

# Douglas

Douglas Borough Council



Improved Access to the Marine Gardens,  
Loch Promenade. May 2010

## Statement of Accounts for the Year ending 31st March 2012



Upgraded Street Lighting  
Cronk-y-Berry. April 2010



16 flats at Reayrt-y-Sheear providing public sector homes in  
partnership with the Isle of Man Government. April 2010



Custodians of the Capital

## TABLE OF CONTENTS

*Douglas Borough Council's Statement of Accounts for the year ended 31 March, 2012 is set out on pages 1 to 46.*

	<b>Page</b>
Explanatory Foreword	1-6
Statement of Accounting Policies	7-10
Statement of Responsibilities for the Statement of Accounts	11
Statement of Internal Control	12-14
Report of the Independent Auditor	15-16
<b>CORE ACCOUNTING STATEMENTS:</b>	
Income and Expenditure Account	17
Statement of Movement on the General Fund Balance	18
Reconciling Items to the Statement of Movement on the General Fund Balance	18
Statement of Total Recognised Gains and Losses (STRGL)	19
Balance Sheet	20-21
Cash Flow Statement	22
General Rate Fund	23
<b>NOTES TO THE CORE ACCOUNTING STATEMENTS</b>	24-43
<b>SUPPLEMENTARY ACCOUNTING STATEMENTS:</b>	
Summary Statement of Capital Expenditure and Financing	44
Housing Revenue Account Statements	
-Housing Revenue Account - Income and Expenditure Account	45
-Statement of Movement on the Housing Revenue Account Balances	46
-Reconciling Items to the Statement of Movement on the Housing Revenue Account Balances	46
<i>The following pages do not form part of the audited financial statements:</i>	
<b>APPENDICES</b>	
A Detailed Income and Expenditure Accounts	47-51
B Explanation of Reserves	52-54
C Explanation of Financial Terms	55-57
D Summary of Tramways Revenue Income and Expenditure	58
Further Information	59

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**EXPLANATORY FOREWORD**

**1. Introduction**

The purpose of this set of accounts is to present the financial results of the Council's activities for the year ended 31 March 2012, and to summarise the overall financial position as at 31 March 2012. The following paragraphs provide an overview of the financial performance and position of the Council, with the supporting detail being set out within the subsequent sections of these accounts.

**2. The Accounting Statements**

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

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

**THE STATEMENT OF INTERNAL CONTROL** – This statement reviews the effectiveness of internal control systems.

**The Core Accounting Statements:**

**INCOME AND EXPENDITURE ACCOUNT** - This account reports the day to day running costs for all of the functions for which the Council is responsible, and how those costs are financed from income from grants, fees, charges, rents and local ratepayers (i.e. the General Rate Fund).

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

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)** – This statement discloses all gains and losses of the Council for the year. In addition to the surplus or deficit generated on the Income and Expenditure Account, any other gains or losses disclosed elsewhere on the Balance Sheet are also included here.

**BALANCE SHEET** – This statement sets out the overall financial position of the Council at the end of the year, incorporating the General Fund and Housing Revenue Account balance sheet areas. This balance sheet summarises the Council's overall financial position as at 31 March 2012. In line with the SORP requirements, the balance sheet presents certain fixed assets based on independent valuation amounts. All internal debtors and creditors have been eliminated.

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

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

**Other Statements:**

**SUMMARY STATEMENT OF CAPITAL EXPENDITURE AND FINANCING** – This statement provides an overall summary of capital expenditure, summarised in respect of the Council's different statutory functions, and presents the sources of finance for the year's total capital expenditure.

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**EXPLANATORY FOREWORD (CONTINUED)**

**THE HOUSING REVENUE ACCOUNT - INCOME AND EXPENDITURE ACCOUNT** - The Housing Revenue Account (HRA) reflects the statutory obligation to provide a separate account for the Council's public sector housing function. This account independently records the costs of maintaining and managing the Council's own housing stock and how these costs are met by rental income and government subsidy. The rateborne burden of the Housing Administration function is excluded from this statement.

**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 proper practices to be charged or credited to the Housing Revenue Account Reserves (Housing Repairs and Community Facilities Reserves).

3. **Appendices**

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

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

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

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

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

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**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 2011/2012, compared with the approved estimates of the Council. The estimates have been restated to exclude all capital financing charges and to include all depreciation costs, in line with the net expenditure figures, which are in line with the SORP treatment for these aspects. All retirement benefits adjustments as required by the SORP have been excluded here.

**Revenue Outturn compared with Estimates (excl retirement benefit adjustments)**

	<b>Estimate 2011/2012 £'000</b>	<b>Net Expenditure 2011/2012 £'000</b>	<b>Variance 2011/2012 £'000</b>
Public Health & Housing (non-HRA)	840	598	(242)
Public Works	3,161	3,072	(89)
Leisure Services	3,245	3,141	(104)
Policy & Resources	2,362	2,202	(160)
<b>Net General Rate Fund</b>	9,608	9,013	(595)
Housing Revenue Account (HRA)	1,947	2,171	224
<b>Net cost of services (excl FRS17)</b>	11,555	11,184	(371)
Surplus on sale of fixed assets	0	(126)	(126)
Interest payable	3,305	3,213	(92)
Interest and investment Income	(13)	(16)	(3)
<b>Net operating expenditure (excl FRS17)</b>	14,847	14,255	(592)
Depreciation and capital financing	(4,813)	(4,259)	554
Net transfers (from)/to all reserves	120	(280)	(400)
<b>Net budget requirement</b>	10,154	9,716	(438)
Total from Rate income	(10,174)	(10,214)	(40)
<b>Revenue contribution from/(to) balances</b>	(20)	(498)	(478)

The HRA service level is higher than budget due to reduced Housing Deficiency Grant income from the Department of Social Care, reflecting lower than budgeted levels of loan charges (interest and capital financing) in respect of housing schemes.

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

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**EXPLANATORY FOREWORD (CONTINUED)**

Compared to the approved estimates for the year, the net budget requirement was some £438,000 less than budgeted. This is due to a combination of a number of underspends at the revenue service level, and significantly reduced levels of loan charges experienced, compared to the estimates.

The favourable revenue outturn position was reinforced by rates income position £40,000 higher than estimated, reflecting an increased rateable value of the Borough.

The outcome of all of the above means that a final contribution into the General Fund General Revenue Reserve balance of £498,000 could be made. This compares with an estimated contribution to balances of £20,000 when setting the Rate in January 2011 (difference: £478,000). 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)**

	<b>Favourable</b>	<b>Adverse</b>
	<b>£'000</b>	<b>£'000</b>
General Fund loan charges	(230)	
Civic Amenity Site lower waste charges	(82)	
Staff salaries savings	(68)	
Staff training	(54)	
Public Events	(47)	
Refuse restructure savings	(44)	
Kerbside collection/CA Site DLO savings	(40)	
Rates income	(40)	
Use of consultants	(38)	
Energy savings	(36)	
Reduced maintenance misc property	(31)	
Street Cleaning efficiency savings	(26)	
Crematorium savings/income	(24)	
Pulrose recreational grounds savings	(22)	
Horse Trams	(21)	
Reduced Car Parks' surplus		129
Legal fees		52
Reduced Building Control income		49
Stores		29
Douglas Development Partnership, Derelict Buildings		24
Other miscellaneous (net)		42
<b>(Favourable)/adverse variances</b>	<b>(803)</b>	<b>325</b>
<b>Net favourable variance</b>	<b>(478)</b>	

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**EXPLANATORY FOREWORD (CONTINUED)**

**GENERAL REVENUE RESERVE BALANCES**

During the year, there was an overall net decrease in the position of the General Revenue Reserve Balance of £170,000. After all appropriations to and from balances and income from rates are taken into account, the position on the General Revenue Reserve Balance is £2.823m; some £1.510m 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, and are due to be financed from the General Revenue Reserve. The available balance on the General Fund at the end of the year is £1.545m, some £427,000 higher than originally envisaged, as the following table shows.

**Outturn position on General Revenue Reserve**

	<b>Original Estimate 2011/2012 £'000</b>	<b>Actual 2011/2012 £'000</b>	<b>Variance £'000</b>
Balance at year beginning	1,506	<b>2,993</b>	1,487
All revenue transfers to/(from) balance	(109)	<b>374</b>	483
Non-revenue contributions to/(from) balance	(84)	<b>(544)</b>	(460)
Increase/(decrease) in balance	(193)	<b>(170)</b>	23
Balance at year end	1,313	<b>2,823</b>	1,510
Further commitments against balance	(195)	<b>(1,278)</b>	(1,083)
Uncommitted balance	1,118	<b>1,545</b>	427

**CAPITAL EXPENDITURE**

Capital expenditure of £10.468m was undertaken during the year, of which £8.831m was for HRA purposes and £1.637m was spent on General Fund assets. The total capital expenditure compares with the Capital Programme original estimate of £14.823m which was revised down to £10.600m 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. The capital expenditure on Housing included housing developments at Queen Street and also Upper Pulrose, together with various refurbishment works across the Council's various housing estates. Capital expenditure on the General Fund during the year included public lighting, playground refurbishment and car park management systems.

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

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**EXPLANATORY FOREWORD (CONTINUED)**

**5. Pension Liability**

The SORP requires the Council to disclose certain pension liability information within its Statement of Accounts and this appears in notes 2 and 28 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 31 March 2012, and amounts to £10.113m; an increase of £1.986m on the previous year. The deficit has increased because of the impact of unfavourable financial assumptions, coupled with poorer than expected asset returns over the year.

In addition to the pension liability arising from the Council's participation in the Isle of Man Local Government Superannuation Scheme, the Council also recognises a liability arising from the unfunded discretionary benefits which are paid to those ex-employees whose employment pre-dates the establishment of the Scheme. The level of liability as at 31 March 2012 has also been calculated by the actuary for the statutory scheme, using the same financial and demographic assumptions to underpin the calculations.

**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 15-16).

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**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.

**2. Capital Expenditure and Financing**

Expenditure incurred in the provision of assets over £10,000 is deemed as capital. In the case of vehicles, the purchase of all road registered vehicles, regardless of cost, is capitalised. Property asset additions are recorded initially at current cost. Capital expenditure items are generally financed by loans, by the use of internal balances, or through the application of usable capital receipts and any capital contributions from third parties. Capital contributions which have been received from third parties in respect of capital schemes are retained in the capital accounts.

**3. Valuations**

Fixed asset valuations have been undertaken by 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. Investment properties have been valued at the open market value. Community assets are held on the balance sheet at nominal value (£1). Assets under the course of construction are reflected at historical cost until such time as they are brought into commission. Routine valuations will be carried out at intervals of not more than five years; although major changes in value are recorded as they occur, including any arising from an annual review of impairments.

**4. Impairments**

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

**5. Depreciation**

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

**6. Intangible Fixed Assets**

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

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

**7. Finance Leases**

Assets acquired by means of lease, and the matching obligations due to lessors, are written down each year in accordance with the 'Rule of 78' method. Lease repayments due within 12 months of the balance sheet date are transferred into the current liabilities section of the Balance Sheet (creditors). There are no finance leases outstanding as at the 31 March 2012 balance sheet date.

**8. Operating Leases**

The Council has a number of operating leases in respect of operational buildings and land. The annual rental payable on those leases is charged to the relevant service revenue account on a straight-line basis over the term of the lease, when it becomes payable.

**9. Disposals**

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

**10. Provision for the Redemption of Loans Pool Debt**

The Council administers a Loans Pool into which loans raised are paid and from which sums are advanced to either the General Fund or Housing Revenue Account in order to finance capital expenditure and long term outlay. The 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 directly to the Income and Expenditure Account.

**11. Valuation of Investments**

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

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

Revenue and capital 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. All known income is recorded when the debt is established.

**13. Interest Payable and Receivable**

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

**14. Provision for Bad Debts**

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

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

**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.

**17. Earmarked Reserves**

A number of renewal and reserve funds are maintained within the Council's accounts. Sums are provided for the future renewal of vehicles and plant based upon the estimated cost of replacement at the end of their estimated life. In other cases, reserve funds are maintained to finance unforeseen costs of asset repair. Two reserves have been established in accordance with accounting requirements, and as such are not backed by cash and are not generally available to finance expenditure. A "negative" reserve is held to account for the 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 Department of Infrastructure. A full explanation of the Council's reserves is shown at Appendix B to the financial statements.

**18. Contingent Liabilities**

Contingent liabilities as at the balance sheet date relate to claims covered by the Council's insurance, and claims by contractors on building works.

**19. Revenue Expenditure**

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

**20. Overheads and Support Services**

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

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**STATEMENT OF ACCOUNTING POLICIES (CONTINUED)**

**21. Government Grants**

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

**22. Pensions**

The accounts and notes in relation to the Isle of Man Local Government Superannuation Scheme have been prepared in accordance with the SORP. The financial and demographic assumptions used by the actuary are highlighted in note 28c to the accounts. The pension cost has been assessed by the Fund's actuary based on triennial valuations, the 2011/2012 actual employer contributions being based on the results of the review as at 31 March 2010. The Scheme actuary has also determined the future liability in connection with unfunded manual worker ex-employee retirement discretionary benefit payments made outside of the Scheme and also the discretionary added years' pension benefits paid.

**23. VAT**

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

**24. Post Balance Sheet Events**

Post balance sheet events, whether favourable or unfavourable, that materially affect the conditions existing at the balance sheet date will be adjusted in the accounts and disclosure notes. For 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 31 MARCH 2012**

**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

**The Authority's Responsibilities**

The Authority is required to:

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

**The Responsible Financial Officer's Responsibilities**

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

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the SORP.

The Responsible Financial Officer has also:

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

The Responsible Financial Officer should sign and date the Statement of Accounts, stating that it presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2012.

**Certificate by the Responsible Financial Officer**

Under the *Accounts and Audit Regulations 2007* these accounts are to be prepared by the 31 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 17 to 46 have been prepared in accordance with proper accounting practices and present fairly the financial position of the Council as at 31 March 2012 and its income and expenditure for the year ended 31 March 2012.

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

23 July 2012

**The Statement of Accounts was approved by the Executive Committee on 27 July 2012 and passed to PKF (Isle of Man) LLC for audit.**

# DOUGLAS BOROUGH COUNCIL

## STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012

### STATEMENT OF INTERNAL CONTROL

#### Introduction and 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 Statement of Accounts.

Douglas Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that through the maintenance of its internal controls, public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

#### The purpose of the system of internal control

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

A system of internal control has been in place at the Council for the year ending 31 March 2012 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 and corporate governance environment

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

**Establishment of the Council's objectives** – The Council 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, and a plan for the forthcoming period is being prepared.

**Monitoring achievement against the objectives** – Performance management of service delivery is achieved by way of reporting on the Corporate Plan requirements to the relevant service committee of the Council. Accountability for each area is secured with an assigned Chief Officer 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 which will take place alongside the new corporate plan.

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

# DOUGLAS BOROUGH COUNCIL

## STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012

### STATEMENT ON INTERNAL CONTROL (CONTINUED)

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

- A new constitution was developed for the Council which is publicly available on the Council's website. This includes:
  - The revised decision-making process of the Council which was reviewed and improved.
  - Design of a new committee structure ready for implementation effective from May 2013.
  - Standing Orders revised to reflect the new committee structure.
  - Revised and updated scheme of delegation.
  - All of the Council's rules of procedure (i.e. financial regulations, etc.) and Codes and Protocols (i.e. member/officer protocol, etc.).
- Pensions Committee reviewed its risk register together with the contracted administrator, actuary and investment advisors on their risk management.
- Review and response by Policy and Resources Committee to all government consultation papers.
- Complaints and response times are being monitored through the complaints system.
- The Council became a member of the Association of Public Service Excellence (APSE) and has participated in benchmarking exercises for some of its key services.
- A Treasury Management policy has been implemented including a full set of Treasury Management Practices and Plan.

**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. COMT meets regularly to consider operational management issues and, where required, determines the need for reports for Committee consideration and decision-making. The work of COMT is supported by the Extended Chief Officers Management Team (EXCOMT – comprising of Assistant Chief Officers as well as the Chief Officers), which meets on a monthly basis to consider wider management issues, including regular reports at both the strategic and operational levels.

**Risk Management** – The Council is committed to its risk management and business continuity strategies. This is recognised as a high priority within the Corporate Plan's Strategic Governance Objectives. Operational risk registers continue to be developed.

Senior Management has continued to focus attention on the area of emergency planning with training being undertaken on operational record-keeping appropriate for public bodies in emergency situations. Risk awareness workshops were also held to refresh knowledge and understanding across the organisation.

**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 Council and Executive Committee meetings, and other Committee meetings as required. He reports regularly to the Executive Committee on matters of financial importance and significance.

A 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 the Executive Committee on a six monthly basis. A Budget Manager's Forum is used to facilitate the discussion of budgetary and accounting issues, and matters of financial control.

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**STATEMENT ON INTERNAL CONTROL (CONTINUED)**

**Internal Audit** - The Council also maintains an internal audit service to assist management with monitoring adherence to key controls and procedures. The internal audit function also carries out regular reviews to ensure that identified controls governing risk areas are carried out. The main objective is primarily to satisfy the Councils' statutory responsibility under the *Accounts and Audit Regulations 2007* to "maintain in accordance with proper practices an adequate and effective system of internal audit of its accounting records and of its system of internal control". More specifically, the internal audit function must provide a service that objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources. The procedures for undertaking audit work must embrace an audit methodology which is consistent with the "Guidance for Internal Auditors" issued by the Auditing Practices Board of the Consultative Council of Accountancy Bodies (CCAB). A Strategic Audit Plan determines the audit reviews undertaken.

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

**Review of the effectiveness of internal control and corporate governance environment**

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

**Significant internal control issues**

We are not aware of any actual or potential non-compliance with laws and regulations that could have a material effect on the Council to conduct its business or on the results and financial position disclosed in the financial statements for the year ended 31 March 2012.

A review of the internal control processes was carried out by internal audit to establish whether assurance has been obtained for key controls operating during the financial year ending 31 March 2012. 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 Douglas 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, the Council's internal control and corporate governance arrangements are adequate and operate effectively during the year ending 31 March 2012.

I J G CLAGUE, MBE  
ACTING CHIEF EXECUTIVE  
20 July 2012

G M BOLT, CPFA  
BOROUGH TREASURER  
20 July 2012

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**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 2012 which comprise the income and expenditure account, statement of the movement on the general fund balance, housing revenue income and expenditure account, statement of the movement on the housing revenue account balance, statement of total recognised gains and losses, the balance sheet, the cash flow statement, the general rate fund, the related notes and the statement of accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the Statement of Recommended Practice as directed by the Isle of Man Treasury as relevant to local authorities ("SORP").

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

**Respective responsibilities of Responsible Financial Officer and auditor**

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

**Scope of the audit of the financial statements**

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

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the authority's affairs as at 31 March 2012 and of its result for the year then ended;
- have been prepared in accordance with the requirements of the SORP; and
- have been prepared in accordance with the Accounts and Audit Regulations 2007 made under the Audit Act 2006.

**DOUGLAS BOROUGH COUNCIL  
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**Matters on which we are required to report by exception**

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

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

**PKF (Isle of Man) LLC**

Douglas, Isle of Man  
31 October 2012

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**INCOME AND EXPENDITURE ACCOUNT**

	Note	Gross Expenditure £'000	2011/2012 Gross Income £'000	Net Expenditure £'000	2010/2011 Net Expenditure £'000
Central Services to the Public		589	(11)	578	567
Cultural, Environmental Regulatory and Planning Services		8,700	(3,296)	5,404	5,297
Highways and Transport services		2,674	(1,754)	920	673
Housing Services		327	0	327	417
Corporate and Democratic Core		1,589	0	1,589	1,485
Non Distributed Costs		682	(487)	195	82
Housing Revenue Account		11,520	(9,349)	2,171	2,654
Current Service Cost adjustment regarding Pensions	2	(147)	0	(147)	(82)
Past Service Gain	2	0	0	0	(3,522)
<b>Net Cost of services</b>		<u>25,934</u>	<u>(14,897)</u>	<u>11,037</u>	<u>7,571</u>
(Surplus)/deficit on sale of fixed assets	4	27	(153)	(126)	123
Interest Payable and Similar Charges				3,213	3,033
Interest and Investment income				(16)	(13)
Pensions interest cost and expected return on pension assets	2			169	380
<b>Net operating expenditure</b>				<u>14,277</u>	<u>11,094</u>
Income from General Rate Fund	5			(10,214)	(10,065)
<b>Net (surplus)/deficit for the year</b>				<u>4,063</u>	<u>1,029</u>

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

	Note	2011/2012 £'000	2010/2011 £'000
(Surplus)/deficit on Income and Expenditure account		4,063	1,029
Net additional amount required to be credited to the General Fund Balance for the year		<b>(3,893)</b>	(1,250)
(Increase)/decrease in General Rate Fund balance for the year		<u>170</u>	<u>(221)</u>
General Rate Fund Balance brought forward		<b>(2,993)</b>	(2,772)
General Rate Fund Balance carried forward	34	<u><b>(2,823)</b></u>	<u>(2,993)</u>

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

	Note	2011/2012 £	2010/2011 £
<b>Amounts included in the Income and Expenditure Account but required to be excluded when determining the Movement on the General Fund Balance:</b>			
Depreciation of fixed assets	17,19	<b>(7,816)</b>	(7,707)
Impairment of fixed assets	17	<b>(22)</b>	(274)
Amortisation of capital grants and contributions	25	<b>2</b>	0
Net charges made for retirement benefits in accordance with FRS17	2	<b>(1,482)</b>	1,805
		<u><b>(9,318)</b></u>	<u>(6,176)</u>
<b>Amounts not included in the Income and Expenditure Account but required to be included when determining the movement on the General Fund Balance for the year:</b>			
Water and Sewerage Authority loan settlement		<b>0</b>	(886)
Revenue provision for capital financing		<b>3,034</b>	3,858
Capital expenditure charged in-year to revenue (RCCO)		<b>545</b>	200
Actual amount charged against the General Fund balance for pensions in the year	2	<b>1,460</b>	1,419
		<u><b>5,039</b></u>	<u>4,591</u>
<b>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:</b>			
Net transfers to/(from) Earmarked Reserves – General Fund	14	<b>317</b>	565
Net transfers to/(from) Earmarked Reserves – re surplus on sale of fixed assets	14	<b>153</b>	55
Net transfers to/(from) Earmarked Reserves – Housing Revenue Account	14	<b>(57)</b>	(101)
Non-Revenue transfers (to)/from Balances	14	<b>(27)</b>	(184)
		<u><b>386</b></u>	<u>335</u>
<b>Net additional amount required to be credited to the General Fund Balance for the year</b>		<u><b>(3,893)</b></u>	<u>(1,250)</u>

**DOUGLAS BOROUGH COUNCIL  
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)**

	<b>Note</b>	<b>2011/2012 Actual £'000</b>	<b>2010/2011 Actual £'000</b>
(Surplus)/deficit on revenue Income and Expenditure Account		<b>4,063</b>	1,029
Actuarial (gains)/losses on Pension Fund assets and liabilities	28b	<b>1,964</b>	(3,594)
Increase/(Reduction) in ex gratia pensions benefits liability	29	<b>53</b>	70
Net (Surplus)/Deficit arising on revaluation and impairment of fixed assets		<b>(1,934)</b>	<b>489</b>
Other (gains)/losses required to be included in the STRGL		<b>(23)</b>	(13)
Total recognised (gains)/losses for the year		<u><b>4,123</b></u>	<u><b>(2,019)</b></u>

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**BALANCE SHEET AS AT 31 MARCH 2012**

	Note	As At 31 March 2012		As At 31 March 2011
		£'000	£'000	£'000
<b>Fixed assets</b>				
Intangible fixed assets:	19		10	15
<i>Operational assets:</i>	17			
Council dwellings		206,125		209,910
Other land & buildings		18,682		18,467
Vehicles, plant & equipment		1,892		1,554
Infrastructure assets		2,376		2,203
<i>Non-operational assets:</i>	17			
Investment properties		4,718		4,698
Assets under construction		10,692		3,089
Surplus assets		0	244,485	
<b>Total fixed assets</b>			<b>244,495</b>	239,936
Long term investments	20	8		7
			8	7
<b>Total Long Term Assets</b>			<b>244,503</b>	239,943
<b>Current assets</b>				
Stocks	21	185		203
Debtors	22	1,324		2,224
Cash at bank	23	22		2,359
<b>Total current assets</b>			<b>1,531</b>	4,786
<b>Less Current Liabilities</b>				
Creditors	24	(3,456)		(2,429)
Capital contributions deferred	25	(9)		(30)
Short term borrowing	26	(5,493)		(4,558)
Cash overdrawn		(1,119)		(999)
<b>Total Current Liabilities</b>			<b>(10,077)</b>	(8,016)
<b>Total assets less current liabilities</b>			<b>235,957</b>	236,713
<b>Long Term Liabilities</b>				
Long term borrowing	27	(60,878)		(59,573)
Capital contributions applied	25	(19)		0
Pension fund liability	28a	(10,113)		(8,127)
Other unfunded pension liabilities	29	(271)		(214)
			<b>(71,281)</b>	(67,914)
<b>Total assets less liabilities</b>			<b>164,676</b>	168,799

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**BALANCE SHEET AS AT 31 MARCH 2012 (CONTINUED)**

	Note	As At 31 March 2012		As At 31 March 2011
		£'000	£'000	£'000
<b>Financed by</b>				
Pensions Reserve	30		(10,411)	(8,372)
Revaluation reserve	31		135,311	138,090
Capital adjustment account	32		33,400	32,366
Usable Capital Receipts Reserve	33		538	398
General revenue balances	34		2,823	2,993
Specific reserves	34		2,725	2,977
HRA balances	34		290	347
<b>Total net worth</b>			<u>164,676</u>	<u>168,799</u>

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

D W CHRISTIAN, JP  
 CHAIRMAN OF EXECUTIVE COMMITTEE  
 30 October 2012

G M BOLT, CPFA  
 BOROUGH TREASURER  
 30 October 2012

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**CASH FLOW STATEMENT**

	Note	2011/2012		2010/2011
		£'000	£'000	£'000
<b>Revenue activities</b>				
<b>Cash outflows</b>				
Cash paid to and on behalf of employees		9,523		9,493
Other operating cash expenses		<u>6,823</u>		<u>7,545</u>
			<b>16,346</b>	<b>17,038</b>
<b>Cash inflows</b>				
Rates receipts		(9,000)		(8,783)
Rent receipts		(8,931)		(8,554)
Government grants and income		(3,843)		(3,535)
Cash received for goods and services		(2,109)		(2,090)
Other revenue cash receipts		<u>(675)</u>		<u>(623)</u>
			<b>(24,558)</b>	<b>(23,585)</b>
<b>Net cash inflow from revenue activities</b>	36		<b><u>(8,212)</u></b>	<b><u>(6,547)</u></b>
<b>Return on Investments and servicing of finance</b>				
<b>Cash outflows</b>				
Interest paid			3,269	3,072
<b>Cash inflows</b>				
Interest received			(16)	(13)
<b>Net cash outflow from servicing of finance</b>			<b><u>3,253</u></b>	<b><u>3,059</u></b>
<b>Capital activities</b>				
<b>Cash outflows</b>				
Purchase of fixed assets			9,809	4,639
<b>Cash inflows</b>				
Sale of fixed assets		(153)		(55)
Other capital cash receipts		<u>0</u>		<u>(38)</u>
			<b>(153)</b>	<b>(93)</b>
<b>Net cash outflow from capital activities</b>			<b><u>9,656</u></b>	<b><u>4,546</u></b>
<b>Net cash outflow before financing</b>	37		<b><u>4,697</u></b>	<b><u>1,058</u></b>
<b>Management of liquid resources</b>				
Movement on Short term deposit account	38		<b>(2,345)</b>	<u>1,102</u>
<b>Financing</b>				
<b>Cash outflows</b>				
Repayment of amounts borrowed		4,618		4,040
Capital element of finance lease		0		6
<b>Cash inflows</b>				
New loans raised		<u>(6,858)</u>		<u>(5,855)</u>
			<b>(2,240)</b>	<b>(1,809)</b>
<b>Net decrease/(increase) in cash</b>	38		<b><u>112</u></b>	<b><u>351</u></b>

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**GENERAL RATE FUND**

	Note	2011/2012		2010/2011
		£'000	£'000	£'000
Total rates levied for the year	5		<b>10,336</b>	10,202
Add:				
Gross arrears brought forward		<b>87</b>		76
Refunds		<b>19</b>		28
		<hr/>	<b>106</b>	<hr/>
			<b>10,442</b>	10,306
Less:				
Rate paid in advance brought forward		<b>(32)</b>		(48)
Discounts	5	<b>(335)</b>		(326)
Exempt/reduced rate properties	5	<b>(122)</b>		(137)
		<hr/>	<b>(489)</b>	<hr/>
Total rates collectable			<hr/> <b>9,953</b> <hr/>	<hr/> <b>9,795</b> <hr/>
Rates received in the year:				
Current year rates		<b>9,898</b>		9,767
Net (increase)/decrease in arrears		<b>40</b>		(27)
Total revenue income			<b>9,938</b>	9,740
Balances outstanding carried forward:				
Current year arrears	22	<b>56</b>		47
Current year rates paid in advance	24	<b>(59)</b>		(32)
		<hr/>		<hr/>
				15
Previous years arrears	22	<b>18</b>		40
Total arrears			<b>15</b>	55
			<hr/> <b>9,953</b> <hr/>	<hr/> <b>9,795</b> <hr/>

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**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](http://www.douglas.gov.im)).

**2. Pensions Costs**

In 2011/2012 the Council paid an employer's superannuation contribution of £1.455m (2010/2011: £1.413m), representing 23.0% (2010/2011: 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 31 March 2010. There were also Scheme benefits paid by the employer of £5,000 (2010/2011: £14,000) in respect of unfunded discretionary compensatory added years benefits granted by the Council. In addition there were £31,000 (2010/2011: £31,000) manual worker retirement gratuity pension payments made by the Council outside the Scheme in respect of unfunded discretionary benefits for ex-employees.

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 the SORP, the Council recognises the cost of retirement benefits in the year that they are earned by the employees, rather than when the benefits are eventually paid as pensions. The real cost of retirement benefits is therefore reversed out of the Statement of Movement on the General Fund Balance. However, the charge that is actually made against ratepayers is based on the cash payment made to the Fund representing the employer's contributions in the year. The following table reconciles the charges within the Income and Expenditure Account with the actual employer's contribution into the Fund:

<b>Income &amp; Expenditure Account</b>	<b>2011/2012</b>		<b>2010/2011</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<u>Net cost of services:</u>				
Current service cost of Pension Scheme	1,313		1,337	
Past service cost/(gain)	<u>0</u>	1,313	<u>(3,522)</u>	(2,185)
<u>Net operating expenditure:</u>				
Interest cost on Pension Scheme liabilities	1,700		1,813	
Expected return on scheme assets	<u>(1,531)</u>	<u>169</u>	<u>(1,433)</u>	<u>380</u>
Net charge to Income and Expenditure Account		<u><u>1,482</u></u>		<u><u>(1,805)</u></u>
<u>Statement of Movement on General Fund Balance</u>				
Reversal of net charges made for retirement benefits		<u><u>(1,482)</u></u>		<u><u>1,805</u></u>
<u>Actual amount charged against ratepayers in year:</u>				
Employer contributions payable to scheme		<u><u>1,460</u></u>		<u><u>1,419</u></u>

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial net losses of £1.964m (2010/2011: net gains of £3.594m) were included in the Statement of Recognised Gains and Losses. The cumulative amount of actuarial net loss recognised in the Statement of Total Recognised Gains and Losses is £8.088m.

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)**

**3. Net Cost of Services**

A detailed service by service breakdown (excluding Housing Revenue Account which is explained on pages 45-46 and retirement benefit adjustments set out in note 2 above) within the Net Cost of Services figure can be found at Appendix A.

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

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

	<b>Net Book Value</b>	<b>Sales Income</b>	<b>Net (Surplus)/ Deficit</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Log Cabin in Noble's Park demolished	6	0	6
Mower	0	(2)	(2)
Willaston playground replaced	17	0	17
Miscellaneous vehicles	4	(20)	(16)
Pulrose farm land	0	(131)	(131)
<b>Total</b>	<b>27</b>	<b>(153)</b>	<b>(126)</b>

An extra payment of £131,250 was received in respect of the sale of land at Pulrose farm. The asset was disposed of in a previous financial year. This payment was the result of a term of the contract of sale.

**5. Rates Income**

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

	<b>2011/2012</b>	2010/2011
Rates levied (pence in the pound)	387	385
	<b>£</b>	<b>£</b>
Penny rate product	26,393	26,142
	<b>£'000</b>	<b>£'000</b>
Rates proceeds to General Rate Fund	10,214	10,065
Rates levied	10,336	10,202
Less statutory allowances	(122)	(137)
Net proceeds to General Rate Fund	10,214	10,065
Less statutory 5% discounts given	(335)	(326)
Net rate income after discount	9,879	9,739

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 1.18% (2010/2011: 1.34%) 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 31 March 2012 was £2.671m (2010/2011: £2.650m).

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)**

**6. Members' Allowances**

During 2011/2012 attendance allowances paid to the Council's elected Members amounted to £29,000 (2010/2011: £32,000). The allowance payable to Members is £30 per meeting session (2010/2011: £30).

**7. Remuneration/Emoluments of Employees**

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

<b>Remuneration Band</b>	<b>Number of Employees 2011/2012</b>	<b>Number of Employees 2010/2011</b>
£50,000 to £59,999	4	8
£60,000 to £69,999	3	0
£70,000 to £79,999	2	2
£80,000 to £89,999	1	1

**8. Audit Costs**

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

	<b>2011/2012 £'000</b>	<b>2010/2011 £'000</b>
Fees payable with regard to statutory external audit services carried out by the appointed auditor (current year)	43	42
Fees payable with regard to statutory external audit services carried out by the appointed auditor (prior year)	3	0
	<u>46</u>	<u>42</u>

**9. Publicity**

The Council's spending on publicity was:

	<b>2011/2012 £'000</b>	<b>2010/2011 £'000</b>
Recruitment advertising	2	3
Other advertising	19	22
Other publicity	14	13
	<u>35</u>	<u>38</u>

**10. Local Government (Entertainments) Act 1950**

Under the terms of the above legislation (as amended by the Local Authorities Entertainments Order 2006), local authorities are empowered to spend up to a rate of 6 pence in the pound for the purposes of public entertainment, ceremony and in the reception and entertainment of distinguished persons. During the year the Council spent £52,000, being 2.0 pence in the pound (2010/2011: £92,000, being 3.5 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.

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)**

**11. Operating leases**

The Council holds three (2010/2011: two) building and two (2010/2011: two) land operating leases in order to perform a number of its service functions. The rental payable on each lease is charged to the relevant revenue service. The operational rentals paid during the 2011/2012 year amounted to £178,000 (2010/2011: £177,000).

**12. Related Party Transactions**

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

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 £20,000 (2010/2011: £10,000), 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, and the Borough Treasurer is also the Responsible Financial Officer for the Scheme. Administration expenses incurred by the Council during the year amounted to £40,000 (2010/2011: £39,000) and related to a combination of direct and indirect costs. Further expenditure of £438,000 (2010/2011: £351,000) was incurred in respect of the Scheme's fund manager and actuary, investment consultants, the contracted administrator, and other professional fees. This was charged to the Scheme. As at 31 March 2012 a debtor balance of £178,000 (31 March 2011: £200,000) was still due to the Council.

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 2011/2012 was £152,000 (2010/2011: £134,000). The Council also received £7,000 income from the Partnership during the year, as a contribution towards the costs of the hanging baskets function (2010/2011: £7,000). There was a £2,000 balance owing to the Partnership at the year end (2010/2011: £3,000).

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:

	<b>2011/2012</b>	2010/2011
	<b>£'000</b>	£'000
Rate levy from Braddan Burial Ground Churchwardens	73	70
Rate levy from Onchan Burial Ground Churchwardens	2	2
Cost to Council of maintaining St. George's Parish Churchyard	9	10
Total revenue expenditure under Burials Act	84	82

The Council has a contract with a golf professional whereby the day to day administration of the Douglas Golf Course customer business is outsourced in return for a retainer of £26,000 (2010/2011: £30,000). 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 £25,000 (2010/2011: £15,000) for the facility was paid to the Council by Douglas Golf Club during the year.

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)**

**13. Agency Income and Expenditure**

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

**Grant and Agency Income from Government Departments**

Department	Service	Bal due (to)/from Gov't 1 April £'000	Net operating cost £'000	Rate- borne (cost)/ benefit £'000	Total Grant/ Agency income due £'000	Grant/ Agency amount received £'000	Bal due (to)/from Gov't 31 March £'000
Water & Sewage Auth.	Drainage Agency	50	508	0	558	(479)	<b>79</b>
Infrastructure	Street Cleaning	148	623	(104)	667	(580)	<b>87</b>
Infrastructure	Gully Emptying	31	93	0	124	(119)	<b>5</b>
Infrastructure	Shaw's Brow Car Park	52	54	168	274	(288)	<b>(14)</b>
Social Care	Council Housing	423	1,432	(327)	1,528	(1,633)	<b>(105)</b>
Economic Development	Grandstand / Campsite	5	41	0	46	(48)	<b>(2)</b>
Community, Culture & Leisure	Bowl car park	0	12	(12)	0	0	<b>0</b>
<b>Totals</b>		<b>709</b>	<b>2,763</b>	<b>(275)</b>	<b>3,197</b>	<b>(3,147)</b>	<b>50</b>

In addition to the above, the Council provides a number of other miscellaneous services to different Government Departments, including: maintaining the Villa Marina and National Sports Centre gardens (Department of Community, Culture and Leisure) and various ad hoc rechargeable works in connection with the TT and Manx Grand Prix festivals (Department of Economic Development); grounds maintenance along road verges (Department of Infrastructure). A Government grant is received from the Department of Infrastructure in respect of the Crematorium's loan charges. The Council operated a contract for the Government in relation to the Eastern Civic Amenity Site until October 2011. Since then the Council has operated it on behalf of the Eastern Civic Amenity Site Joint Committee. The Council operated a contract for the Government in relation to recycling Kerbside Collection in Douglas, Braddan and Onchan until September 2011 (Department of Infrastructure). Since then it has provided Kerbside Collection services to Braddan. A breakdown of all Government income is shown in the table below:

	<b>2011/2012</b> £'000	2010/2011 £'000
Grant/Agency income receivable (see above)	<b>(3,197)</b>	(2,358)
Less/(add) brought forward (see above)	<b>709</b>	(356)
Repayment of debt, plus interest	<b>0</b>	(920)
Contractual income	<b>(395)</b>	(731)
Crematorium loan charges	<b>(43)</b>	(43)
Tramways' portion of Isle of Man Transport 'Rover Tickets'	<b>(22)</b>	(16)
Road verges' maintenance	<b>(61)</b>	(60)
Contribution to fees	<b>(109)</b>	(93)
Use of facilities	<b>(23)</b>	(6)
Regeneration Fund re Lord Street Planters	<b>(7)</b>	(21)
Miscellaneous	<b>(67)</b>	(41)
<b>Total Government income</b>	<b>(3,215)</b>	<b>(4,645)</b>

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)**

**14. Contributions to/ (from) Specific Reserves**

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

	<b>2011/2012</b>	<b>2010/2011</b>
	<b>£'000</b>	<b>£'000</b>
<u>Revenue contributions to General Rate Fund specific reserves:</u>		
Cremators Renewals Fund	49	44
Building Maintenance (Commercial) Fund	29	23
Risk Management and Special Projects	45	42
Plant Renewals fund (GRF)	235	198
Plant Renewals fund (Car parks barriers)	20	20
Plant Renewals fund (HRA)	0	6
Plant Renewals Fund (CCTV)	24	44
ICT Fund	7	262
Increased provision against Tramways stores	1	0
	<b>410</b>	639
<u>Revenue contributions from General Rate Fund specific reserves:</u>		
Risk Management & Special Projects Fund	(73)	(45)
ICT Fund	(10)	0
Derelict Buildings Fund	(1)	(27)
Graves Maintenance Fund	(2)	0
Tramways Fund	(7)	(2)
	<b>(93)</b>	(74)
Net Revenue contributions to/(from) General Fund specific reserves	<b>317</b>	565
Capital Receipts (land & buildings)	131	6
Capital Receipts (vehicle sales)	22	49
	<b>153</b>	55
<u>Revenue Contributions to/(from) Housing Revenue Account specific reserves:</u>		
Rental income contribution into Housing Repairs Fund	2,004	2,063
Rental income contribution into Community Facilities Reserve	22	21
Contribution from Housing Repairs Fund to finance repairs	(2,083)	(2,185)
Contribution from Community Facilities Reserve	0	0
	<b>(57)</b>	(101)
<u>Non-revenue transfers (to)/from General Revenue Reserve:</u>		
Housing Revenue Account (Plant Renewals)	0	(6)
NBV of disposed assets	(27)	(178)
	<b>(27)</b>	(184)
<b>Total Transfer to/(from) Specific Reserves</b>	<b>386</b>	335

**15. Capital Expenditure and Financing**

HRA capital expenditure of £8.831m (2010/2011: £3.457m) includes investment in new Council housing, and programmes for installing kitchens and upgrading windows 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 Department of Social Care. General Fund capital expenditure during the year amounted to £1.637m (2010/2011: 1.123m). This includes expenditure on public lighting and car park management systems amongst others.

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)**

**15. Capital Expenditure and Financing (Cont'd)**

During the 2011/2012 year, the average rate of interest on loans pool loans amounted to 4.36% (2010/2011: 4.25%).

**16. Capital Commitments**

The estimated commitments for capital expenditure that had started, or legal contracts entered into, by 31 March 2012 are listed below:

	<b>31 March 2012 £'000</b>	31 March 2011 £'000
Housing Revenue Account	9,534	6,486
General Fund	42	716
<b>Total</b>	<b>9,576</b>	<b>7,202</b>

**17. Movement of Fixed Assets**

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

	<b>Operational Assets</b>					
	<b>Council dwellings</b>	<b>Other land &amp; buildings</b>	<b>Vehicles, plant &amp; equipment</b>	<b>Infrastructure assets</b>	<b>Community assets</b>	<b>Total Operational Assets</b>
<b>Cost or valuation</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
As at 31 March 2011	223,686	18,825	3,929	3,503	0	249,943
Revaluations	1,956	0	0	0	0	1,956
Reverse dep.-revalued assets	(2,501)	0	0	0	0	(2,501)
Impairments	0	0	0	0	0	0
Additions	1,227	404	851	343	0	2,825
Disposals	0	0	(250)	0	0	(250)
Transfers	0	(8)	(65)	0	0	(73)
<b>Value as at 31 March 2012</b>	<b>226,368</b>	<b>19,221</b>	<b>4,465</b>	<b>3,846</b>	<b>0</b>	<b>251,900</b>
<b>Accumulated Depreciation</b>						
As at 31 March 2011	(13,776)	(358)	(2,375)	(1,300)	0	(17,809)
Disposals in year	0	0	229	0	0	229
Charge for year	(6,968)	(181)	(492)	(170)	0	(7,811)
Reverse dep.-revalued assets	2,501	0	0	0	0	2,501
Transfers	0	0	65	0	0	65
<b>As at 31 March 2012</b>	<b>(18,243)</b>	<b>(539)</b>	<b>(2,573)</b>	<b>(1,470)</b>	<b>0</b>	<b>(22,825)</b>
<b>Net Book Value as at 31 March 2012</b>	<b>206,125</b>	<b>18,682</b>	<b>1,892</b>	<b>2,376</b>	<b>0</b>	<b>229,075</b>
Net book value as at 31 March 2011	209,910	18,467	1,554	2,203	0	232,134

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)**

**17. Movement of Fixed Assets (cont'd)**

<b>Cost or valuation</b>	<b>Non-operational Assets</b>			<b>Total Non-Operational Assets</b>	<b>Grand Total of All Fixed Assets</b>
	<b>Investment properties</b>	<b>Assets under construction</b>	<b>Surplus assets</b>		
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
As at 31 March 2011	4,698	3,089	0	7,787	257,730
Revaluations	0	0	0	0	1,956
Reverse dep.-revalued assets	0	0	0	0	(2,501)
Impairments	(22)	0	0	(22)	(22)
Additions	40	7,603	0	7,643	10,468
Disposals	(6)	0	0	(6)	(256)
Transfers	8	0	65	73	0
<b>Value as at 31 March 2012</b>	<b>4,718</b>	<b>10,692</b>	<b>65</b>	<b>15,475</b>	<b>267,375</b>
<b>Accumulated Depreciation</b>					
As at 31 March 2011	0	0	0	0	(17,809)
Disposals in year	0	0	0	0	229
Charge for year	0	0	0	0	(7,811)
Reverse dep.-revalued assets	0	0	0	0	2,501
Transfers	0	0	(65)	(65)	0
<b>As at 31 March 2012</b>	<b>0</b>	<b>0</b>	<b>(65)</b>	<b>(65)</b>	<b>(22,890)</b>
<b>Net Book Value as at 31 March 2012</b>	<b>4,718</b>	<b>10,692</b>	<b>0</b>	<b>15,410</b>	<b>244,485</b>
Net book value as at 31 March 2011	4,698	3,089	0	7,787	239,921

The last full valuation of operational assets was as of 1 April 2009. A partial revaluation of operational assets was undertaken as of 1 April 2011. The valuation was completed by RICS-qualified staff at Lancashire County Council. As a result of the valuation there was £1,956,000 upward revaluation of council dwellings. There was one impairment identified during the year ended 31 March 2012, this being in relation to Queen Street car park in the amount of £22,000. A review of all assets with useful lives of more than 50 years was undertaken in the year. No impairments were found.

Council dwellings are valued on a basis that reflects their use for social housing. The vacant possession value of dwellings as at 1 April 2011 was £329,057,000, compared to the balance sheet value of £209,910,000 (comparative figures for 1 April 2010 were £328,258,000 and £214,462,000).

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

Council dwellings	5-60
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 & decorative lighting	1-15
Land	0

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)**

**18. Fixed Assets Held**

The following table shows the number of fixed assets owned by the Council at 31 March 2012.

	<b>As At 31 March 2012</b>	As At 31 March 2011
<b>Operational Assets</b>		
Council dwellings	2,146	2,146
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	2	2
Crematoria and chapels	2	2
Community centre/changing rooms	1	1
Golf Clubhouse/community centre	1	1
Golf course	1	1
Market Hall	1	1
Public conveniences	10	10
Commercially valued land assets	3	3
Other	3	3
<b>Non Operational Assets</b>		
Commercial properties	19	19
Other commercially let properties	7	7
Garages	49	49
Residential units	6	6
Other non operational	1	2
Surplus assets held for disposal	4	0
Commercially valued land assets	2	2

**19. Intangible Fixed Assets**

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

	<b>2011/2012 £'000</b>	2010/2011 £'000
Net book value as at 1 April	15	19
Additions in year	0	0
Disposals/write downs	0	0
Amortisation	<u>(5)</u>	<u>(4)</u>
Net book value as at 31 March	<u>10</u>	<u>15</u>

**20. Long Term Investments**

The Council holds a 3½% War Stock investment, which increased in value during the year ending 31 March 2012.

**21. Stocks**

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

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)**

**21. Stocks (Cont'd)**

	<b>As at 31 March 2012 £'000</b>	<b>As at 31 March 2011 £'000</b>
General stores	139	163
Tramways undertaking stock	26	25
Wheeled bins stock	20	15
<b>Total stocks</b>	<b>185</b>	<b>203</b>

**22. Debtors**

Debtor amounts falling due within one year:

	<b>As At 31 March 2012</b>		<b>As At 31 March 2011</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Sundry debtors	277		476
Government departments	295		810
VAT refund	269		437
Local authorities	6		3
Housing rents	82		98
Rates arrears - current year	56		47
Rates arrears - previous years	18		40
Payments in advance	219		217
Pension administration costs recoverable	178		200
Work in progress	27		4
		<b>1,427</b>	<b>2,332</b>
<u>Less provision for Bad Debts:</u>			
General Rate Fund	(73)		(78)
Housing Revenue Account	(30)		(30)
		<b>(103)</b>	<b>(108)</b>
		<b>1,324</b>	<b>2,224</b>

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 31 March 2011 includes a £423,000 Housing Deficiency payment due from the Department of Social Care (a creditor overpayment balance as at 31 March 2012).

**23. Bank, Cash and Liquid Resources**

The bank and cash position includes liquid resources amounts held within a short term deposit account. A breakdown of all accounts held is shown at note 38.

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)**

**24. Creditors**

Creditor amounts falling due within one year:

	<b>As At 31 March 2012 £'000</b>	<b>As At 31 March 2011 £'000</b>
Sundry creditors	980	752
Government departments	256	137
Capital Creditors	862	171
Interest payable	590	646
Housing rents Prepaid	256	302
Rates prepaid	59	32
Sundry prepayments/invoiced in advance	453	389
	<b><u>3,456</u></b>	<b><u>2,429</u></b>

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 31 March 2012 includes a £10,000 provision (2010/2011: £6,000) for time in lieu worked and owed to salaried employees. £27,000 (2010/2011: £31,000) unfunded pensions benefits payable within 12 months of the balance sheet date are also incorporated within the sundry creditors figure.

The 31 March 2012 creditor balance in respect of Government Departments includes a balance with the Department of Social Care in respect of £105,000 overclaimed Council Housing Deficiency. As at 31 March 2011 there was an amount owed by the Department of Social Care in respect of the Housing deficiency (see separate debtors note 22)

**25. Capital Contributions**

The Council received a contribution of £30,000 from a developer under section 13 of the Town and Country Planning Act, 1999. This was applied to fund part of the cost of Nobles Plot play equipment capital scheme. This amount is being amortised in line with the depreciation charge of the asset it was used to help create. The balance of £9,000 is shown as Capital Contributions Deferred under Current Liabilities because it may be refundable if certain conditions are not met.

	<b>As At 31 March 2012 £'000</b>	<b>As At 31 March 2011 £'000</b>
Capital Contribution Received	21	0
Amortisation	(2)	0
Capital Contributions Closing Net Book Value	<b><u>19</u></b>	<b><u>0</u></b>

**26. Short Term Borrowing**

The following table presents the breakdown of short term borrowing at the balance sheet date:

	<b>As At 31 March 2012 £'000</b>	<b>As At 31 March 2011 £'000</b>
Bank loan principal	1,122	2,046
Loans Pool mortgage bonds	4,371	2,512
Total short term borrowing	<b><u>5,493</u></b>	<b><u>4,558</u></b>

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)**

**27. 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, and repayable over 30 years. All bank loans have been sanctioned by both Treasury and the relevant Government 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:

	<b>As At 31 March 2012 £'000</b>	<b>As At 31 March 2011 £'000</b>
Bank loan principal	60,878	55,142
Loans Pool mortgage bonds	<u>0</u>	<u>4,431</u>
Total long term borrowing	<u><u>60,878</u></u>	<u><u>59,573</u></u>

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

<b>Loan repayment term</b>	<b>As At 31 March 2012 £'000</b>
Repayable between 1 and 2 years	1,674
Repayable between 2 and 5 years	8,545
Repayable between 5 and 10 years	14,780
More than 10 years	<u>35,879</u>
Total long term loans	<u><u>60,878</u></u>

**28. Net Pensions Liability**

**28a. Pension Fund Assets and Liabilities**

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

<b>Reconciliation of defined benefit obligation</b>	<b>As At 31 March 2012 £'000</b>	<b>As At 31 March 2011 £'000</b>
Opening defined benefit obligation	30,483	35,245
Current service cost	1,313	1,337
Interest cost	1,700	1,813
Contributions by members	377	373
Actuarial (gains)/losses	745	(3,958)
Past service cost/(gain)	0	(3,522)
Estimated unfunded benefits paid	(5)	(12)
Estimated funded benefits paid	<u>(818)</u>	<u>(793)</u>
Closing defined benefit obligation	<u><u>33,795</u></u>	<u><u>30,483</u></u>

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)**

**28a. Pension Fund Assets and Liabilities (cont'd)**

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

<b>Reconciliation of fair value of the employer's Scheme assets</b>	<b>As At 31 March 2012 £'000</b>	<b>As At 31 March 2011 £'000</b>
Opening fair value of the employer's Scheme assets	<b>22,356</b>	20,300
Expected return on assets	<b>1,531</b>	1,433
Contributions by members	<b>377</b>	373
Employer contributions	<b>1,455</b>	1,407
Contributions in respect of unfunded benefits	<b>5</b>	12
Actuarial (losses)/gains	<b>(1,219)</b>	(364)
Estimated benefits paid	<b>(5)</b>	(12)
Estimated unfunded benefits paid	<b>(818)</b>	(793)
Closing fair value of the employer's Scheme assets	<b><u>23,682</u></b>	<u>22,356</u>

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

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

<b>Asset Class</b>	<b>Distribution As At 31 March 2012</b>		<b>Distribution As At 31 March 2011</b>	
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
Equities	<b>15,157</b>	<b>64.0</b>	14,979	67.0
Bonds	<b>5,920</b>	<b>25.0</b>	4,918	22.0
Property	<b>2,131</b>	<b>9.0</b>	1,788	8.0
Cash	<b>474</b>	<b>2.0</b>	671	3.0
Total estimated employer assets	<b><u>23,682</u></b>	<b><u>100.0</u></b>	<u>22,356</u>	<u>100.0</u>
Present value of scheme liabilities	<b><u>(33,729)</u></b>		<u>(30,351)</u>	
Net underfunding in funded plans	<b><u>(10,047)</u></b>		<u>(7,995)</u>	
Present value of unfunded liabilities	<b><u>(66)</u></b>		<u>(132)</u>	
Net pensions liability	<b><u>(10,113)</u></b>		<u>(8,127)</u>	

The impact of complying in full with the retirement benefit provisions of the SORP has been to reduce the total net assets of the Council by £10.113m (2010/2011: £8.127m). The net pensions liability represents the difference between the value of the Council's share of assets in the Scheme and the value of the future pension payments to which it was committed at that date. These pension liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them.

The deficit has increased because of the impact of unfavourable financial assumptions, coupled with poorer than expected asset returns over the year.

The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities will be considered by the actuaries in their next full actuarial review of the Scheme as at 31 March 2013. Their advice on whether or not there is any anticipated shortfall in the funding of the Scheme at that time will determine the future level of pension contributions. The current planned level of contribution rates aim to recover the above liabilities over 20 years (from the last triennial valuation date as at 31 March 2010).

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)**

**28b. 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 March 2012		31 March 2011		31 March 2010		31 March 2009		31 March 2008	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Fair value of assets	23,682		22,356		20,300		14,118		15,931	
Present value of liabilities	(33,795)		(30,483)		(35,245)		(20,054)		(20,159)	
<b>Asset/(liability)</b>	<b>(10,113)</b>		<b>(8,127)</b>		<b>(14,945)</b>		<b>(5,936)</b>		<b>(4,228)</b>	
Experience gains/(losses) on assets	(1,219)	(5.1)	(364)	(1.6)	4,111	20.3	(3,972)	(28.1)	(2,078)	13.4
Experience gains/(losses) on liabilities	(202)	0.6	1,726	(5.7)	2	(0.0)	(1)	0.0	(288)	(1.4)
Actuarial gains/(losses) recognised in STRGL	(1,964)		3,594		(9,148)		(1,928)		2,142	

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.

**28c. Basis for Estimating Assets and Liabilities**

The liabilities of the Scheme as at 31 March 2012 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 31 March 2010. The actuary used this valuation as the basis for the retirement benefit calculations. The main financial and demographic assumptions used in the calculations are shown in the table below:

<b>Assumptions</b>	<b>2011/2012</b>	<b>2010/2011</b>
<i>Financial Assumptions</i>		
Pensions increase rate	2.5%	2.8%
Rate of increase in salaries	4.8%	5.1%
Expected return on assets	5.3%	6.7%
Rate for discounting scheme liabilities	4.8%	5.5%
<i>Long-term expected rate of return on each asset class</i>		
Equities	6.2%	7.5%
Bonds	3.3%	4.9%
Property	4.4%	5.5%
Cash	3.5%	4.6%

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)**

**28c. Basis for Estimating Assets and Liabilities (Cont'd)**

<u>Mortality assumptions</u>	<b>Males</b>	<b>Females</b>
Current pensioners	<b>20.1 years</b>	<b>22.9 years</b>
Future pensioners	<b>22.0 years</b>	<b>24.8 years</b>
Prior Year disclosure:		
Current pensioners	20.1 years	22.9 years
Future pensioners	22.0 years	24.8 years

**29. 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 formal calculation. The liability calculation as at 31 March 2012 has been made by the actuary based on the current gratuity benefit payment obligations projected forward into future years, using the same life expectancy assumptions for these ex-employees as the assumptions used for the calculations. The amount payable within 12 months of the balance sheet date is showing within the current liabilities section of the balance sheet. The liability split is presented in the table below:

	<b>As At 31 March 2012 £'000</b>	<b>As At 31 March 2011 £'000</b>
Short term liability (due within 1 year)	<b>(27)</b>	(31)
Long term liability	<b>(271)</b>	(214)
<b>Total unfunded pensions liability</b>	<b><u>(298)</u></b>	<u>(245)</u>

**30. Pensions Reserve**

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

	<b>As At 31 March 2012 £'000</b>	<b>As At 31 March 2011 £'000</b>
FRS17 Scheme liability	<b>10,113</b>	8,127
Unfunded pension liability	<b>298</b>	245
<b>Total Pensions Reserve</b>	<b><u>10,411</u></b>	<u>8,372</u>

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)**

**31. Revaluation Reserve**

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

	<b>2011/2012</b>	2010/11
	<b>£'000</b>	£'000
<b>Balance brought forward at beginning of year</b>	<b>138,090</b>	143,286
Upwards revaluations in year	<b>1,956</b>	153
Downwards revaluations in year	<b>0</b>	(652)
Depreciation adjustments	<b>(4,735)</b>	(4,652)
Impairments in year	<b>0</b>	0
Balance transfers for assets disposed of in year	<b>0</b>	(45)
<b>Balance carried forward at end of year</b>	<b><u>135,311</u></b>	<u>138,090</u>

**32. 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:

	<b>2011/2012</b>		2010/2011
	<b>£'000</b>	<b>£'000</b>	£'000
<b>Opening balance</b>		<b>32,366</b>	32,047
Movements in fixed assets:			
In year depreciation & impairment of assets	<b>(7,837)</b>		(7,976)
In year amortisation of capital contributions	<b>2</b>		-
Disposals - net book value of vehicles	<b>(4)</b>		(133)
Disposals - net book value of land & buildings	<b>(23)</b>		(44)
Disposals - release of revaluation reserve for land & buildings sold	<b>0</b>		46
Amortisation of revaluation reserve	<b>4,735</b>		4,652
		<b>(3,127)</b>	(3,455)
Financing of capital expenditure:			
Revenue provision to repay debt	<b>3,033</b>		<b>2,972</b>
Use of revenue reserves	<b>544</b>		<b>200</b>
Use of specific reserves	<b>570</b>		<b>572</b>
Use of capital receipts	<b>14</b>		<b>23</b>
Contributions	<b>0</b>		<b>7</b>
		<b>4,161</b>	3,774
<b>Closing balance</b>		<b><u>33,400</u></b>	<u>32,366</u>

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)**

**33. 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 2011/2012, capital receipts were received in respect of vehicle disposals and two minor land sales.

	<b>2011/2012</b>	2010/2011
	<b>£'000</b>	£'000
<b>Balance brought forward at beginning of year</b>	<b>398</b>	366
Receivable in year	<b>154</b>	55
Applied to finance new capital investment	<b>(14)</b>	(23)
Increase/(decrease) in capital receipts	<b>140</b>	32
<b>Balance carried forward at end of year</b>	<b>538</b>	398

**34. Reserves and Balances**

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

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)**

**34. Reserves and Balances (cont'd)**

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

Reserve	Balance In Hand At 31/03/2011 £'000	Receipts in Year £'000	Use of Reserves In Year £'000	Balance In Hand At 31/03/2012 £'000
<b>Revaluation Reserve</b>	138,090	(2,779)	0	135,311
<b>Usable Capital Receipts Reserve</b>	398	154	(14)	538
<b>Pensions Reserve</b>	(8,372)	(2,039)	0	(10,411)
<b>General Revenue Balances</b>	2,993	525	(695)	2,823
<b>Specific Reserves:</b>				
<b>General Fund</b>				
Plant Renewals	1,141	279	(471)	949
Cremator Renewals	644	49	(49)	644
Provision For Derelict Buildings	297	0	(1)	296
Building Maintenance (Commercial)	166	29	(41)	154
Information Technology	321	7	(14)	314
St. George's Churchyard	57	0	0	57
Graves Maintenance	104	0	(2)	102
Risk Management & Special Projects	165	45	(77)	133
<b>Total General Fund</b>	<b>2,895</b>	<b>409</b>	<b>(655)</b>	<b>2,649</b>
<b>Tramways Undertaking</b>				
Tramways Renewals Fund	57	0	(7)	50
Provision for Stocks and Stores	25	1	0	26
<b>Total Tramways</b>	<b>82</b>	<b>1</b>	<b>(7)</b>	<b>76</b>
<b>Total Specific Reserves</b>	<b>2,977</b>	<b>410</b>	<b>(662)</b>	<b>2,725</b>
<b>Housing Revenue Account</b>				
Housing Repairs Fund	148	2,004	(2,083)	69
Community Facilities Reserve	199	22	0	221
<b>Total Housing</b>	<b>347</b>	<b>2,026</b>	<b>(2,083)</b>	<b>290</b>
<b>Total Reserves</b>	<b>136,433</b>	<b>(1,703)</b>	<b>(3,454)</b>	<b>131,276</b>

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

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)**

**35. 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 Executive Committee for approval, i.e. 27 July 2012.

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

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

	2011/2012	2010/2011
	£'000	£'000
<b>Net (surplus)/deficit per Income and Expenditure A/c</b>		1,029
<i>Items classified elsewhere on Cash Flow Statement:</i>		
(Surplus)/Deficit on sale of fixed assets	126	(123)
Net interest payable included in deficit	<u>(3,197)</u>	<u>(3,020)</u>
		(3,143)
<i>Non-cash transactions:</i>		
Depreciation and impairment of assets	(7,838)	(7,981)
Amortisation of capital contributions	2	0
FRS17 Adjustments	(22)	3,224
Other non-cash transactions	(44)	(156)
Balance sheet items written off to revenue	<u>8</u>	<u>59</u>
		(4,854)
<b>Adjusted (surplus)/deficit</b>		<u>(6,968)</u>
<i>Items on an accruals basis:</i>		
Increase/(decrease) in stock	(18)	(3)
Increase/(decrease) in debtors	(900)	341
(Increase)/decrease in creditors	<u>(392)</u>	<u>83</u>
		421
Net cash (inflow)/outflow from revenue activities		<u><u>(6,547)</u></u>

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

	2011/2012	2010/2011
	£'000	£'000
Net debt at 1 April		(61,713)
Movement in net debt:		
Movement in liquid resources	(2,345)	1,102
Increase/(decrease) in cash in the period	(112)	(351)
Inflow/(outflow) from increase/decrease in debt financing	<u>(2,240)</u>	<u>(1,809)</u>
		(1,058)
Net debt at 31 March		<u><u>(62,771)</u></u>

**DOUGLAS BOROUGH COUNCIL  
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)**

**38. Reconciliation of Financing and Management of Liquid Resources**

	Balance at 31 March 2011 £'000	<b>Cash increase/ (decrease) £'000</b>	Balance at 31 March 2012 £'000
<b>Cash</b>			
Bank call account	0	<b>0</b>	0
Cash in hand	1	<b>8</b>	9
Bank General Account	(760)	<b>333</b>	(427)
Bank Interest Warrant account	(5)	<b>5</b>	0
Capital Expenditure Overdraft Account	(234)	<b>(458)</b>	(692)
	<u>(998)</u>	<u>(112)</u>	<u>(1,110)</u>
<b>Liquid Resources</b>			
Short term deposit account	<u>2,358</u>	<u>(2,345)</u>	<u>13</u>
<b>Debt</b>			
Bank loans due within one year	(2,046)	<b>924</b>	(1,122)
Mortgage bonds due within one year	(2,512)	<b>(1,859)</b>	(4,371)
Bank loans due after one year	(55,142)	<b>(5,736)</b>	(60,878)
Mortgage bonds due after one year	(4,431)	<b>4,431</b>	0
Debt	<u>(64,131)</u>	<u>(2,240)</u>	<u>(66,371)</u>
<b>Net Debt</b>	<u>(62,771)</u>	<u>(4,697)</u>	<u>(67,468)</u>
<b>Matched by:</b>			
Housing Revenue Account	(54,030)	<b>(5,925)</b>	(59,955)
Other (rate borne)	(8,741)	<b>1,228</b>	(7,513)
	<u>(62,771)</u>	<u>(4,697)</u>	<u>(67,468)</u>

**39. 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 31 MARCH 2012**

**CAPITAL ACCOUNTS**

**SUMMARY STATEMENT OF CAPITAL EXPENDITURE AND FINANCING**

	Notes	2011/2012		2010/2011
		£'000	£'000	£'000
<b>Capital Expenditure</b>				
General Rate Fund schemes	15	1,637		1,121
Housing Revenue Account schemes	15	<u>8,831</u>		<u>3,458</u>
 Total capital expenditure	 17		 <b>10,468</b>	 4,579
<b>Financed By</b>				
Loans - non housing		(411)		(421)
Loans - housing		(8,222)		(3,510)
Capital Receipts	33	(14)		(23)
Reserves - non housing		(570)		(528)
Reserves - housing		0		(34)
Direct Revenue Financing (RCCO)		(544)		(200)
Other (including Government grants and other external contributions)		(21)		(8)
Capital creditor - non housing		(105)		(25)
Capital creditor - housing		(757)		(146)
Less capital creditors brought forward		<u>171</u>		<u>236</u>
 Total capital financing in the year			 <u><b>(10,473)</b></u>	 <u>(4,659)</u>
 Change in expenditure financed by internal loans in year			 <b>(5)</b>	 (80)
 Capital cash overdrawn at the start of the year (internal loans)			 <b>87</b>	 167
 Balance of capital expenditure financed by internal loan			 <u><b>82</b></u>	 <u>87</u>

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

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

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**HOUSING REVENUE ACCOUNT (HRA)**

In accordance with Tynwald resolution under the Housing Act 1955, the Department of Social Care pays the Council a Housing Deficiency Grant, which generally meets the excess of the cost of housing provision over rents received. The balance of the administration costs of the housing function, which is not met by the allowance (being subject to the upper limit of 7.5% of the rent received during the year), remains as a rateborne cost. During 2011/2012, this amounted to nearly £284,000 (2010/2011: £327,000).

**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 the allowance, is excluded from this statement (see Appendix A – Housing Services non-HRA).

	2011/2012		2010/2011
	£'000	£'000	£'000
<b>Expenditure</b>			
Repairs & maintenance	2,213		2,334
Supervision & management	755		735
Rates	1,566		1,599
Depreciation & impairment of fixed assets	6,986		7,192
	<hr/>		<hr/>
<b>Total expenditure</b>		<b>11,520</b>	11,860
<b>Income</b>			
Dwelling Rents (inclusive of rates)	(8,164)		(7,678)
Housing Deficiency Grant	(1,105)		(1,426)
Charges for services & facilities	(78)		(82)
Other Income	(2)		(20)
	<hr/>		<hr/>
<b>Total income</b>		<b>(9,349)</b>	(9,206)
<b>Net cost of HRA services</b>		<hr/> <b>2,171</b>	<hr/> 2,654
Interest payable & similar charges		<b>2,541</b>	2,328
<b>Net HRA (Surplus)/Deficit for the year</b>		<hr/> <b>4,712</b> <hr/>	<hr/> 4,982 <hr/>

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCES**

	2011/2012 £'000	2010/2011 £'000
Net HRA (surplus)/deficit for the year	4,712	4,982
Depreciation & impairment of fixed assets	(6,986)	(7,192)
Revenue provision for capital finance	2,330	2,310
	<u>56</u>	<u>100</u>
Non-revenue transfers (to)/from HRA balances	0	40
(Increase)/decrease in HRA balances	<u><u>56</u></u>	<u><u>140</u></u>

The HRA reserve balances are broken down as follows:

	2011/2012 £'000	2010/2011 £'000
<u>Balances brought forward:</u>		
Housing Repairs Fund	(148)	(276)
Community Facilities Reserve	(199)	(211)
	<u>(347)</u>	<u>(487)</u>
<u>Balances carried forward:</u>		
Housing Repairs Fund	(69)	(148)
Community Facilities Reserve	(222)	(199)
	<u>(291)</u>	<u>(347)</u>

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

	2011/2012 £'000	2011/2012 £'000	2010/2011 £'000
Net transfer (to)/from Housing Balances		<u>56</u>	<u>140</u>
<u>Accounted for by:</u>			
Rental income contribution into Housing Repairs Fund	(2,004)		(2,063)
Rental income contribution into Community Facilities Reserve	(22)		(21)
Contribution from Housing Repairs Fund to finance repairs	2,082		2,184
Contribution from Community Facilities Reserve to Revenue	0		0
		56	100
<u>Other reserve movements:</u>			
R&R	0		6
Other	0		34
		<u>0</u>	<u>40</u>
Decrease in HRA balances for the Year		<u><u>56</u></u>	<u><u>140</u></u>

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**APPENDIX A**

**PAGES 47 TO 59 DO NOT FORM PART OF THE AUDITED FINANCIAL STATEMENTS**

**DETAILED INCOME AND EXPENDITURE ACCOUNTS**

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

**1. Central Services to the Public**

This category includes those services provided by central departments that are a direct service to the public. There are only three Council services relevant for this category: the administration of local authority elections (full Council elections and by-elections), Information and Public Relations, and the cost of the Council rate collection, including the cost of the statutory 5% rates discount for full rates settlement by ratepayers by 30<sup>th</sup> June each year. There were no Council elections held during the 2011/2012 financial year (the last full Council elections were held during 2008/2009).

Service	2011/2012		2010/2011	
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Net Expenditure £'000
Elections	1	0	1	0
Information & Public Relations	43	0	43	38
Cost of Rate Collection	545	(11)	534	529
	<b>589</b>	<b>(11)</b>	<b>578</b>	<b>567</b>

**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	2011/2012		2010/2011	
	Cost £'000	Income £'000	Net Cost £'000	Net Cost £'000
Cultural and Related	3,996	(1,077)	2,919	3,023
Environmental	4,203	(2,015)	2,188	2,068
Planning and Development	501	(204)	297	206
Total	<b>8,700</b>	<b>(3,296)</b>	<b>5,404</b>	<b>5,297</b>

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 31 MARCH 2012**

**DETAILED INCOME AND EXPENDITURE ACCOUNTS (CONTINUED)**

**Cultural and Related Services**

<b>Service</b>	<b>Cost £'000</b>	<b>2011/2012 Income £'000</b>	<b>Net Cost £'000</b>	<b>2010/2011 Net Cost £'000</b>
Promenade and Beach	89	(7)	82	82
Library	678	(14)	664	672
Pulrose Recreational Grounds	100	(8)	92	120
Loch Promenade	160	0	160	162
National Sports Centre	37	(37)	0	0
Nobles Park	474	(64)	410	442
Nursery	602	(593)	9	0
Open Spaces	890	(10)	880	860
Town Squares	111	0	111	136
Playgrounds and Water Features	145	0	145	122
Douglas Golf Course	327	(143)	184	212
Verges Maintenance	52	(52)	0	0
Floral decorations	8	(8)	0	0
Hanging Baskets	23	(15)	8	27
Summer Hill Glen	26	0	26	24
Villa Marina Gardens	72	(72)	0	0
Grandstand Agency	41	(41)	0	0
Public Events	161	(13)	148	164
<b>Total Cultural and Related</b>	<b>3,996</b>	<b>(1,077)</b>	<b>2,919</b>	<b>3,023</b>

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**DETAILED INCOME AND EXPENDITURE ACCOUNTS (CONTINUED)**

**Environmental Services**

Service	2011/2012		Net Cost £'000	2010/2011
	Cost £'000	Income £'000		Net Cost £'000
Borough Cemetery	228	(15)	213	226
Crematorium	261	(370)	(109)	(109)
Lawn Cemetery	81	(16)	65	77
Burials Act	84	-	84	82
Market	59	(43)	16	6
Commercial Properties	116	(263)	(147)	(108)
Strathallan Suite	43	(17)	26	25
Public Conveniences	177	(8)	169	162
Civic Property	35	(2)	33	87
Drainage Maintenance	537	(537)	0	(7)
Byelaw Enforcement	94	(1)	93	103
Cleaner Safer Greener	156	(1)	155	78
Street Cleaning Amenity	357	(9)	348	286
Engineering Misc Works	28	(3)	25	54
Waste Service Agencies	297	(204)	93	(71)
Dog Bins	14	0	14	14
Civic Amenity Site	212	0	212	268
Refuse Collection	1,424	(526)	898	895
<b>Total Environmental</b>	<b>4,203</b>	<b>(2,015)</b>	<b>2,188</b>	<b>2,068</b>

**Planning and Development Services**

Service	2011/2012		Net Cost £'000	2010/2011
	Cost £'000	Income £'000		Net Cost £'000
Building Regulations	219	(174)	45	(6)
Planning	25	0	25	35
Derelict Buildings	75	(1)	74	43
Douglas Dev't Partnership	182	(29)	153	134
<b>Total Planning and Development</b>	<b>501</b>	<b>(204)</b>	<b>297</b>	<b>206</b>

**DOUGLAS BOROUGH COUNCIL  
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**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	2011/2012			2010/2011
	Cost £'000	Income £'000	Net Cost £'000	Net Cost £'000
Car Parks	481	(1,030)	(549)	(754)
Horse Trams	348	(109)	239	246
Public Lighting	898	(3)	895	872
Decorative Lighting	231	0	231	227
Street Cleaning Agency	623	(519)	104	86
Gully Emptying Agency	93	(93)	0	(4)
	<b>2,674</b>	<b>(1,754)</b>	<b>920</b>	<b>673</b>

**4. Housing Services**

This category includes only those elements of the Council's housing services that are chargeable to the General Fund rather than the Housing Revenue Account. It effectively represents the balance of the administration costs of the housing function not met by the Government Deficiency Grant, which is subject to an upper limit of 7.5% of the rent received during the year. The Architects function supports the Housing service, and the cost shown here represents the rateborne element only of that function.

**Housing Services**

Service	2011/2012			2010/2011
	Cost £'000	Income £'000	Net Cost £'000	Net Cost £'000
Architects	43	0	43	61
Housing Administration	284	0	284	356
	<b>327</b>	<b>0</b>	<b>327</b>	<b>417</b>

**DOUGLAS BOROUGH COUNCIL  
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**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**

<b>Service</b>	<b>Cost £'000</b>	<b>2011/2012 Income £'000</b>	<b>Net Cost £'000</b>	<b>2010/2011 Net Cost £'000</b>
Public Health & Housing Admin	103	0	103	89
Public Works Admin	284	0	284	229
Leisure Services Admin	211	0	211	192
Corporate Management	437	0	437	441
Policy & Resources Admin	354	0	354	334
Mayoralty	88	0	88	108
Member Services	112	0	112	92
	<b>1,589</b>	<b>0</b>	<b>1,589</b>	<b>1,485</b>

**6. Non Distributed Costs**

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

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

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

<b>Service</b>	<b>Cost £'000</b>	<b>2011/2012 Income £'000</b>	<b>Net Cost £'000</b>	<b>2010/2011 Net Cost £'000</b>
Stores & Purchasing	124	(1)	123	85
Support Services	30	0	30	81
Financial Provisions	14	(8)	6	(130)
Pension Admin Control A/c	514	(478)	36	46
	<b>682</b>	<b>(487)</b>	<b>195</b>	<b>82</b>

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**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.

**Capital Adjustment Account**

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

**Graves Maintenance**

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

**Housing Repairs Fund**

The Council maintains this Housing Revenue Account reserve fund in accordance with the provisions of Government Housing Policy. The Housing Repairs Fund receives an annual transfer from the Council which 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 30% (2010/11: 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 31 MARCH 2012**

**EXPLANATION OF RESERVES (CONTINUED)**

**Pensions Reserve**

The Pensions Reserve is a reserve matching the retirement benefits long term liability related to the Council's defined benefit scheme on the balance sheet. Accounting for the liability in this way enables the Council's compliance with proper accounting practice, although this actually results in a "negative" reserve. The liability, which is calculated for accounting purposes, is not directly linked to the likely deficit position arising from the next formal triennial valuation, which is due to be calculated as at 31 March 2013. That actuarial deficit will be addressed by future employer contributions to the Pension Fund over a number of years, to be determined after the next formal valuation exercise. Furthermore, it reflects a long term liability position, rather than presenting an immediate problem requiring short-term decision-making. The Pensions Reserve also includes an amount in respect of the unfunded manual worker retirement gratuity pension benefits liability.

**Plant Renewals Fund**

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

**Provision for Derelict Buildings**

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

**Provision for Stocks and Stores**

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

**Revaluation Reserve**

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

**Risk Management and Special Projects Fund**

To fund miscellaneous minor 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 31 MARCH 2012**

**EXPLANATION OF RESERVES (CONTINUED)**

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

<b>Usable Reserve</b>	<b>Balance at 31 March 2012 £'000</b>	<b>Planned Expenditure £'000</b>
<b>Revaluation Reserve</b>	135,311	0
<b>Usable Capital Receipts Reserve</b>	538	956
<b>Pensions Reserve</b>	(10,411)	0
<b>General Revenue Balances</b>	2,823	1,278
<b>Specific Reserves:</b>		
<b>General Fund</b>		
Plant Renewals	949	1,232
Cremator Renewals	644	671
Provision For Derelict Buildings	296	57
Building Maintenance (Commercial)	154	22
Information Technology	314	265
St. George's Churchyard	57	55
Graves Maintenance	102	102
Risk Management & Special Projects	133	101
<b>Total General Fund</b>	<b>2,649</b>	<b>2,505</b>
<b>Tramways Undertaking</b>		
Tramways Renewals Fund	50	0
Provision for Stocks and Stores	26	0
<b>Total Tramways</b>	<b>76</b>	<b>0</b>
<b>Total Specific Reserves</b>	<b>2,725</b>	<b>2,505</b>
	0	
<b>Housing Revenue Account</b>		
Housing Repairs Fund	69	2,102
Community Facilities Reserve	221	134
<b>Total Housing</b>	<b>290</b>	<b>2,236</b>
<b>Total Reserves</b>	<b>131,276</b>	<b>6,975</b>

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**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 accumulation of capital resources set aside to meet the financing of past expenditure including the repayment of external loans and certain other capital financing transactions.

**Capital Expenditure**

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

**Contingent Liability**

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

**Capital Receipts**

Proceeds from the sale of land and other fixed assets.

**Community Assets**

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

**Creditors**

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

**Debtors**

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

**Depreciation**

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

**Direct Revenue Financing (DRF)**

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

**Emolument**

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

**Finance Lease**

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

**Fixed Assets**

These are mainly long-term tangible assets held for operational use and not expected to be converted to cash in the current or upcoming fiscal year; such as land and buildings. The Council also retains intangible assets in the form of computer software items, which are amortised over a period of 5 years.

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**EXPLANATION OF FINANCIAL TERMS (CONTINUED)**

**General Fund**

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

**Historical Cost Convention**

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

**Housing Revenue Account (HRA)**

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

**Impairment**

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

**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**

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

**Operational Expenditure**

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 accounted for separately from the loan interest payments made.

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**EXPLANATION OF FINANCIAL TERMS (CONTINUED)**

**Rule of 78**

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

**Triennial Valuations**

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

**Unfunded 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 31 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 of the Isle of Man Local Government Superannuation Scheme, with the unfunded amount recharged to the former employer (i.e. the Council).

**DOUGLAS BOROUGH COUNCIL  
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**APPENDIX D**

**TRAMWAYS UNDERTAKING**

The Council operates a unique transport undertaking in the form of horse drawn trams, which run along the seafront of Douglas. A summary account of the transport undertaking of this operation is shown below.

**SUMMARY OF TRAMWAYS REVENUE UNDERTAKING INCOME AND EXPENDITURE**

	<b>2011/2012 £'000</b>	<b>2010/2011 £'000</b>
<b>Expenditure</b>		
Employee costs	234	245
Property & fixed plant	40	25
Transport and plant	22	22
Supplies	34	36
Central support services	13	13
Depreciation	5	5
Total Tramways expenditure	<u>348</u>	<u>346</u>
<b>Income</b>		
Traffic receipts	(80)	(80)
Rover Ticket Income from Dept of Community Culture & Leisure	(22)	(15)
Other income	(7)	(5)
Total Tramways Income	<u>(109)</u>	<u>(100)</u>
<b>Net deficit charged to General Rate Fund</b>	<u><u>239</u></u>	<u><u>246</u></u>

**NOTES:**

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

Details of the Tramways Undertaking reserves are presented at note 34 to the Core Accounting Statements.

**DOUGLAS BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**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](http://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 Council Allotments  
August 2010



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

Tel: 01624 696300  
Web: [www.douglas.gov.im](http://www.douglas.gov.im)

