, the surplus from vehicle sales amounted to £20,998, this previously being included within the net cost of services. There were no other fixed assets sold during 2008/2009. Prior to 2009/2010, the policy was to credit the Plant Renewals Fund with vehicle sales receipts. In compliance with the SORP, all capital receipts during 2009/2010 have been credited to the Usable Capital Receipts Reserve.

5. Rates Income

	2008/2009 Pence	2009/2010 Pence
	£	£
Rates levied (pence in the pound)	373	385
Penny rate product	25,693	26,020
Rates proceeds to General Rate Fund	<u>9,583,398</u>	<u>10,017,628</u>
Rates levied	9,704,203	10,177,394
Less statutory allowances	(120,805)	(159,766)
Proceeds to General Rate Fund	<u>9,583,398</u>	<u>10,017,628</u>
Less statutory 5% discounts given	(325,546)	(337,567)
Net Rate income after discount	<u>9,257,852</u>	<u>9,680,061</u>

Statutory allowances are in respect of part year liability (e.g. with new build properties), charitable relief, and other reductions in property rateable values as directed by the Treasury Valuation Office. The total statutory allowances for the year amounted to 1.57% (2008/2009: 1.24%) of the rates due. In addition, statutory discounts are granted in respect of rates paid in full prior to the end of June each year. The rateborne cost of providing the statutory discounts is charged each year to the Cost of Rate Collection service (within Central Services to the Public). The total rateable value for the Borough as at 31st March 2010 was £2,643,479 (2008/2009: £2,601,663).

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

6. Net (Surplus)/Deficit on the Revenue Income and Expenditure Account

The impact of restatement on the Net Surplus figure for 2008/2009 is an increase of £3,150,997. Due to an offsetting restatement of movements in terms of capital charges (see note 3), there is no overall impact upon the General Rate Fund Balance. The £6.834m movement between the financial years largely reflects the £7.639m depreciation charge included within the 2009/2010 accounts.

7. Members' Allowances

During 2009/2010 allowances paid to the Council's elected Members amounted to £38,520 (2008/2009: £38,610). During 2009/2010 payments totalling £120 were made, which related to meeting attendances during the 2008/2009 year. The allowance payable to Members is £30 per meeting session (2008/2009: £30).

8. Remuneration/Emoluments of Employees

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

Remuneration Band	Number of Employees 2008/2009	Number of Employees 2009/2010
£50,000 to £59,999	7	9
£60,000 to £69,999	-	-
£70,000 to £79,999	2	2
£80,000 to £89,999	1	1

9. Audit Costs

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

	2008/2009 £	2009/2010 £
Fees payable with regard to statutory audit services carried out by the appointed auditor (current year)	12,290	38,750
Fees payable with regard to statutory audit services carried out by the appointed auditor (prior year)	-	12,872
	12,290	51,622

The audit fees incurred during 2009/2010 reflects two years' worth of expenditure, in that the fees payable relating to the statutory audit of financial statements for the year ended 31st March 2010 have been accrued as at the balance sheet date. This accruals practice has not been applied in previous financial years.

10. Publicity

The Council's spending on publicity was:

Publicity Expenditure	2008/2009 £	2009/2010 £
Recruitment advertising	40,691	17,032
Other advertising	26,878	26,657
Other publicity	11,600	11,579
	79,169	55,268

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

11. Local Government (Entertainments) Act 1950

Under the terms of the above legislation (as amended by the Local Authorities Entertainments Order 2006), local authorities are empowered to spend up to a rate of 6 pence in the pound for the purposes of public entertainment, ceremony and in the reception and entertainment of distinguished persons. During the year the Council spent £58,272, being 2.24 pence in the pound (2008/2009: £64,641, being 2.51 pence in the pound) on such items, including expenditure on Armistice Day, Civic Sunday, Manx National Week, the Christmas Lights Switch-on and a Bonfire Night fireworks display, together with receptions held for various official visits. These costs are all included within the Public Events service within the Cultural, Environmental and Planning Services category of expenditure.

12. Related Party Transactions

The Government has a significant level of interaction with the operations of the Council. It is responsible for providing the statutory framework within which the Council operates, and provides a significant element of funding for Council operations in the form of agency and various deficiency arrangements. Details of such transactions with Government Departments are shown in the separate note on agency income and expenditure (note 13).

Members of the Council have direct control over the Council's financial and operating policies. As contracts are let in compliance with the Council's Standing Orders, the risk of abuse of that position is minimal. Furthermore, where contracts or business with organisations that are closely linked with individual Members are being considered at Committee level, proper consideration of declarations of interest is made, and relevant Members would not take any part in the discussion or decision relating to such matters. One Member had interests in a business which had dealings with the Council during the year. These transactions totalled £2,481 (2008/2009: £12,414), and were undertaken within the normal course of business on an arm's-length basis.

The Council is the administering authority for the Isle of Man Local Government Superannuation Scheme. Administration expenses incurred by the Council during the year amounted to £53,215 (2008/2009: £55,400) and related to a combination of direct and indirect costs. This was charged to the Scheme. As at 31st March 2010 the debtor balance of £103,870 was still due to the Council. The Council's employer superannuation contributions into the scheme for 2009/2010 totalled £1.409m (2008/2009: £1.341m).

The Council has representation on the Board of the Douglas Development Partnership, and the Council contributes towards the operational and administrative costs of the Partnership, including salaries, office rental, lease car, and general grant. The total cost to the Council of this arrangement during 2009/2010 was £135,704 (2008/2009: £134,939). The Council also received £7,070 income from the Partnership during the year, as a contribution towards the costs of the hanging baskets function (2008/2009: £7,070). There was no balance owing to/from the Partnership at the year end (2008/2009: £3,613 creditor balance).

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

12. Related Party Transactions (cont'd)

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

Burials Act Expenditure	2008/2009	2009/2010
	£	£
Rate levy from Braddan Burial Ground Churchwardens	72,915	74,266
Rate levy from Onchan Burial Ground Churchwardens	1,607	1,608
Cost to Council of maintaining St. George's Parish Churchyard	11,281	6,459
Total revenue expenditure under Burials Act	<u><u>85,803</u></u>	<u><u>82,333</u></u>

The Council has an arrangement with a golf professional whereby the day to day administration of the Douglas Golf Course customer business is outsourced in return for an agreed retainer worth £30,000 per annum. The professional also manages the Golf Clubhouse and Community facility on behalf of the Douglas Golf Club, and retains income derived from the building. A tenancy rental of £15,000 for the facility was paid to the Council by Douglas Golf Club during the year.

13. Agency Income and Expenditure

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

Grant and Agency income from Government Departments

Department	Service	Balance due (to)/from Gov't 1st April	Net operating cost	Less: Rate-borne (cost)/benefit	Total Grant/ Agency income due	Grant/ Agency amount received	Balance due (to)/from Gov't 31st March
		£	£	£	£	£	£
Transport <i>-now Water & Sewerage Authority</i>	Drainage Agency	710	491,058	-	491,768	(499,016)	(7,248)
Transport <i>-now Infrastructure</i>	Street Cleaning	-	690,999	3,501	694,500	(694,500)	-
	Gully Emptying	502	91,562	15,000	107,064	(108,273)	(1,209)
Local Gov't & the Env't <i>-now Infrastructure</i>	Shaw's Brow Car Park	892	34,273	176,671	211,836	(233,338)	(21,502)
Local Gov't & the Env't <i>-now Social Care</i>	Council Housing	(73,710)	1,673,619	(310,403)	1,289,506	(1,617,790)	(328,284)
Tourism & Leisure <i>-now Economic Development</i>	Grandstand / Campsite	3,479	48,168	-	51,647	(49,690)	1,957
Totals		(68,127)	3,029,679	(115,231)	2,846,321	(3,202,607)	(356,286)

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

13. Agency Income and Expenditure (cont'd)

In addition to the above, the Council provided a number of other miscellaneous services to different Isle of Man Government Departments, including: maintaining the Villa Marina and National Sports Centre gardens (Department of Tourism and Leisure – now Department of Community, Culture and Leisure) and various, ad hoc, rechargeable works in connection with the TT and Manx Grand Prix festivals (Department of Tourism and Leisure – now Department of Economic Development); grounds maintenance along road verges (Department of Transport – now Department of Infrastructure). A Government grant was also received from the Department of Local Government and the Environment (now Department of Infrastructure) in respect of the Crematorium's loan charges and in respect of the Government levy charged for household waste. The Council also operates contracts by the Government to operate the Eastern Civic Amenity Site and recycling Kerbside Collection in Douglas, Braddan and Onchan (Department of Infrastructure). A full breakdown of all Government income is shown in the table below:

Other income received from the Isle of Man Government

	2008/2009	2009/2010
	£	£
Grant/Agency income receivable (see above)	(4,366,552)	(2,846,321)
Less/(add) brought forward (see above)	830,748	(68,127)
Contractual income	(310,448)	(548,960)
Crematorium loan charges	(43,436)	(42,750)
Tramways' portion of Isle of Man Transport 'Rover Tickets'	(21,933)	(15,596)
Road verges' maintenance	(60,320)	(60,320)
Waste levy subsidy – refuse collection (gross)	(932,971)	(890,482)
Waste levy subsidy - Civic Amenity Site (gross)	(573,008)	(284,855)
Contribution to King George V scheme professional fees	-	(36,397)
Miscellaneous	(73,424)	(178,641)
Total Government income	<u>(5,551,344)</u>	<u>(4,972,449)</u>

In addition to the above, during the year a Playground Assistance Grant of £19,207 was received from the Department of Local Government and the Environment (now Department of Infrastructure), to assist the Council in its funding of various new playground schemes (2008/2009: £4,857).

14. Contributions to/(from) Specific Reserves

This is made up of a number of transfers to and from various specific (i.e. earmarked) reserves. For 2008/2009, contributions into the Plant Renewals Fund in respect of vehicles were still showing at service level. In compliance with the SORP, all appropriations to reserves (including Plant Renewals Fund service contributions) are now shown separately within the Statement of Movement on the General Fund Balance. The service accounts for 2008/2009 have not been restated to reflect this change in treatment, as that year's service contributions represent a broad equivalent to the vehicle depreciation charges that would otherwise have been made to the services.

The detailed breakdown of all contributions to and from the Council's various specific reserves is shown in the table overleaf:

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

14. Contributions to/(from) Specific Reserves (cont'd)

	2008/2009	2009/2010	
	£	£	£
<u>Revenue contributions to General Fund specific reserves:</u>			
Loans pool interest credited to reserves	45,846	6,429	
Cremators Renewals Fund	43,898	44,480	
Building Maintenance (Commercial) Fund	20,693	22,837	
Risk Management and Special Projects	-	10,888	
Plant Renewals Fund (General Rate Fund)	-	270,380	
Plant Renewals Fund (HRA)	-	7,440	
Plant Renewals Fund (Tramways)	-	2,390	
Plant Renewals Fund (CCTV)	28,000	24,000	
Increased provision against Tramways Stores	414	-	
Capital Receipts (Curator's Lodge surplus)	-	25,000	
Capital Receipts (vehicle sales surplus) – see footnote	20,998	663	
	159,849		414,507
<u>Revenue contributions from General Fund specific reserves:</u>			
Risk Management & Special Projects Fund regarding minor revenue schemes during the year	(89,938)	(28,450)	
ICT Fund	(97,500)	(3,800)	
Derelict Buildings Fund	(4,510)	(47,500)	
Reduced provision against Tramways stores	-	(4,807)	
Tramways Renewals Fund	(1,516)	-	
	(193,464)		(84,557)
Net Revenue contributions to/(from) General Fund specific reserves	(33,615)		329,950
<u>Revenue Contributions to/(from) HRA specific reserves:</u>			
Rental income contribution into Housing Repairs Fund	1,933,842	1,980,539	
Rental income contribution into Community Facilities Reserve	20,300	20,274	
Contribution from Housing Repairs Fund to finance repairs	(1,895,705)	(1,883,627)	
Contribution from Community Facilities Reserve	(7,272)	(1,982)	
	51,165		115,204
<u>Non-revenue transfers (to)/from General Revenue Reserve:</u>			
Contribution from Plant Renewals Fund	(151,000)	-	
Plant Renewals Fund (CCTV)	105,000	-	
Tramways Renewals Fund	-	(27,000)	
Housing Revenue Account (re Plant Renewals)	-	(7,440)	
St Georges Churchyard Fund	42,000	-	
Risk Management and Special Projects Fund	23,157	-	
	19,157		(34,440)
Total Transfer to/(from) Specific Reserves	36,707		410,714

NB 2008/2009 vehicle sales surplus was credited to the Plant Renewals Fund. As of 2009/2010 all vehicle sales receipts are credited to the Usable Capital Receipts Reserve.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

15. Capital Expenditure

HRA capital expenditure £4.293m (2008/2009: £1.795m) includes investment in new Council housing, and programmes for installing central heating and insulation in existing houses. The financing of this expenditure is normally by way of loan, while the long term cost of that borrowing is met by a combination of rent from the housing tenants and the annual Deficiency Grant claimed from the (then) Department of Local Government and the Environment (now Department of Social Care). The largest capital expenditure on General Fund assets was for Town Hall refurbishment (funded from Reserves) and Public Lighting (funded by long term borrowing).

Included within the capital expenditure for 2009/2010 is £235,669 (£184,868 HRA; £50,801 General Rate Fund) expenditure relating to works undertaken in the period up to and including 31st March 2010, but not processed for payment until the 2010/2011 financial year. 2009/2010 represents the first year accruals have been applied to capital expenditure amounts. The equivalent amounts for 2008/2009, if capital creditor accruals had been applied for that year, would have been £285,135 (£215,417 Housing Revenue Account; £69,718 General Rate Fund).

16a. Fixed Assets

Work was undertaken in the year to revalue and reclassify the Council's fixed assets in line with the requirements of the SORP. The following table reconciles the originally published figures for the period to 31st March 2009 to the revalued fixed asset amounts, using the SORP classification of asset categories in the Balance Sheet. The table indicates the revaluation amounts within each category and any other necessary adjustments required to comply with the SORP. There is no historical cost of Investment Properties as the amount is included within 'Other land and buildings' but cannot be separately identified. There is no net impact on the Net Book Value of the assets

Restatement of prior year fixed assets

2008/09	Operational			Non-operational			Surplus assets held for disposal
	Council dwellings	Other land & buildings	Vehicles, plant & equipment	Infra-structure assets	Investment properties	Assets under construction	
	£	£	£	£	£	£	£
Original cost values As At 31st March 2009	71,374,385	22,506,731	9,189,597	-	-	-	-
Realigned per SORP	(166,385)	1,859,641	(4,946,931)	3,117,891	-	166,385	-
Realigned values	71,208,000	24,366,372	4,242,666	3,117,891	-	166,385	-
Revaluations	147,923,998	-	-	-	-	-	-
Restatement of historical values	-	(6,367,839)	-	-	4,580,715	-	225,000
Written down	-	-	(701,764)	-	-	-	-
Restated cost or valuations As At 31st March 2009	219,131,998	17,998,533	3,540,902	3,117,891	4,580,715	166,385	225,000
Depreciation As At 31st March 2009	-	-	(1,747,773)	(992,255)	-	-	-
Net book value restated As At 31st March 2009	219,131,998	17,998,533	1,793,129	2,125,636	4,580,715	166,385	225,000

There were no asset impairments identified during the revaluation exercise.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

16b. Fixed Assets (cont'd)

The following table presents the movement of fixed asset balances, across category, since the last (restated) balance sheet date. There were no asset impairments or revaluations identified during the year ended 31st March 2010.

2009/10	Operational				Non-operational		
	Council dwellings	Other land & buildings	Vehicles, plant & equipment	Infra-structure assets	Investment properties	Assets under construction	Surplus assets held for disposal
	£	£	£	£	£	£	£
Restated cost or valuation As At 31st March 2009	219,131,998	17,998,533	3,540,902	3,117,891	4,580,715	166,385	225,000
Additions in year	2,200,750	1,115,582	297,459	140,956	20,490	2,092,021	-
Disposals/write downs	-	(30,601)	(14,875)	-	-	-	(225,000)
Cost or valuation As At 31st March 2010	221,332,748	19,083,514	3,823,486	3,258,847	4,601,205	2,258,406	-
Depreciation As At 31st March 2009	-	-	(1,747,773)	(992,255)	-	-	-
Charge for year	(6,871,170)	(184,220)	(437,804)	(150,955)	-	-	-
Disposals in year	-	-	10,000	-	-	-	-
Depreciation As At 31st March 2010	(6,871,170)	(184,220)	(2,175,577)	(1,143,210)	-	-	-
Net book value as at 31st March 2010	214,461,578	18,899,294	1,647,909	2,115,637	4,601,205	2,258,406	-
Net book value restated As At 31st March 2009	219,131,998	17,998,533	1,793,129	2,125,636	4,580,715	166,385	225,000

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

16c. **Fixed Assets (cont'd)**

Depreciation is provided on all assets with a finite useful life, other than freehold land, assets under the course of construction, surplus assets held for sale and investment properties. Depreciation is calculated using the straight line method based on the length of the useful remaining life of the asset, normally determined by professional valuation. The estimated remaining lives of the assets are set out in the table below.

Asset	Remaining useful life (years)
Council dwellings	5-56
Sheltered accommodation units	30-40
Public offices	50
Depot/administrative offices	50
Depots and stores	10-50
Nurseries	40
Tramways stables and storage	50
Off-street car parks	50
Crematoria and chapels	50
Market Hall	50
Public conveniences	15-50
Vehicles, plant & equipment	1-15
Public and decorative lighting installations	1-15

16d. **Fixed Assets (cont'd)**

The following table shows the number of fixed assets owned by the Council held at 31st March 2010.

Asset Description	As At 31st March 2009	As At 31st March 2010
Operational Assets		
Council dwellings	2,130	2,130
Sheltered accommodation units	100	100
Public offices	1	1
Depot/Administrative office	2	2
Depots and stores	7	7
Nurseries	1	1
Tramways stables and storage	2	2
Off-street car parks	3	3
Crematoria and chapels	2	2
Community centre/ changing rooms	1	1
Golf Clubhouse/community centre	1	1
Golf course	1	1
Market Hall	1	1
Public conveniences	11	11
Other	3	3
Non Operational Assets		
Commercial properties	19	19
Other commercially let properties	9	9
Garages	49	49
Residential units	6	6
Other non operational	2	2
Surplus assets held for disposal	1	0

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

16e. Fixed Assets (cont'd)

Intangible fixed assets

These are computer software items amortised over 5 years.

	2009/10	Intangible £
Net book value restated as at 31st March 2009		-
Additions in year		24,357
Disposals/write downs		-
Amortisation		(4,872)
Net book value as at 31st March 2010		19,485

17. Long Term Debtors

The restated balance as at 31st March 2009 represents the amount still owed by the (then) Department of Transport in respect of drainage infrastructure asset development work undertaken by the Council prior to the Sewerage Act 1999. This balance is transferred to the current asset debtor section of the accounts for the 31st March 2010 balance sheet date (see note 20).

18. Long Term Investments

The Council holds a 3½% War Stock investment, which reduced in value during the year ending 31st March 2010.

19. Stocks

The Stocks and Stores balance mainly comprises those assets held in the Council's General Stores facility, but also included stocks separately held by the Tramways Department, and the Cleansing Department's stock of wheeled bins.

	As At 31st March 2009 £	As At 31st March 2010 £	
General Stores	164,290	156,280	
Tramways Undertaking Stock	30,367	25,560	
Wheeled bins Stock	33,067	24,199	
Total Stocks	227,724	206,039	

20. Debtors

Debtor amounts falling due within one year:

	As At 31st March 2009 £	As at 31st March 2010 £	£
Sundry Debtors	687,582	519,247	
Government Departments	580,751	888,206	
VAT refund	333,034	191,234	
Housing rents	101,454	101,131	
Rates arrears	62,153	75,701	
Payments in advance	124,949	164,773	
Work in progress	1,640	26,118	
	1,891,563		1,966,410
<u>Less provision for Bad Debts:</u>			
General Rate Fund	(75,638)	(74,957)	
Housing Revenue Account	(14,137)	(20,855)	
	(89,775)		(95,812)
	1,801,788		1,870,598

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

20. Debtors (cont'd)

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

The Government Departments figure for 31st March 2010 includes a £886,249 debtor balance owed by the (then) Department of Transport (now owed by Isle of Man Water & Sewerage Authority) in respect of the loan principal outstanding for drainage infrastructure work (see note 17). This amount is due to be repaid to the Council in the year ending 31st March 2011. In the restated Balance Sheet as at 31st March 2009, the loan outstanding was valued at £1,024,250, which is included within the Long Term Debtors section of the accounts.

21. Bank and Cash

The bank and cash position includes amounts held within a short term deposit account, which is accounted for as cash. This is in line with the Council's policy of classifying as cash, all short term deposits with a deposit period not greater than three months. In previous years the bank and cash position represented the net position of all accounts held within the bank, including overdrawn balances. The prior year balance sheet is therefore restated to show both the gross bank and cash and also overdrawn positions. A breakdown of all accounts held is shown at note 37.

22. Creditors

Creditor amounts falling due within one year:

	Restated As At 31st March 2009 £	As At 31st March 2010 £
Sundry Creditors	1,227,337	1,117,739
Government Departments	372,738	423,323
Capital Creditors	-	235,669
Bond interest payable	151,960	124,462
Housing rents prepaid	126,459	154,041
Rates prepaid	31,794	47,885
Sundry prepayments	297,497	402,742
	2,207,785	2,505,861

The Sundry Creditors balance comprises miscellaneous revenue amounts due to suppliers but not yet paid as at the balance sheet date, together with amounts accrued for as they relate to expenditure incurred, but not yet invoiced, prior to that date. There are also some payroll-related creditor balances included within this figure. In particular, the Sundry Creditors balance as at 31st March 2010 includes a £14,972 provision (2008/2009: £28,916) for time in lieu worked and owed to salaried employees. The £30,523 (2008/2009: £31,357) ex-gratia pensions benefits payable within 12 months of the balance sheet date are also incorporated within the Sundry Creditors figure. The prior year accounts have been restated to reflect this treatment. Capital creditors had not been accrued as at the previous balance sheet date.

The creditor balance in respect of Government Departments includes a balance with the Department of Local Government and the Environment (now Department of Social Care) in respect of £328,284 overclaimed Council Housing Deficiency (2008/2009: £73,710).

23. Short Term Borrowing

The breakdown of the Short Term Borrowing figure is shown in the table below. The finance lease figure represents the residual lease repayments due within 12 months of the balance sheet date. This was previously showing within the Long Term Liabilities section (see note 26). Lease rentals paid in the year amounted to £4,875 (2008/2009: £4,251) and the sum of £5,500 (2008/2009: £10,375) was outstanding at the end of the year, and due to be repaid in full by 31st March 2011.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

23. Short Term Borrowing (cont'd)

	Restated As At 31st March 2009 £	As At 31st March 2010 £
Bank loan principal	2,476,211	2,397,347
Mortgage Bonds	1,074,451	1,641,974
Finance Lease	4,875	5,500
Total Short Term Borrowing	<u>3,555,537</u>	<u>4,044,821</u>

24. Cash overdrawn

The Council holds a number of different accounts at the bank. Whilst in previous years the net position of all of these accounts including overdrawn balances was shown, the gross overdrawn balance is now showing separately. The prior year balance sheet is therefore restated to show the both gross bank and cash and also overdrawn positions. A breakdown of all accounts held is shown at note 37.

25. Long Term Borrowing

As the Council's new borrowings are now by way of bank loan facility, no new Mortgage Bonds are being issued by the Council. Bonds are now repaid, rather than renewed, at time of maturity. The bank loans are fixed interest, unsecured and repayable over 30 years. All bank loans have been sanctioned by both Treasury and the relevant Department and are secured by way of a Letter of Comfort issued by Treasury. The long term borrowing split between bank loan principal and the remaining loans pool mortgage bonds is as follows:

	As At 31st March 2009 £	As At 31st March 2010 £
Bank loan principal	49,101,456	51,333,710
Mortgage Bonds	9,094,550	6,943,324
Total Long Term Borrowing	<u>58,196,006</u>	<u>58,277,034</u>

An analysis of all Long Term Borrowing repayable within a period in excess of 12 months by maturity is presented below:

	As At 31st March 2010		
Loan repayment term	Mortgage Bonds £	Bank loan £	Total £
Repayable between 1 and 2 years	2,512,537	1,923,641	4,436,178
Repayable between 2 and 5 years	4,430,787	5,097,815	9,528,602
Repayable between 5 and 10 years	-	12,524,405	12,524,405
More than 10 years	-	31,787,849	31,787,849
Total long term loans	<u>6,943,324</u>	<u>51,333,710</u>	<u>58,277,034</u>

26. Finance leases

The finance lease outstanding balance as at 31st March 2009 has been restated to include only the balance due for repayment beyond the year ending 31st March 2010. Repayments of £4,875 due as at the prior year balance sheet date and paid within the year ending 31st March 2010 have been transferred to the current liabilities section. As the balance as at 31st March 2009 represents the final repayment balance due within the 2010/2011 financial year, and as there were no new assets acquired during the 2009/2010 year funded from lease, the long term liability as at 31st March 2010 is £nil.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

27. Net Pensions Liability

27a. Pension Fund Assets and Liabilities

Reconciliation of defined benefit obligation	As At 31st March 2009 £'000	As At 31st March 2010 £'000
Opening defined benefit obligation	20,159	20,054
Current service cost	868	802
Interest cost	1,409	1,402
Contributions by members	352	378
Actuarial (gains)/losses	(2,044)	13,259
Estimated benefits paid	(673)	(635)
Estimated unfunded benefits paid	(17)	(15)
Closing defined benefit obligation	<u>20,054</u>	<u>35,245</u>

Reconciliation of fair value of the employer's Scheme assets	As At 31st March 2009 £'000	As At 31st March 2010 £'000
Opening fair value of employer's Scheme assets	15,931	14,118
Expected return on assets	1,139	911
Contributions by members	352	378
Employer contributions	1,341	1,417
Contributions in respect of unfunded benefits	17	15
Actuarial (losses)/gains	(3,972)	4,111
Estimated benefits paid	(673)	(635)
Estimated unfunded benefits paid	(17)	(15)
Closing fair value of employer's Scheme assets	<u>14,118</u>	<u>20,300</u>

In accordance with FRS17 – Retirement Benefits, the Council must disclose its share of the assets and liabilities related to the Scheme for its employees. The assets in the Isle of Man Local Government Superannuation Scheme are valued at bid value, principally market value for investments, and the asset categories are shown in the Isle of Man Local Government Superannuation Scheme Accounts.

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

Asset Class	Distribution As At 31st March 2009		Distribution As At 31st March 2010	
	£'000	%	£'000	%
Equities	7,736	54.8	13,195	65.0
Bonds	4,786	33.9	5,278	26.0
Property	551	3.9	1,624	8.0
Cash	1,045	7.4	203	1.0
Total estimated employer assets	<u>14,118</u>	<u>100.0</u>	<u>20,300</u>	<u>100.0</u>
Present value of scheme liabilities	<u>(19,900)</u>		<u>(35,080)</u>	
Net underfunding in funded plans	<u>(5,782)</u>		<u>(14,780)</u>	
Present value of unfunded liabilities	<u>(154)</u>		<u>(165)</u>	
Net pensions long term liability	<u>(5,936)</u>		<u>(14,945)</u>	

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

27. Net Pensions Liability (cont'd)

The impact of complying in full with FRS17 has been to reduce the total net assets of the Council by £14.945m (2008/2009: £5.936m). The net pensions liability represents the difference between the value of the Council's share of assets in the Scheme and the value of the future pension payments to which it was committed at that date. These pension liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them.

Changes in demographic assumptions, in particular life expectancy increases, have contributed to the large increase on the long term liability position. The liabilities are discounted by a factor reflecting market and inflationary expectations. This year, the discount factor has been significantly reduced, reflecting falls in corporate bond yields and an increase in the level of inflation expectation.

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

27b. Actuarial Gains and Losses

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

	31 st March 2006		31 st March 2007		31 st March 2008		31 st March 2009		31 st March 2010	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Fair value of assets	14,096	-	15,911	-	15,931	-	14,118	-	20,300	-
Present value of liabilities	(21,557)	-	(22,358)	-	(20,159)	-	(20,054)	-	(35,245)	-
Asset/(liability)	(7,461)		(6,447)		(4,228)		(5,936)		(14,945)	-
Experience gains/(losses) on assets	2,377	16.9	99	0.6	(2,078)	13.4	(3,972)	(28.1)	4,111	20.3
Experience gains/(losses) on liabilities	27	0.1	-	-	(288)	(1.4)	(1)	0.0	2	0.0
Actuarial gains/(losses) recognised in STRGL	(110)	-	1,254	-	2,142	-	(1,928)	-	(9,148)	-

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

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

27. Net Pensions Liability (cont'd)

27c. Basis for estimating Assets and Liabilities

The liabilities of the Scheme as at 31st March 2010 were valued by the Fund's actuaries, Hymans Robertson, using the "projected unit method", which assesses the future liabilities (i.e. pensions payable) of the Scheme discounted to their present value. The actuary has also adopted a set of demographic assumptions that are consistent with those used for the Pension Scheme at the last triennial valuation on 31st March 2007. The actuary used this valuation as the basis for the FRS17 calculations. The main financial and demographic assumptions used in the calculations are shown in the table below:

Assumptions	2008/2009	2009/2010
<u>Financial Assumptions</u>		
Rate of inflation	3.1%	3.8%
Rate of increase in salaries	4.6%	5.3%
Expected return on assets	6.2%	6.9%
Rate for discounting scheme liabilities	6.9%	5.5%
<u>Long-term expected rate of return on each asset class</u>		
Equities	7.0%	7.8%
Bonds	5.6%	5.0%
Property	4.9%	5.8%
Cash	4.0%	4.8%
<u>Mortality assumptions</u>		
	Males	Females
Current pensioners	20.8 years	24.1 years
Future pensioners	22.3 years	25.7 years
<u>Prior year mortality assumptions:</u>		
Current pensioners	19.6 years	22.5 years
Future pensioners	20.7 years	23.6 years

28. Other unfunded pension liabilities

This relates to the liability recognised in respect of the employer's ongoing pension benefit payment obligation payable to ex employees, who were employed by the Council before they were eligible to join the Isle of Man Local Government Superannuation Scheme. As this falls outside of the Scheme, this liability does not form part of the actuary's FRS17 calculation. The liability calculation has been made based on the current ex gratia benefit payment obligations projected forward into future years, using the same life expectancy assumptions for these ex employees as the assumptions used by the Council's actuary. The amount payable within 12 months of the balance sheet date is showing within the current liabilities section of the balance sheet.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

29. Capital Adjustment Account

This represents the balance of capital resources set aside to meet historical expenditure for balance sheet fixed assets. The table below shows the movement between the balance sheet dates.

	Restated 2008/2009		2009/2010
	£		£
Balance brought forward at beginning of year	-		31,104,668
Transfer of capital discharged account	32,181,042		-
Write down long term debtor	(134,256)		(138,001)
Write down deferred charges	-		(30,601)
<u>Movements in Fixed Assets:</u>			
Accumulated depreciation	(2,740,028)		-
In year depreciation & impairment of assets	-	(7,639,020)	
Write off old assets	(701,764)		-
Depreciation charged on revaluation	-	4,638,040	
Disposals	(308,913)	(234,999)	
Historical values restatement	(1,562,124)	-	
	<u>(5,312,829)</u>		(3,235,979)
<u>Financing of capital expenditure:</u>			
Revenue provision to repay debt	2,865,877	2,845,254	
Use of revenue reserves	285,117	1,015,987	
Use of specific reserves	679,264	378,654	
Use of capital receipts	461,626	67,836	
Government grants	59,136	19,207	
Other contributions	19,691	20,000	
	<u>4,370,711</u>		4,346,938
Balance carried forward at end of year	<u><u>31,104,668</u></u>		<u><u>32,047,025</u></u>

30. Revaluation Reserve

The 2009/2010 accounts have been restated to include this item, which effectively represents the difference between the historical cost of the fixed assets acquired and the estimated current cost as per the valuation exercise, used for the 31st March 2009 balance sheet date. The movement for the year ended 31st March 2010 represents a transfer to the Capital Adjustment Account of depreciation on asset revaluation amount values. No new valuations were undertaken for the 31st March 2010 balance sheet date.

31. Usable Capital Receipts Reserve

The Usable Capital Receipts Reserve represents the proceeds from the sale of fixed assets, which are made available to meet future capital investments. During 2009/2010, the Cemetery Curator's Lodge was sold for £250,000. During the year capital receipts were applied to part-fund the new Meadows Pavilion Golf Clubhouse.

	2008/2009		2009/2010
	£		£
Balance brought forward at beginning of year	629,576		183,510
Receivable in year	15,559		250,663
Applied to finance new capital investment	(461,625)		(67,837)
Increase/(decrease) in capital receipts	<u>(446,066)</u>		<u>182,826</u>
Balance carried forward at end of year	<u><u>183,510</u></u>		<u><u>366,336</u></u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

32. Reserves and Balances

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

The next table overleaf provides details of the movements and balances across each of the reserves, together with the known planned expenditure items against those reserves. Contributions are made into the funds on the basis of either a lump sum or the costs of the asset in question. Reserve income also includes contributions in respect of interest on their opening balances, where relevant. Expenditure, as approved by the Council, is indirectly charged to these funds. Planned expenditure against each reserve includes amounts set aside for miscellaneous revenue and capital items, dependent upon the reserve in question. In the case of Plant Renewals, the replacement cost is shown, which is greater than the Fund, requiring future contributions to be made. The Pensions Reserve is negative, reflecting the FRS17 liability, and relies upon contributions over a number of years (as determined by the Actuary) to fund that liability. This reserve also includes an amount in respect of the future years' liability arising from ex gratia benefit payments made to ex-employees, who were employed by the Council prior to the commencement of the Scheme.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

32. Reserves (cont'd)

General Fund and Housing Revenue Account Reserves

Reserve	Restated Balance In Hand At 31/03/2009 £	Receipts in Year £	Use of Reserves In Year £	Balance In Hand At 31/03/2010 £	Planned Expenditure £
Revaluation Reserve	147,923,998	-	(4,638,040)	143,285,958	-
Capital Receipts Reserve	183,510	250,663	(67,837)	366,336	140,663
Pensions Reserve	(6,140,910)	-	(8,977,643)	(15,118,553)	-
General Revenue Balances	3,217,768	842,010	(1,288,014)	2,771,764	(1,036,510)
Specific Reserves:					
General Fund					
Plant Renewals	1,202,703	204,210	(136,346)	1,270,567	(2,566,606)
Cremator Renewals	572,094	47,341	(865)	618,570	(649,135)
Library Bequests	480	-	-	480	-
Provision For Derelict Buildings	454,535	-	(130,040)	324,495	(83,410)
Building Maint. (Commercial)	231,152	23,993	(19,418)	235,727	(142,860)
Information Technology	68,652	-	(3,800)	64,852	(10,500)
St. George's Churchyard	56,471	283	-	56,754	(57,037)
Graves Maintenance	104,105	521	(521)	104,105	-
Risk Man'ment & Special Projects	189,173	110,888	(119,434)	180,627	(47,505)
Total General Fund	2,879,365	387,236	(410,424)	2,856,177	(3,557,053)
Tramways Undertaking					
Tramways Renewals Fund	85,794	-	(27,000)	58,794	(2,000)
Provision for Stocks and Stores	30,367	-	(4,807)	25,560	-
Total Tramways	116,161	-	(31,807)	84,354	(2,000)
Total Specific Reserves	2,995,526	387,236	(442,231)	2,940,531	(3,559,053)
Housing Revenue Account					
Housing Repairs Fund	185,409	1,981,466	(1,891,067)	275,808	(99,068)
Community Facilities Reserve	240,360	21,476	(50,482)	211,354	(38,599)
Total Housing	425,769	2,002,942	(1,941,549)	487,162	(137,667)
Total Reserves	148,605,661	3,482,851	(17,355,314)	134,733,198	(4,592,567)

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

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

33. Prior Year Adjustment

Changes and restatement for prior years that have no effect on the reserves are detailed in notes to which they relate. The comparative figures on the Statement of Total Recognised Gains and Losses have been restated to reflect two changes in accounting policy affecting the Balance Sheet:

- (i) The value of fixed assets has been restated to reflect the revaluation exercise and associated restatement of historical asset values, write down of assets and the application of accumulated depreciation;
- (ii) The liability in respect of the discretionary ex gratia pensions benefits liability paid to past employees with service prior to their eligibility for the Isle of Man Local Government Superannuation Scheme is now recognised.

34. Post Balance Sheet Events

Events may occur between the balance sheet date and the date the accounts are signed for issue, which might have a bearing upon the financial statements. For the purposes of this note, the date that the statements are authorised for issue has been determined as the date that the statements were formally tabled before the Policy and Resources Committee for approval, i.e. 30th July 2010.

There have been no events since the date the balance sheet was produced that would require adjustment to the financial statements. One item of worthy of disclosure is the sale of the Bowl complex to the Department of Community, Culture and Leisure, which took place in July 2010. An agency agreement for the Council's ongoing operation of the Pulrose Road pay and display Car Park, which forms part of the Bowl complex, is now in place.

NOTES TO THE CASH FLOW STATEMENT

35. Reconciliation of net (surplus)/deficit on the Income and Expenditure Account to Net Cash Flow from Revenue Activities

	2009/2010	
	£	£
Net (surplus)/deficit per Income and Expenditure Account		3,674,070
Items classified elsewhere on Cash Flow Statement		
Surplus on sale of fixed assets	25,663	
Net interest payable included in deficit	<u>(3,093,328)</u>	(3,067,665)
<i>Non-cash transactions:</i>		
Depreciation and impairment of assets	(7,639,021)	
FRS17 adjustments	139,000	
Other non-cash transactions	(138,254)	
Balance sheet items written off to revenue	<u>62,432</u>	
		<u>(7,575,843)</u>
Adjusted (surplus)/Deficit		(6,969,438)
<i>Items on an accruals basis:</i>		
Increase/(decrease) in stock	(21,685)	
Increase/(decrease) in debtors	68,810	
Decrease/(increase) in provisions	6,037	
Adjustment for capital debtor	(886,249)	
(Increase)/decrease in creditors	(298,076)	
Adjustment for decrease in ex gratia pensions creditor	(834)	
Adjustment for Bond and bank interest accrued	49,313	
Adjustment for capital creditors	<u>235,669</u>	
		<u>(847,015)</u>
Net cash (inflow)/outflow from revenue activities		<u>(7,816,453)</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

NOTES TO THE CASH FLOW STATEMENT

36. Reconciliation of the Movement in Net Debt

	2009/2010	
	£	£
Net debt at 1st April		(61,054,786)
Movement in net debt:		
Increase/(decrease) in cash in the period	(93,026)	
Inflow/(outflow) from increase in debt financing	(564,812)	(657,838)
		(61,712,624)
Net debt at 31st March		(61,712,624)

37. Reconciliation of financing and management of liquid resources

	Balance as at 1st April 2009 £	Cash movement £	Balance as at 31st March 2010 £
Cash and Liquid Resources			
Short term deposit account	-	1,255,791	1,255,791
Bank call account	1,261,230	(972,230)	289,000
Cash in hand	1,490	(515)	975
Bank General Account	(153,391)	(376,072)	(529,463)
Bank Interest warrant account	(407,072)	-	(407,072)
Net Cash and Liquid Resources	702,257	(93,026)	609,231
Debt	£	£	£
Bank loans due within one year	(2,476,211)	78,864	(2,397,347)
Mortgage bonds due within one year	(1,074,451)	(567,523)	(1,641,974)
Finance lease due within one year	(4,875)	(625)	(5,500)
Bank loans due after one year	(49,101,456)	(2,232,254)	(51,333,710)
Mortgage bonds due after one year	(9,094,550)	2,151,226	(6,943,324)
Finance lease due after one year	(5,500)	5,500	-
Debt	(61,757,043)	(564,812)	(62,321,855)
Net Debt	(61,054,786)	(657,838)	(61,712,624)
Matched by:			
Housing Revenue Account	(50,846,424)	(1,984,923)	(52,831,347)
Drainage and Sewerage infrastructure	(1,024,250)	138,001	(886,249)
Other (rateborne)	(9,184,112)	1,189,084	(7,995,028)
	(61,054,786)	(657,838)	(61,712,624)

**DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010**

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

38. Liquid Resources

The Council classes liquid resources as all short term deposits which are current asset investments and with a deposit period not greater than three months.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

CAPITAL ACCOUNTS

SUMMARY STATEMENT OF CAPITAL EXPENDITURE AND FINANCING

	Notes	2008/2009 £	2009/2010 £	£
Capital Expenditure				
General Rate Fund schemes	15	2,479,577	1,598,843	
Housing Revenue Account schemes	15	1,795,364	4,292,772	
		<hr/>	<hr/>	
Total Capital Expenditure	16	4,274,941		5,891,615
Financed By				
Loans - non Housing		(945,965)	(162,169)	
Loans - Housing		(1,631,943)	(4,074,866)	
Capital Receipts	31	(461,626)	(67,837)	
Reserves - non Housing		(624,399)	(330,154)	
Reserves - Housing		(79,642)	(48,500)	
Direct Revenue Financing (RCCO)		(285,361)	(1,015,987)	
Other (including Government grants and other external contributions)		(78,826)	(39,207)	
Capital creditors – non Housing		-	(50,801)	
Capital creditors – Housing		-	(184,868)	
		<hr/>	<hr/>	
Total Capital Financing in the year		(4,107,762)		(5,974,389)
Change in expenditure financed by internal loans in year		167,179		(82,774)
Capital cash overdrawn at the start of the year (internal loans)		82,360		249,539
		<hr/>		<hr/>
Balance of capital expenditure financed by internal loan		249,539		166,765
		<hr/> <hr/>		<hr/> <hr/>

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

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

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

HOUSING REVENUE ACCOUNT (HRA)

In accordance with Tynwald resolution under the Housing Act 1955, the (then) Department of Local Government and the Environment (now Department of Social Care) pays the Council a housing deficiency grant, which generally meets the cost of housing provision. The balance of the administration costs of the housing function, which is not met by the Government Deficiency Grant (being subject to the upper limit of 7.5% of the rent received during the year – increased from 5% in 2008/2009), remains as a rateborne cost. During 2009/2010, this amounted to £314,403 (2008/2009: £529,929).

HOUSING REVENUE ACCOUNT - INCOME AND EXPENDITURE ACCOUNT

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

	Restated 2008/2009	2009/2010	
	£	£	£
Expenditure			
Repairs & maintenance	2,211,579	2,022,756	
Supervision & management	394,390	695,254	
Rates	1,341,666	1,496,043	
Other costs	168,105	-	
Depreciation (2009/2010 only) and disposal of fixed assets.	-	6,886,518	
	<hr/>	<hr/>	
Total Expenditure	4,115,740		11,100,571
	<hr/>		<hr/>
Income			
Rents (inclusive)	(7,152,239)	(7,360,386)	
Housing Deficiency Grant	(1,688,790)	(1,363,216)	
Charges for services & facilities	(105,508)	(77,187)	
Other income	-	(6,559)	
	<hr/>	<hr/>	
Total Income	(8,946,537)		(8,807,348)
	<hr/>		<hr/>
Net Cost of HRA services	(4,830,797)		2,293,223
	<hr/>		<hr/>
Interest payable & similar charges	2,621,340		2,388,148
	<hr/>		<hr/>
Net HRA (Surplus)/Deficit for the year	(2,209,457)		4,681,371
	<hr/>		<hr/>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCES

	Restated 2008/2009	2009/2010
	£	£
Net HRA (Surplus)/Deficit for the year	(2,209,457)	4,681,371
Depreciation & impairment of fixed assets	-	(6,886,518)
Revenue provision for capital finance	2,158,292	2,089,943
	<u>(51,165)</u>	<u>(115,204)</u>
Non-revenue transfers (to)/from HRA Balances	73,978	53,811
(Increase)/Decrease in HRA Balances	22,813	(61,393)
HRA Balances brought forward	(448,582)	(425,769)
(Increase)/Decrease in HRA Balances during the year	22,813	(61,393)
HRA Balances carried forward	<u>(425,769)</u>	<u>(487,162)</u>

The HRA reserve balances are broken down as follows:

	£	£	£
<u>Balances brought forward:</u>			
Housing Repairs Fund	(122,458)	(185,409)	
Community Facilities Reserve	(326,124)	(240,360)	
	<u>(448,582)</u>		(425,769)
<u>Balances carried forward:</u>			
Housing Repairs Fund	(185,409)	(275,808)	
Community Facilities Reserve	(240,360)	(211,354)	
	<u>(425,769)</u>		<u>(487,162)</u>

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

	Restated 2008/2009	2009/2010	
	£	£	£
Net transfer (to)/from Housing Balances	<u>22,813</u>		<u>(61,393)</u>
<u>Accounted for by:</u>			
Rental income contribution into Housing Repairs Fund	(1,933,842)	(1,980,539)	
Rental income contribution into Community Facilities Reserve	(20,300)	(20,274)	
Contribution from Housing Repairs Fund to finance repairs	1,895,705	1,883,627	
Contribution from Community Facilities Reserve	7,272	1,982	
	<u>(51,165)</u>		(115,204)
<u>Other non-Revenue reserve movements:</u>			
Loans pool interest credited to HRA Balances	(15,887)	(2,129)	
Contribution towards Vehicle Plant Renewals	-	7,440	
Use of HRA Balances to fund capital programme items	89,865	48,500	
	<u>73,978</u>		53,811
Decrease in HRA balances for the Year	<u>22,813</u>		<u>(61,393)</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

TRAMWAYS UNDERTAKING ACCOUNTS

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

SUMMARY OF TRAMWAYS REVENUE UNDERTAKING INCOME AND EXPENDITURE

	Restated	
	2008/2009	2009/2010
	£	£
Expenditure		
Employee costs	226,259	242,940
Property & fixed plant	33,642	33,999
Transport and plant	21,552	18,266
Supplies	28,514	36,925
Central support services	11,870	11,894
Depreciation (2009/2010 only)	-	6,774
Total Tramways expenditure	<u>321,837</u>	<u>350,798</u>
 Income		
Traffic receipts	(51,874)	(70,705)
Rover Ticket Income from Department of Tourism and Leisure	(21,933)	(15,596)
Other income	(12,276)	(9,379)
Total Tramways Income	<u>(86,083)</u>	<u>(95,680)</u>
 Net Deficit charged to General Rate Fund	 <u>235,754</u>	 <u>255,118</u>

NOTE

During 2009/2010, an amount of £27,000 was transferred from the Tramways Plant Renewals Fund to the General Fund General Reserve. Details of the Tramways Undertaking reserves are presented at note 31 to the Core Accounting Statements.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

APPENDIX A

DETAILED INCOME AND EXPENDITURE ACCOUNTS

The following section provides details of those services that make up the categories within the Net Cost of Services section within the Income and Expenditure Account showing in the Financial Statements for the authority. Whereas previously the Income and Expenditure Account presented the service level information in line with the Council's Committee reporting structure, the new classification is now consistent with the CIPFA Best Value Accounting Code of Practice (BVACOP). This section does not form part of the audited financial statements and is intended to help the reader's understanding of the Income and Expenditure Account.

1. Central Services to the Public

This category includes those services provided by central departments that are a direct service to the public. There are only three Council services relevant for this category: the administration of local authority elections (full Council elections and by-elections), Information and Public Relations, and the cost of the Council rate collection, including the cost of the statutory 5% rates discount for full rates settlement by ratepayers by 30th June each year. There were no Council elections held during the 2009/2010 financial year (the full Council elections were held during 2008/2009).

Central Services to the Public

Service	Restated	2009/2010		
	2008/2009	Gross	Gross	Net
	Net	Expenditure	Income	Expenditure
	Expenditure	£	£	£
	£	£	£	£
Elections	6,239	-	-	-
Information & Public Relations	28,981	38,061	-	38,061
Cost of Rate Collection	503,802	550,461	(8,258)	542,203
	<u>539,022</u>	<u>588,522</u>	<u>(8,258)</u>	<u>580,264</u>

2. Cultural, Environmental and Planning services

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

Cultural, Environmental and Planning services (summary level)

Service Sub-category	Restated	2009/2010		
	2008/2009	Gross	Gross Income	Net
	Net	Expenditure	£	Expenditure
	Expenditure	£	£	£
	£	£	£	£
Cultural and Related	3,028,429	3,486,237	(520,870)	2,965,367
Environmental	1,871,829	6,160,918	(4,350,359)	1,810,559
Planning and Development	244,294	430,976	(194,268)	236,708
	<u>5,144,552</u>	<u>10,078,131</u>	<u>(5,065,497)</u>	<u>5,012,634</u>

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

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

DETAILED INCOME AND EXPENDITURE ACCOUNTS (CONTINUED)

Cultural and Related Services

Service	Restated 2008/2009	2009/2010		
	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure/ (Income)
	£	£	£	£
Promenade and Beach	71,735	75,939	-	75,939
Library	657,318	631,599	(13,111)	618,488
Pulrose Recreat'l Grounds	154,039	281,073	(50,643)	230,430
Loch Promenade	156,443	169,724	(1)	169,723
National Sports Centre	-	18,321	(18,321)	-
Nobles Park	442,889	535,395	(73,198)	462,197
Nursery	2,166	-	(12,549)	(12,549)
Open Spaces	941,832	961,738	(11,149)	950,589
Playgrounds	23,582	90,696	-	90,696
Douglas Golf Course	206,403	305,785	(122,717)	183,068
Verges Maintenance	31,538	60,320	(60,320)	-
Floral Decorations	-	9,937	(9,937)	-
Hanging Baskets	-	14,130	(14,130)	-
Summer Hill Glen	38,499	29,503	-	29,503
Villa Marina Gardens	-	70,000	(70,000)	-
Grandstand Agency	-	63,131	(63,131)	-
Public Events	301,985	168,946	(1,663)	167,283
Total Cultural and Related	3,028,429	3,486,237	(520,870)	2,965,367

NB The Policy and Resources Civic and Public service was split into three new services as of 1st April 2009. The majority of the expenditure related to the Council's hosting of Public Events, this being a new service in its own right within public entertainment category of this classification heading. The Mayoral and Member Services elements are now showing as separate services in their own right, within the Corporate and Democratic Core section of the Income and Expenditure Statement.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

DETAILED INCOME AND EXPENDITURE ACCOUNTS (CONTIONUED)

Environmental Services

Service	Restated	2009/2010		
	2008/2009 Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure/ (Income)
Borough Cemetery	273,226	273,738	(13,633)	260,105
Crematorium	(84,168)	286,414	(370,540)	(84,126)
Lawn Cemetery	74,465	99,917	(16,666)	83,251
Burials Act	85,804	82,333	-	82,333
Market	(1,712)	74,708	(81,651)	(6,943)
Commercial Properties	(96,542)	140,438	(227,616)	(87,178)
Strathallan Suite	11,798	37,525	(13,931)	23,594
Public Conveniences	138,231	173,100	(64)	173,036
CCTV & Civic Property	78,936	164,849	(7,656)	157,193
Drainage Maintenance	(192,333)	588,536	(779,458)	(190,922)
Streetscene & Byelaws	205,307	155,304	(1,290)	154,014
Street Cleaning Amenity	259,078	301,661	-	301,661
Engineering Misc Works	51,682	50,565	(3,927)	46,638
Waste Service Agencies	-	1,047,233	(1,147,508)	(100,275)
Dog Bins	29,465	21,679	-	21,679
Civic Amenity Site	225,584	503,246	(284,855)	218,391
Refuse Collection	722,746	1,706,554	(900,173)	806,381
Commercial Refuse	90,262	453,118	(501,391)	(48,273)
Total Environmental	1,871,829	6,160,918	(4,350,359)	1,810,559

Planning and Development Services

Service	Restated	2009/2010		
	2008/2009 Net Expenditure £	Gross Expenditure £	Gross Income £	Net Expenditure £
Building Regulations	41,123	218,839	(191,649)	27,190
Planning	33,785	34,428	-	34,428
Derelict Buildings	34,447	42,005	(2,619)	39,386
Douglas Dev't Partnership	134,939	135,704	-	135,704
Total Planning and Development	244,294	430,976	(194,268)	236,708

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

DETAILED INCOME AND EXPENDITURE ACCOUNTS (CONTINUED)

3. Highways and Transport Services

This category includes all environmental maintenance (cleansing) of highways and roads, street lighting (including decorative and seasonal), off-street parking services, together with public transport (i.e. the Horse Trams undertaking).

Highways and Transport Services

Service	Restated 2008/2009	2009/2010		
	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure/ (Income)
	£	£	£	£
Car Parks	(881,993)	424,291	(1,207,612)	(783,321)
Horse Trams	235,754	350,798	(95,680)	255,118
Public Lighting	702,371	864,952	(1,666)	863,286
Decorative Lighting	275,713	245,721	-	245,721
Street Cleaning Agency	79,757	746,040	(694,967)	51,073
Gully Emptying Agency	-	102,836	(106,562)	(3,726)
	411,602	2,734,638	(2,106,487)	628,151

4. Housing Services

This category includes only those elements of the Council's housing services that are chargeable to the General Rate Fund rather than the Housing Revenue Account. It effectively represents the balance of the administration costs of the housing function, which is not met by the Government Deficiency Grant. For 2009/2010, this was subject to an upper limit of 7.5% of the rent received during the year, whereas in the previous 2008/2009 year, this had been set at 5%. The 2.5% increase accounts for the significantly reduced rateborne net expenditure of the Housing Administration function. The Architects function supports the Housing service, and the cost shown here represents the rateborne element only of that function.

Housing Services

Service	Restated 2008/2009	2009/2010		
	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£	£	£	£
Architects	46,059	48,848	-	48,848
Housing Administration	483,870	711,309	(445,754)	265,555
	529,929	760,157	(445,754)	314,403

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

DETAILED INCOME AND EXPENDITURE ACCOUNTS (CONTINUED)

5. Corporate and Democratic Core (CDC)

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

Corporate and Democratic Core

Service	2008/2009 Net Cost	Gross Expenditure	2009/2010 Gross Income	Net Expenditure
	£	£	£	£
Public Health & Housing Admin	96,695	81,260	-	81,260
Public Works Admin	282,346	276,119	-	276,119
Leisure Services Admin	220,186	221,623	(640)	220,983
Corporate Management	654,279	604,380	(10,911)	593,469
Policy & Resources Admin	344,555	316,507	-	316,507
Mayoral	-	88,762	-	88,762
Member Services	-	128,809	-	128,809
	<u>1,598,061</u>	<u>1,717,460</u>	<u>(11,551)</u>	<u>1,705,909</u>

6. Non Distributed Costs

This category is mainly reserved for those support service expenditure items, which are not recharged to front line services. This is mainly because they include accounting entries such as depreciation, which are reversed outside the Income and Expenditure Account. It also includes the balance of residual overheads of the Stores and Purchasing function, which had not been recovered from front line services.

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

The net expenditure on the Pensions Admin Control Account represents the cost of ex-gratia pensions benefits paid to historical ex-Council employees who remained outside the Isle of Man Local Government Superannuation Scheme, together with some discretionary compensatory added years benefit payments made by the employer.

Service	2008/2009 Net Cost	Gross Expenditure	2009/2010 Gross Income	Net Expenditure/ (Income)
	£	£	£	£
Fleet & Garage Operation	-	2,368	-	2,368
Stores & Purchasing	74,202	75,877	-	75,877
Town Hall	4,565	73,144	-	73,144
Operational Services Centre	-	16,649	-	16,649
Support Services	115,030	94,055	-	94,055
Financial Provisions	30,960	8,272	(89,971)	(81,699)
Pension Admin Control A/C	45,138	352,203	(304,148)	48,055
	<u>269,895</u>	<u>622,568</u>	<u>(394,119)</u>	<u>228,449</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

APPENDIX B

EXPLANATION OF RESERVES

Building Maintenance (Commercial)

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

Capital Receipts

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

Community Facilities Reserve

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

Cremator Renewals

This fund is used to fund planned capital maintenance schemes for the two cremators at the Council's crematorium on Glencrutchery Road. There are plans for the renewal replacement of the crematorium facilities, and any balance remaining in this reserve will be applied to part-fund this project. An annual revenue contribution is made to this reserve, the cost of which is covered by the cremation fees and charges income received.

General Revenue Reserve

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

Graves Maintenance

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

Housing Repairs Fund

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

Information Technology

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

Library Bequests

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

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

EXPLANATION OF RESERVES (CONTINUED)

Pensions Reserve

The Pensions Reserve is a reserve matching the FRS17 long term liability related to the Council's defined benefit scheme on the balance sheet. Accounting for the liability in this way enables the Council's compliance with proper accounting practice, although this actually results in a "negative" reserve. The liability, which is calculated for accounting purposes, is not directly linked to the likely deficit position arising from the next formal triennial valuation, which is due to be calculated as at 31st March 2010. That actuarial deficit will be addressed by future employer contributions to the Pension Fund over a number of years, to be determined after the next formal valuation exercise. Furthermore, it reflects a long term liability position, rather than presenting an immediate problem requiring short-term decision-making. The Pensions Reserve also includes an amount in respect of the ex gratia benefits payments liability.

Plant Renewals Fund

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

Provision for Derelict Buildings

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

Provision for Stocks and Stores

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

Revaluation Reserve

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

Risk Management and Special Projects Fund

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

St George's Churchyard

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

Tramways Renewals Fund

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

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

APPENDIX C

EXPLANATION OF FINANCIAL TERMS

Accruals

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

Budget/Estimate

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

Capital Adjustment Account

This account contains the store of capital resources set aside to meet the financing of past expenditure. This account replaces the Capital Discharged Account used previously.

Capital Expenditure

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

Contingent Liability

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

Capital Receipts

Proceeds from the sale of land and other fixed assets.

Community Assets

Assets that the Council intends to hold in perpetuity, that have no determinable life and that may have restrictions on their disposal. Examples are the Council's parks and Gardens and other open spaces.

Creditors

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

Debtors

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

Deferred Charges

Expenditure of a capital nature, but which does not result in, or remain matched with, tangible assets owned by this Council. An example is drainage infrastructure assets which although built by this Council, have since been transferred to the Isle of Man Government. These amounts have now since been transferred to the current assets part of the Balance Sheet, as they are repayable by the Government.

Depreciation

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

Direct Revenue Financing (DRF)

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

Emolument

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

Finance Lease

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

Fixed Assets

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

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

EXPLANATION OF FINANCIAL TERMS (CONTINUED)

General Rate Fund

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

Historical Cost Convention

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

Housing Revenue Account (HRA)

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

Investment Assets

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

Loans Pool

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

Mortgage Bonds

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

Operational Assets

Fixed assets held and occupied, used or consumed in the direct delivery of services.

Operational Expenditure

Is an ongoing cost for running a service.

Provisions

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

Remuneration

Monetary payment for services rendered.

Reserves

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

Revenue Contribution to Capital Outlay (RCCO)

See Direct Revenue Financing (DRF) above

Revenue Expenditure

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

Revenue Provision for Capital Financing

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

Rule of 78

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

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

EXPLANATION OF FINANCIAL TERMS (CONTINUED)

Triennial Valuations

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

Unfunded Discretionary Benefits

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

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

FURTHER INFORMATION

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

Other detailed information is also available on the Council's website, where a copy of these accounts will also be made available after completion of the audit.

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



New Noble's Park Pavilion.
Officially opened by the Worshipful the
Mayor of Douglas, Mr Councillor C L H Cain, J P
on the 19th April 2008



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

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