



STATEMENT OF ACCOUNTS  
FOR  
YEAR ENDING 31 MARCH 2023

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## Douglas Facts

Total number of Council-owned social housing properties: 2,438



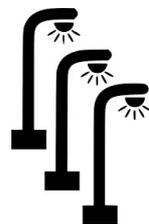
2022/23 rates of a typical 3-bedroom house: £542.88

Population (per the 2021 Census): 26,677



Number of councillors: 12

Number of hectares of parks/open spaces maintained: 118



Street lights lit and maintained: 4,202

Bins emptied on a regular basis: 14,800

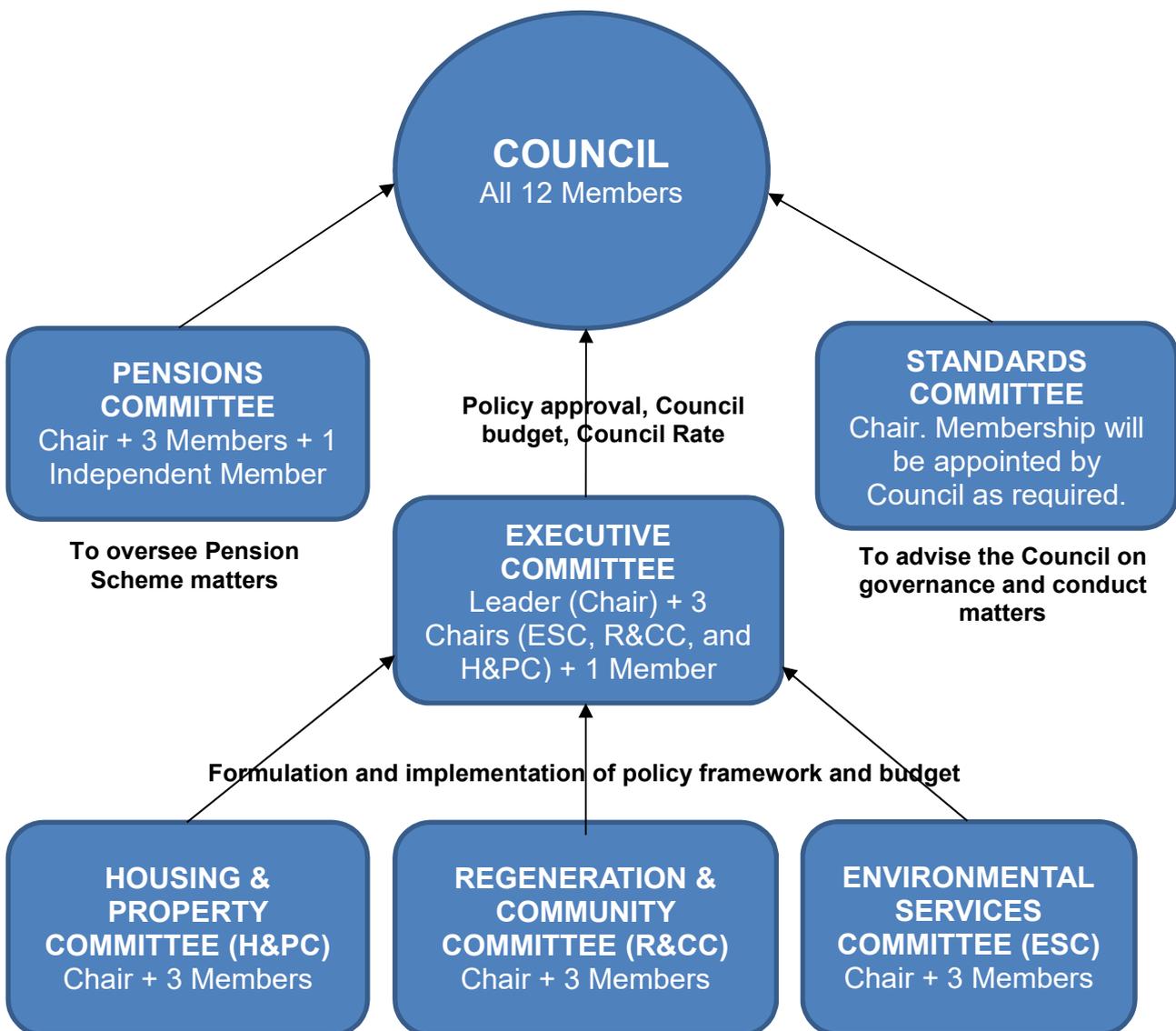


## Members, Officers and Advisors

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

The Council comprises 12 elected Members, three in each of four Wards. Elections usually take place every four years for all Wards.

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

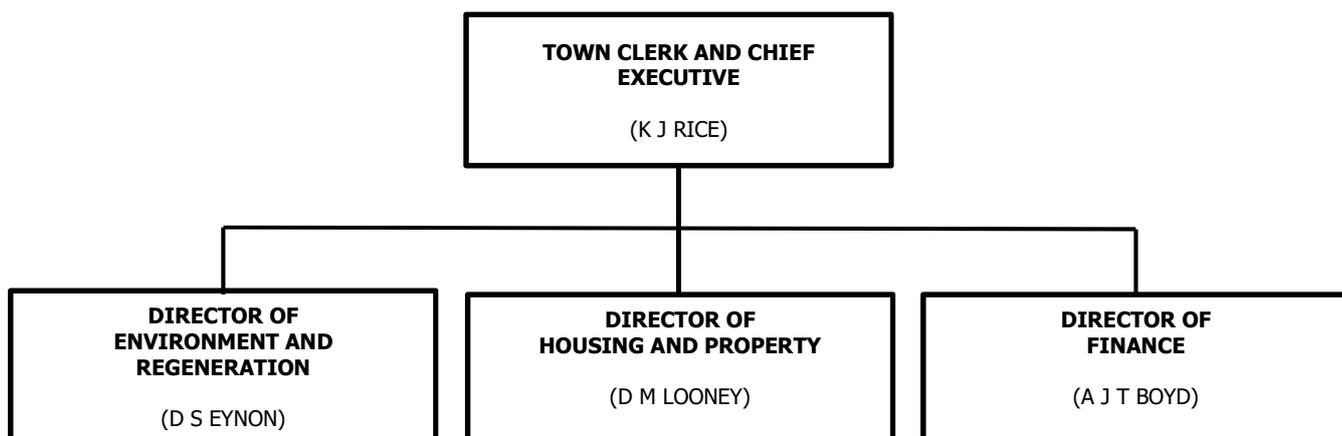


## Douglas City Council Financial Statements for the Year Ended 31 March 2023

The membership of Committees during 2022/23 is set out below.

<p><b><u>Executive Committee</u></b></p> <p>Councillor Mrs C.L Wells (Leader of the Council/Chair)            Mr Councillor I.J.G. Clague, MBE            Mr Councillor A J. Bentley            Mr Councillor F. Horning            Mr Councillor D.R. Watson            The Worshipful the Mayor (<i>ex officio</i>)</p>	<p><b><u>Housing and Property Committee</u></b></p> <p>Mr Councillor D.R. Watson (Chair)            Mr Councillor S.R. Crellin            Mr Councillor P.J. Washington            Mr Councillor F. Schuengel (from June 2022)            The Worshipful the Mayor (<i>ex officio</i>)</p>
<p><b><u>Regeneration &amp; Community Committee</u></b></p> <p>Mr Councillor A.J. Bentley (Chair)            Councillor Miss N.A. Byron            Mr Councillor S.R. Pitts            Mr Councillor F. Schuengel            The Worshipful the Mayor (<i>ex officio</i>)</p>	<p><b><u>Environmental Services Committee</u></b></p> <p>Mr Councillor F. Horning (Chair)            Councillor Miss N.A. Byron            Mr Councillor J.E. Skinner            Mr Councillor P.J. Washington (from June 2022)            The Worshipful the Mayor (<i>ex officio</i>)</p>
<p><b><u>Pensions Committee</u></b></p> <p>Mr Councillor J.E. Skinner (Chair)            Mr Councillor F. Horning            Mr Councillor S.R. Crellin            Mr Councillor I.J.G. Clague            The Worshipful the Mayor (<i>ex officio</i>)            Mr A. Thomas (Independent Member)</p>	<p><b><u>Standards Committee</u></b></p> <p>Mr Councillor I.J.G. Clague, MBE            Further members will be appointed by Council as and when required</p>

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



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

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

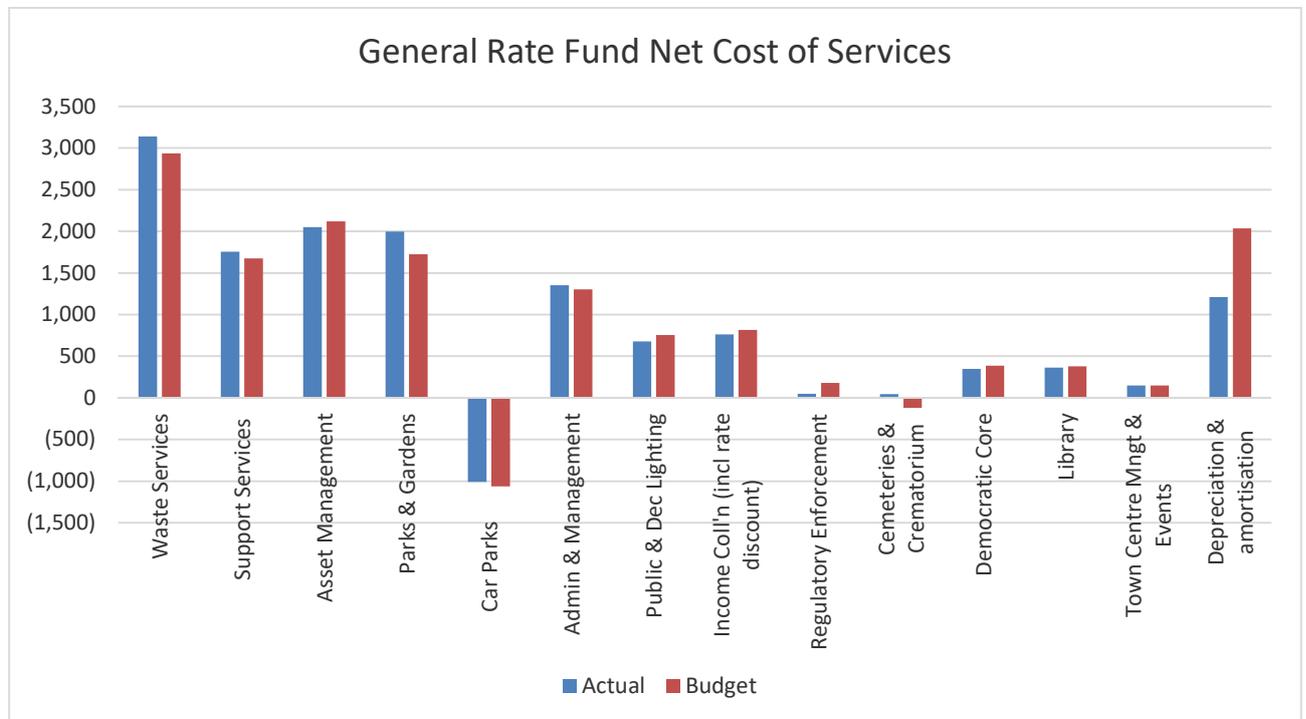
## Explanatory Foreword

The purpose of this set of accounts is to present the financial results of the Council's activities for the year ended 31 March 2023, and to summarise the overall financial position as at 31 March 2023. The Council publishes its budget in an annual Estimates Book available from its website. The following paragraphs provide an overview of the financial performance of the Council in comparison to that budget.

### Revenue Outturn

The graph and table below summarises the revenue income and expenditure outturn for 2022/23 compared with the approved Estimates of the Council. The Estimates are designed to set the rate for the year. The Income and Expenditure Account presented later includes other matters that are required to be shown to comply with Financial Reporting Standards which are not pertinent when considering the rate to be set, e.g. adjustments required in relation to land and buildings revaluation and retirement benefits.

There was a net adverse General Rate Fund deficit variance of £571k.



N.B.: Support Services costs above includes internal recharges. Income Collection costs include the statutory rate discount.

Douglas City Council Financial Statements for the Year Ended 31 March 2023

**Revenue Outturn Comparison with Budget**

	<b>Net Expenditure 2022/23 £'000</b>	<b>Adjusted Estimate 2022/23 £'000</b>	<b>(Favourable) /Adverse Variance 2022/23 £'000</b>
Costs including internal recharges:			
Environmental Services Committee	5,031	4,840	191
Regeneration & Community Committee	2,872	2,490	382
Executive Committee (including rate discount)	4,648	5,430	(782)
Housing & Property Committee rate-funded elements	340	506	(166)
General Rate Fund (GRF) net cost of services	12,891	13,266	(375)
Housing Revenue Account (HRA)	639	(237)	876
<b>Net cost of services</b>	<b>13,530</b>	<b>13,029</b>	<b>501</b>
Interest payable	3,533	3,255	278
Interest and investment Income	(33)	(2)	(31)
<b>Net operating expenditure</b>	<b>17,030</b>	<b>16,282</b>	<b>748</b>
Depreciation and capital financing	(3,576)	(3,341)	(235)
Net transfers (from)/to all reserves	(159)	(279)	120
<b>Net budget requirement</b>	<b>13,295</b>	<b>12,662</b>	<b>633</b>
Total from Rate income before rate discount	(12,726)	(12,664)	(62)
<b>Revenue contribution from/(to) General Revenue Reserve</b>	<b>569</b>	<b>(2)</b>	<b>571</b>

When setting the Rate in January 2022 a balancing contribution into Reserves of £2k was forecast. The actual net result was £571k unfavourable when compared with the Adjusted Estimate. The table overleaf provides a list of the major items contributing towards the outturn position. The main element was related to compliance with the Equality Act. Provision for this had been made in the budget and in prior years' accounts but it is now anticipated that the cost may be substantially higher than previously expected (estimated liability as at 31 March 2023: £1,726k).

N.B.: Approved Estimates have been adjusted for budget virements approved during the year.

## Douglas City Council Financial Statements for the Year Ended 31 March 2023

<b>General Rate Fund Revenue Outturn Budget Variance Analysis</b>	<b>Favourable £'000</b>	<b>Adverse £'000</b>
Vacancy savings	(555)	
Parks Income from Government	(104)	
Building regulations income	(77)	
Loan charges	(72)	
Rate income over budget due to less allowances	(62)	
ICT-related	(47)	
Repairs & Maintenance	(40)	
Cost to achieve compliance with the Equality Act *		928
Under-budgeted pay rise (4% budget v. 6% actual)		173
Legal Fees		114
Gas		88
Transport & Plant		66
Damages		55
Shaws Brow car park income		34
Fuel		28
Bottleneck car park income		25
Other		17
<b>(Favourable)/adverse variances</b>	<b>(957)</b>	<b>1,528</b>
<b>Net variance</b>		<b>571</b>

\* The Equality Act came into force for local authorities with effect from the 1<sup>st</sup> of January 2020. There is more than one set of employment terms & conditions used by the Council, and so the authority has been running a "Single Status" project for some years now to address this issue. Proposals have been developed to harmonise these into one standard set of terms & conditions. Accruals had been made in the previous years' accounts for the expected cost of increased pay arising from this exercise. The cumulative accrual as at the 31<sup>st</sup> of March 2022 was £395k based on the evaluation of manual worker job descriptions using the job evaluation scheme that has been in place for office workers since 2000. During 2023/24 an exercise was undertaken to review the job descriptions of manual workers to bring them up to date. When these were evaluated the grading of most of the job roles increased, thereby triggering the need to increase the accrual so as to reflect the updated cost of the proposals. The accrual estimate as at 31<sup>st</sup> of March 2023 stands at £1.726m. Union negotiations on this matter are ongoing so the final definitive cost is not known with certainty.

### General Revenue Reserve Balance

During the year there was an overall net decrease in the General Revenue Reserve balance of £1,006k. Due mainly to the need to account for the cost of achieving compliance with the Equality Act, there was an adverse Revenue Outturn position and the Reserve was used during the year for the funding of various projects (both revenue and capital). After all appropriations to and from balances and income from rates are taken into account, the balance on the General Revenue Reserve is £1,287k; some £390k higher than had been estimated at the beginning of the year. There are planned expenditure items, some of which are capital, that are due to be financed from the General Revenue Reserve.

## Douglas City Council Financial Statements for the Year Ended 31 March 2023

### General Revenue Reserve

	<b>Actual 2022/23 £'000</b>	<b>Original Estimate 2022/23 £'000</b>	<b>Favourable /(Adverse) Variance £'000</b>
Balance at year beginning	2,293	1,252	1,041
All revenue transfers to/(from) balance	(797)	(234)	(563)
Non-revenue contributions to/(from) balance	(209)	(121)	(88)
Balance at year end	<u>1,287</u>	<u>897</u>	<u>390</u>

### Housing Revenue Account Reserves

During the year there was an overall net decrease in the Housing Revenue Account reserves of £168k. There was an adverse variance on Housing Maintenance expenditure, £159k of which was due to the Single Status issue explained above, and a drawdown from the Housing Community Facilities Reserve of £57k regarding sheltered lift refurbishment.

	<b>Actual 2022/23 £'000</b>	<b>Original Estimate 2022/23 £'000</b>	<b>Favourable /(Adverse) Variance £'000</b>
Balance at year beginning	203	325	(122)
All revenue transfers to/(from) balance	(168)	9	(177)
Balance at year end	<u>35</u>	<u>334</u>	<u>(299)</u>

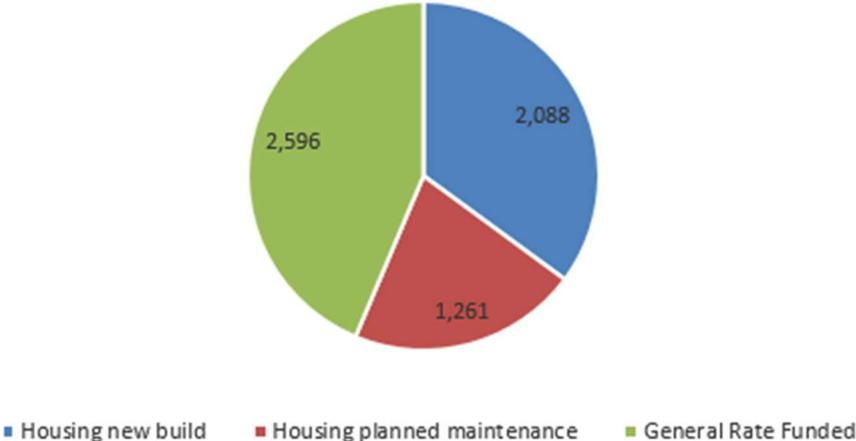
### Capital Expenditure Outturn

Capital expenditure of £5.945m was undertaken during the year, of which £3.349m was for Housing Revenue Account purposes and £2.596m was spent on General Fund assets. The total capital expenditure compares with the Capital Programme original estimate of £21.008m which was revised down to £9.837m during the year. Most of this variance is accounted for by delayed commencement to a number of items in the Capital Programme. The capital expenditure on Housing included construction of Willaston apartments and refurbishment works across the Council's housing estates, such as kitchen upgrades in Lower Pulrose and Tynwald Court. The largest item of Capital expenditure on the General Fund during the year related to the new civic amenity site.

Capital Programme expenditure during the year was funded from a combination of long term borrowing, capital receipts, contributions from either the revenue account, internal balances or reserves. The ongoing annual cost of long term borrowing used to fund Housing Revenue Account items is met by the Government Housing Deficiency arrangements, including a Grant from the Department of Infrastructure in order to fund any shortfall not covered by housing rental income.

	<b>Actual 2022/23 £'000</b>	<b>Original Estimate 2022/23 £'000</b>	<b>Over/ (Under) 2022/23 £'000</b>
Housing Revenue Account (HRA)	3,349	13,870	(10,521)
General Rate Funded	2,596	7,138	(4,542)
Total	<u>5,945</u>	<u>21,008</u>	<u>(15,063)</u>

Capital Expenditure (£'000)



## Douglas City Council Financial Statements for the Year Ended 31 March 2023

### **Responsibilities for the Statement of Accounts**

#### **The Authority's responsibilities**

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs through the appointment of a Responsible Financial Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

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

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

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

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

The Responsible Financial Officer has also:

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

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

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

I certify that the financial statements give a true and fair view of the income and expenditure of Douglas City Council for the year ended 31 March 2023 and of its financial position at 31 March 2023.

A J T Boyd FCPFA  
Director of Finance  
12 July 2023

## **Certificate of the Tynwald Auditor General**

In accordance with section 3(1) of the Audit Act 2006 I have appointed Baker Tilly Isle of Man LLC to audit the accounts of Douglas City Council for the year ended 31 March 2023.

In accordance with section 3(1A) of the Audit Act 2006 I have undertaken the following procedures to satisfy myself as to the adequacy of the work undertaken by the appointed auditor:

- reviewed the draft and any revised statement of accounts;
- reviewed the draft audit strategy document prepared by the appointed auditor;
- reviewed the draft report to those charged with governance prepared by the appointed auditor;
- reviewed the proposed independent auditor's report prepared by the appointed auditor;
- provided feedback to the appointed auditor as appropriate; and
- considered the responses of the appointed auditor to feedback provided.

Stephen Warren  
Tynwald Auditor General/Ard Scruteyder Tinvaal

6 Finch Road  
Douglas  
Isle of Man  
IM1 3PW

Date:

## Report of the Independent Auditor to the Council for the year ending 31 March 2023

### Opinion

We have audited the Statement of Accounts of Douglas City Council (the 'Council') for the year ended 31 March 2023 which comprise the Comprehensive Income and Expenditure Statement, the Statement of Movement on Reserves, the Balance Sheet, the Cash Flow Statement and notes to the Statement of Accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Statement of Accounts:

- give a true and fair view of the state of the Council's affairs as at 31 March 2023 and of its results for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the provisions of the Accounts and Audit Regulations 2018, and with any directions issued under Section 13 of the Audit Act 2006 which are applicable to them and comply with requirements of any other statutory provision applicable to them.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

### Other information

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

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

We have nothing to report in this regard.

# Douglas City Council Financial Statements for the Year Ended 31 March 2023

## Report of the Independent Auditor to the Council for the year ended 31 March 2023 (continued)

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

We have nothing to report in respect of the following matters where Section 6 of the Audit Act 2006 requires us to report to you if, in our opinion:

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

### Responsibilities of Responsible Financial Officer

As explained more fully in the Responsible Financial Officer's responsibilities statement set out on page 9, the Responsible Financial Officer is responsible for the preparation of the Statement of Accounts and for being satisfied that they give a true and fair view, and for such internal control as the Responsible Financial Officer determines is necessary to enable the preparation of Statement of Accounts that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the Statement of Accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Responsible Financial Officer.
- Conclude on the appropriateness of the Responsible Financial Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Statement of Accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.

# Douglas City Council Financial Statements for the Year Ended 31 March 2023

## Report of the Independent Auditor to the Council for the year ended 31 March 2023 (continued)

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

- Evaluate the overall presentation, structure and content of the Statement of Accounts, including the disclosures, and whether the Statement of Accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Irregularities including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Examples of the procedures which we performed included:

- gaining an understanding of the legal and regulatory framework applicable to Douglas Borough Council including, but not limited to, the Accounts and Audit Regulations 2018, Local Government Act 1985, Local Government Act 2006, Rating and Valuation Act 1953, Public Health Act 1990, Housing Act 1955, and identified the principal risks of non-compliance with the relevant laws and regulations and whether non-compliance would have a material effect on the Statement of Accounts;
- enquiring of the management team and with the Council's legal team, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- using analytical procedures to identify any unusual or unexpected relationships;
- reviewing minutes of meetings held throughout the year and post year end;
- documenting each of the material accounting processes and performing detailed walkthroughs to confirm that they are operating effectively and in line with our understanding;
- challenging assumptions and judgements made by management in its significant accounting estimates;
- Agreeing the Statement of Accounts' disclosures to underlying supporting documentation; and
- Reviewing the internal audit reports prepared in so far as they relate to the Statement of Accounts;

We also addressed the risk of management override of internal controls, principally the posting of inappropriate journals and management bias in accounting estimates, and evaluated whether there is evidence of bias by management that represented a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the Statement of Accounts. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, however it typically involves selecting a limited number of items for testing rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

### Use of our report

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

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

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

Date:

## Statement on Internal Control

### 1. Introduction and Scope of Responsibility

Regulation 6(2) of the Accounts and Audit Regulations 2018 requires the Council to include a statement on internal control within its Statement of Accounts.

Douglas City 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.

### 2. 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 2023 and up to the date of approval of the accounts. The internal control systems of the Council are constantly under review, and system processes are subject to change as part of the drive to secure continuous improvement in the way the Council's processes are exercised, having regard to a combination of economy, efficiency and effectiveness.

### 3. The internal control and corporate governance environment

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

**a) Establishment of the Council's objectives** – A Corporate Plan 2022-2026 has been published laying out the Council's strategic objectives.

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

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

**d) Facilitation of policy and decision making** – The decision-making process is defined in the Council's Constitution. There is a formal scheme of delegation approved by Council. This means that decisions made are either delegated to the Executive Committee, another Committee or reserved to full Council. Minutes of Committees are sub-divided into these categories. There is a monthly meeting cycle that means the Executive Committee considers all matters which are delegated to it where they have been considered by either the Environmental Services Committee, the Regeneration & Community Committee or the Housing & Property Committee. The cycle also ensures that the full Council considers all matters which are reserved to it after they have been considered by a Committee. All decisions are recorded in the Council minute book, with formal minutes being available for public inspection on the Council's website and with press releases being made where appropriate. Chief Officers Management Team (COMT) meets regularly to consider policy and operational management issues and, where

## Douglas City Council Financial Statements for the Year Ended 31 March 2023

required, determines the need for reports for Committee consideration and decision-making. COMT also meets regularly with the Council Leader. 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.

**e) Standards Committee** - The Standards Committee exists to promote, develop and maintain high standards of conduct by the Council in compliance with the constitution and legislation.

**f) Risk Management** – The Council is committed to its risk management and business continuity strategies. The Corporate Risk Register was again updated during the financial year and reviewed and approved by the Executive Committee. The Committee also consider a Budget Risk Register whilst deliberating on the appropriate rate to be set for the forthcoming financial year and risk registers form part of individual Service Plans. The Fraud and Corruption Risk Register contains a list of areas where corporate managers believe the Council is susceptible to fraud. The register enables the Council to focus on suitable internal controls to mitigate any subsequent risk.

**g) Financial Management** – The Council’s internal financial control is based on a framework of regular reporting of management information, financial regulations, administrative procedures, management supervision, internal audit and systems of delegation. The systems of internal financial control provide reasonable assurance that assets are safeguarded, transactions are authorised and properly recorded and that material errors or irregularities are either prevented or would be swiftly detected. The Director of Finance is formally appointed as the Council’s Responsible Financial Officer. Under the terms of the Accounts and Audit Regulations 2018, this officer is required to determine the Council’s accounting records and control systems. He has a responsibility for ensuring the proper administration of the Council’s financial affairs. As a Chief Officer of the Council, he is a member of COMT and attends Council and Executive Committee meetings, and other Committee meetings as required. He reports regularly to the Executive Committee on matters of financial importance and significance. A senior member of the Finance Department attends other Committee meetings.

A framework exists for budgetary control with information available to the Budget Managers constantly and quarterly reporting to the EXCOMT and to Councillors.

**h) Internal Audit** - The Council maintains an internal audit service to assist management with monitoring adherence to key controls and procedures. The internal audit function also carries out regular reviews to ensure that identified controls governing risk areas are carried out. The main objective is primarily to satisfy the Council’s statutory responsibility under the Accounts and Audit Regulations 2018 to "maintain in accordance with proper practices an adequate and effective system of internal audit of its accounting records and of its system of internal control". More specifically, the internal audit function must provide a service that objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources. The procedures for undertaking audit work must embrace an audit methodology which is consistent with the "Guidance for Internal Auditors" issued by the Auditing Practices Board of the Consultative Council of Accountancy Bodies (CCAB). Before each financial year commences an audit plan is prepared for review and approval of the Executive Committee. The internal audit function is provided by an independent firm.

### **4. 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 Advocate and by occasional reference to an external advocate. The Executive Committee review the annual reports of both internal and external audit.

### **5. Internal Control and Corporate Governance developments during 2022/23**

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

- Progress has been made against the Council’s Net Zero Strategy and Action Plan.
- The Council’s financial regulations were reviewed and updated.
- A review of the Council’s Constitution was commenced, Part 1 -4 and Part 7 complete.

## Douglas City Council Financial Statements for the Year Ended 31 March 2023

- An e-procurement policy and process was developed, along with amendments to Standing Orders Part V Tenders and Contracts.
- A policy for remote attendance at Committee meetings was approved improving resilience.
- A process of undertaking due diligence in respect of potential sponsorship partners was created.
- The budget-setting process was improved by the addition of a Members workshop and training sessions.
- A review was conducted of the financial controls around purchase cards issued to officers.
- A new long-term borrowing agreement was signed in July 2022.
- The introduction of a new cyber insurance policy from April 2022. The decision to introduce this risk mitigation arose from the Fraud and Corruption Risk Register work undertaken in 2021/22.
- A network of Data Protection Officers and Information Governance Nominees has been established across all Departments.
- The Council's Compliments, Feedback and Complaints procedure has been reviewed, strengthened and updated.
- A review of GDPR processes and schedules created for Near Miss and Data Breach.
- A review of FOI requests, increasing accessibility to information and transparency for the public. Applications for information through the Government portal and responses published on Council's website.
- A review of Members' Interests and an Annual update now in place.

### 6. Significant internal control issues

The Council was the victim of a £25,152 cyber-fraud in January 2023. The matter was immediately reported to the Isle of Man Constabulary who initiated enquiries across a number of international jurisdictions. The root cause was the compromise of the emails of a third party supplier followed by a targeted and sophisticated scam to impersonate that supplier building on an existing legitimate relationship. An extra step has been added to the payment process to prevent recurrence.

We are not aware of any actual or potential non-compliance with laws and regulations that could have a material effect on the Council's ability to conduct its business or on the results and financial position disclosed in the financial statements for the year ended 31 March 2023.

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 2023. The overall conclusion is as follows: "In our opinion, notwithstanding the ongoing process of developing risk management across the Council, Douglas City Council's systems in relation to risk management, control and governance were, on balance, broadly adequate and operating effectively, thereby providing a satisfactory level of assurance in relation to the effective and efficient achievement of Douglas City Council's objectives for the year ended 31 March 2023." Recommendations made by the internal auditors are considered by service managers as appropriate and suitable actions taken.

Councillor Mrs C L Wells  
Leader of the Council/  
Chair of the Executive Committee  
23 November 2023

A J T Boyd FCPFA  
Director of Finance  
23 November 2023

## Statement of Accounts

### Comprehensive Income and Expenditure Statement for the year ended 31 March 2023

	Note	2022/23 Gross Expen -diture £'000	2022/23 Gross Income £'000	Net Expen -diture £'000	2021/22 Net Expen -diture £'000
Waste Services		4,376	(1,237)	3,139	2,648
Support Services		1,961	(101)	1,860	1,700
Asset Management		2,372	(397)	1,975	1,567
Parks, Gardens & Recreational Facilities		2,435	(439)	1,996	1,458
Car Parks		34	(1,043)	(1,009)	(968)
Administration & Management		1,751	(425)	1,326	1,118
Public & Decorative Lighting		681	(2)	679	662
Income Collection (excluding rate discount)		565	(38)	527	541
Regulatory Enforcement		431	(381)	50	146
Cemeteries & Crematorium		667	(622)	45	(178)
Democratic Core		349	0	349	379
Library		368	(7)	361	367
City Centre Management & Public Events		183	(35)	148	120
Depreciation & amortisation		1,219	(8)	1,211	1,416
Cost adjustment regarding pensions		1,912	0	1,912	1,939
<b>Net cost of General Fund services</b>		<b>19,304</b>	<b>(4,735)</b>	<b>14,569</b>	12,915
Housing Revenue Account		14,864	(13,404)	1,460	948
Deficiency receivable		0	(820)	(820)	(303)
<b>Net surplus on Housing services</b>	8	<b>14,864</b>	<b>(14,224)</b>	<b>640</b>	645
Net cost of all services				<b>15,209</b>	13,560
Income from the General Rate Fund	9			<b>(12,492)</b>	(11,994)
Interest receivable and other income				<b>(33)</b>	(2)
Interest payable and similar charges				<b>3,533</b>	2,633
<b>Net deficit on provision of services</b>				<b>6,217</b>	4,197
<b>Other Comprehensive Income &amp; Expenditure</b>					
(Surplus)/deficit on revaluation of fixed assets	1.1			<b>(26,357)</b>	(3,976)
Re-measurement of net pension liability	18			<b>(28,091)</b>	(6,524)
<b>Total comprehensive (income)/expenditure</b>				<b>(48,231)</b>	(6,303)

The re-measurement of net pension liability value results from favourable movements in the underlying financial assumptions used.

Douglas City Council Financial Statements for the Year Ended 31 March 2023

**Statement of Movement on Reserves**  
for the year ended 31 March 2023

	<b>General Rate Fund £'000</b>	<b>Capital adjustment account £'000</b>	<b>Revaluation reserve £'000</b>	<b>Housing revenue reserves £'000</b>	<b>Pensions reserve £'000</b>	<b>Capital receipts reserve £'000</b>	<b>Earmarked reserves £'000</b>	<b>Total reserves £'000</b>
<b>Total comprehensive (income)/expenditure</b>	<b>6,217</b>	<b>0</b>	<b>(26,357)</b>	<b>0</b>	<b>(28,091)</b>	<b>0</b>	<b>0</b>	<b>(48,231)</b>
Contributions to reserve	3,436	0	0	(2,967)	0	0	(469)	<b>0</b>
Capital expenditure funded from reserves	0	(600)	0	0	0	160	440	<b>0</b>
Capital expenditure funded from General Fund	200	(200)	0	0	0	0	0	<b>0</b>
Revenue expenditure funded from reserves	(3,167)	0	0	3,135	0	0	32	<b>0</b>
Gain/(Loss) on disposal of fixed assets	8	53	19	0	0	(27)	(53)	<b>0</b>
Depreciation and impairment of fixed assets	(9,595)	9,595	0	0	0	0	0	<b>0</b>
Revaluation/(impairment) of investment properties	240	0	(240)	0	0	0	0	<b>0</b>
Amortisation of capital contributions	2	(2)	0	0	0	0	0	<b>0</b>
Amortisation of revaluation reserve	0	(5,113)	5,113	0	0	0	0	<b>0</b>
Loan fund principal repayments	5,577	(5,577)	0	0	0	0	0	<b>0</b>
Cost adjustment regarding pensions	(1,912)	0	0	0	1,912	0	0	<b>0</b>
<b>Change during the financial year</b>	<b>1,006</b>	<b>(1,844)</b>	<b>(21,465)</b>	<b>168</b>	<b>(26,179)</b>	<b>133</b>	<b>(50)</b>	<b>(48,231)</b>
Balance brought forward as at 1 April 2022	(2,293)	(35,169)	(152,277)	(203)	27,850	(609)	(3,274)	(165,975)
<b>Balance carried forward as at 31 March 2023</b>	<b>(1,287)</b>	<b>(37,013)</b>	<b>(173,742)</b>	<b>(35)</b>	<b>1,671</b>	<b>(476)</b>	<b>(3,324)</b>	<b>(214,206)</b>

There is a comparative table on the next page.

Douglas City Council Financial Statements for the Year Ended 31 March 2023

**Comparative Statement of Movement on Reserves**  
for the year ended 31 March 2022

	<b>General Rate Fund £'000</b>	<b>Capital adjustment account £'000</b>	<b>Revaluation reserve £'000</b>	<b>Housing revenue reserves £'000</b>	<b>Pensions reserve £'000</b>	<b>Capital receipts reserve £'000</b>	<b>Earmarked reserves £'000</b>	<b>Total reserves £'000</b>
<b>Total comprehensive (income)/expenditure</b>	<b>4,197</b>	<b>0</b>	<b>(3,976)</b>	<b>0</b>	<b>(6,524)</b>	<b>0</b>	<b>0</b>	<b>(6,303)</b>
Contributions to reserve	3,675	0	0	(2,882)	0	0	(793)	0
Capital expenditure funded from reserves	0	(556)	0	0	0	145	411	0
Capital expenditure funded from General Fund	82	(82)	0	0	0	0	0	0
Revenue expenditure funded from reserves	(3,053)	0	0	2,993	0	0	60	0
Gain/(Loss) on disposal of fixed assets	(210)	427	0	0	0	0	(217)	0
Depreciation and impairment of fixed assets	(8,715)	8,715	0	0	0	0	0	0
Revaluation/(impairment) of investment properties	0	0	0	0	0	0	0	0
Amortisation of capital contributions	2	(2)	0	0	0	0	0	0
Amortisation of revaluation reserve	0	(4,744)	4,744	0	0	0	0	0
Loan fund principal repayments	5,565	(5,565)	0	0	0	0	0	0
Cost adjustment regarding pensions	(1,939)	0	0	0	1,939	0	0	0
<b>Change during the financial year</b>	<b>(396)</b>	<b>(1,807)</b>	<b>768</b>	<b>111</b>	<b>(4,585)</b>	<b>145</b>	<b>(539)</b>	<b>(6,303)</b>
Balance brought forward as at 1 April 2021	(1,897)	(33,362)	(153,045)	(314)	32,435	(754)	(2,735)	<b>(159,672)</b>
<b>Balance carried forward as at 31 March 2022</b>	<b>(2,293)</b>	<b>(35,169)</b>	<b>(152,277)</b>	<b>(203)</b>	<b>27,850</b>	<b>(609)</b>	<b>(3,274)</b>	<b>(165,975)</b>

Douglas City Council Financial Statements for the Year Ended 31 March 2023

**Balance Sheet**  
as at 31 March 2023

	Note	As at 31 March 2023		As at 31 March 2022	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible fixed assets	1		<b>310,436</b>		287,554
Intangible fixed assets	2		<b>108</b>		114
<b>Total fixed assets</b>			<b>310,544</b>		287,668
<b>Current assets</b>					
Stocks	3	<b>117</b>		128	
Debtors	4	<b>1,819</b>		1,465	
Cash at bank		<b>2,849</b>		1,896	
<b>Total current assets</b>		<b>4,785</b>		3,489	
<b>Less current liabilities</b>					
Creditors	5	<b>(6,371)</b>		(4,572)	
Short term borrowing	6	<b>(4,561)</b>		(5,447)	
Capital contributions deferred	20	<b>(3)</b>		(3)	
Provision	21	<b>(105)</b>		0	
<b>Total current liabilities</b>		<b>(11,040)</b>		(10,022)	
			<b>(6,255)</b>		(6,533)
<b>Total assets less current liabilities</b>			<b>304,289</b>		281,135
<b>Long term liabilities</b>					
Long term borrowing	6	<b>(88,430)</b>		(87,324)	
Net pension liabilities	18	<b>(1,651)</b>		(27,832)	
Capital contributions applied	20	<b>(2)</b>		(4)	
			<b>(90,083)</b>		(115,160)
<b>Total assets less liabilities</b>			<b>214,206</b>		165,975
<b>Financed by</b>					
General Fund			<b>1,287</b>		2,293
Capital adjustment account			<b>37,013</b>		35,169
Revaluation reserve			<b>173,742</b>		152,277
Housing revenue account balances			<b>35</b>		203
Pensions reserve			<b>(1,671)</b>		(27,850)
Capital receipts reserve			<b>476</b>		609
Earmarked reserves			<b>3,324</b>		3,274
<b>Total net worth</b>			<b>214,206</b>		165,975

The financial statements were approved by the Executive Committee on 23 November 2023 and were signed on their behalf by:

Councillor Mrs C L Wells  
Leader of the Council/  
Chairman of the Executive Committee  
23 November 2023

A J T Boyd FCPFA  
Director of Finance  
23 November 2023

Douglas City Council Financial Statements for the Year Ended 31 March 2023

**Cash Flow Statement**

*for the year ended 31 March 2023*

	<b>Note</b>	<b>2022/23</b> <b>£'000</b>	2021/22 £'000
Net surplus/(deficit) on provision of services		<b>(6,217)</b>	(4,197)
Adjustments to net surplus/(deficit) on provision of services for non-cash movements	13	<b>12,390</b>	10,732
Adjustments for items included in net surplus/(deficit) on provision of services that are investing and financing activities		<b>3,500</b>	2,631
Net cash flows from Operating Activities		<b>9,673</b>	9,166
Net cash flows from Investing Activities	14	<b>(5,714)</b>	(8,022)
Net cash flows from Financing Activities	15	<b>(3,006)</b>	(2,874)
Net increase or (decrease) in cash and cash equivalents		<b>953</b>	(1,730)
Cash & cash equivalents at the beginning of the reporting period		<b>1,896</b>	3,626
Cash & cash equivalents at the end of the reporting period		<b>2,849</b>	1,896

## Statement of Accounting Policies

### 1. Basis of preparation

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

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

### 2. Going concern

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

### 3. Income

#### (a) Rates receivable

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

#### (b) Rentals

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

#### (c) Other Income

Other significant income is accounted for on an accruals basis.

### 4. Accruals of income and expenditure

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

### 5. Value Added Tax

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

### 6. Intangible fixed assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to the Income & Expenditure Account so as to allocate the cost of intangibles less their residual values over their estimated useful lives of 5 years using the straight-line method. Five years was chosen as a prudent estimate of the useful economic life of these computer software assets.

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

### 7. Tangible fixed assets

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

## Douglas City Council Financial Statements for the Year Ended 31 March 2023

### **a) Recognition**

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

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

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

### **b) Measurement (Valuation Bases)**

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

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

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

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

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

### **(c) Revaluation**

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

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

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

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

### **d) Impairment**

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

## Douglas City Council Financial Statements for the Year Ended 31 March 2023

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

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

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

### **(e) Depreciation**

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

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

Operational assets:

Freehold buildings	5-50 years
Vehicles, plant & equipment	1-15 years
Infrastructure assets	1-15 years

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

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

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

### **(f) Disposals**

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

## **8. Investment Property**

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

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

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

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

## Douglas City Council Financial Statements for the Year Ended 31 March 2023

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

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

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

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

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

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

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

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

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

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

### **11. Leases**

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

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

### **12. Stocks**

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

### **13. Debtors**

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

### **14. Creditors**

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

### **15. Employee benefits**

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

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

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

**(b) Defined benefit pension plan**

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

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

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

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

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

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

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

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

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

**16. Provisions**

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

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

**17. Contingent Liabilities**

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

**18. Contingent Assets**

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

## Douglas City Council Financial Statements for the Year Ended 31 March 2023

### 19. Reserves

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

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

**Housing Revenue Reserves:** The Council maintains two Housing funds operated in accordance with the provisions of Government Housing Policy. The Housing Repairs Fund receives an annual transfer from the Housing Revenue Account of a capped amount. This reserve is then applied to meet the costs of Housing Repairs each year. The Community Facilities Reserve is used to fund revenue expenditure on communal aspects and capital expenditure on specific capital schemes within the sheltered accommodation complexes, subject to approval by the Department of Infrastructure. It is funded through an annual transfer from the Housing Revenue Account of an amount determined by the Department of Infrastructure of net rent income from the sheltered accommodation units and ancillary income from those buildings.

**Earmarked Reserves:** A number of renewal and reserve funds are maintained within the Council's accounts. Sums are provided for the future renewal of vehicles and plant based upon the estimated cost of replacement at the end of their estimated life. In other cases, reserve funds are maintained to finance unforeseen costs of asset repair.

**Capital Receipts Reserve:** The proceeds from the sale of fixed assets, which can be used for financing new items of capital expenditure. These funds are not available to support revenue expenditure.

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

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

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

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

### 20. Provision for the Redemption of Loans Pool Debt

The Council administers a Loans Pool into which loans raised are paid and from which sums are advanced to either the General Fund or Housing Revenue Account in order to finance capital expenditure and long-term outlay. The source is bank loans utilising the local authorities long-term borrowing arrangements sanctioned by the Treasury. Provision for the redemption of debt (or Loan Fund Principal Repayments) has been made in accordance with statutory borrowing powers. For older loans provision for repayment of these liabilities is on the basis of an increasing annual accumulation, set at 5%. For newer loans starting from 1 April 2022 provision for repayment is spread evenly over the term. Repayments are accounted for in the Statement of Movement on Reserves, whilst interest on the balance of principal outstanding is charged directly to the Comprehensive Income and Expenditure Account.

## Significant Judgements and Estimates

### (a) Judgements

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

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

### (b) Estimates

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

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

## Notes to the Financial Statements

### 1. Tangible fixed assets

#### 1.1 Operational assets

	<b>Dwellings £'000</b>	<b>Other land &amp; buildings £'000</b>	<b>Vehicles, plant &amp; equipment £'000</b>	<b>Infra- structure £'000</b>	<b>Total Operational Assets £'000</b>
<b>Cost or valuation</b>					
As at 31 March 2022	260,488	24,686	5,482	6,586	297,242
Additions in the year	1,261	174	745	62	2,242
Disposals in the year	0	(70)	(175)	(551)	(796)
Revaluations	14,463	6,332	0	0	20,795
Impairments	0	(112)	0	0	(112)
Transfers	12,879	0	0	0	12,879
<b>Value as at 31 March 2023</b>	<b>289,091</b>	<b>31,010</b>	<b>6,052</b>	<b>6,097</b>	<b>332,250</b>
<b>Accumulated Depreciation</b>					
As at 31 March 2022	(19,159)	(1,648)	(4,047)	(3,299)	(28,153)
Charge for the year	(8,118)	(476)	(423)	(408)	(9,425)
Disposals in the year	0	0	173	551	724
Reversal of depreciation on revalued assets	4,498	1,064	0	0	5,562
<b>Value as at 31 March 2023</b>	<b>(22,779)</b>	<b>(1,060)</b>	<b>(4,297)</b>	<b>(3,156)</b>	<b>(31,292)</b>
<b>Net Book Value as at 31 March 2023</b>	<b>266,312</b>	<b>29,950</b>	<b>1,755</b>	<b>2,941</b>	<b>300,958</b>
Net book value as at 31 March 2022	241,329	23,038	1,435	3,287	269,089

The upwards revaluations and reversal of depreciation on revalued assets of dwellings mainly relate to Upper Pulrose, Hillside and Olympia. The largest item in the Other Land & Buildings upwards revaluation is Shaws Brow.

The £26.4m Surplus on revaluation of fixed assets that appears in the Comprehensive Income & Expenditure Account relates to the revaluation and reversal of depreciation on revaluation figures shown above.

## Douglas City Council Financial Statements for the Year Ended 31 March 2023

### 1.2 Non-operational assets

Cost or valuation	Assets under construction £'000	Investment properties £'000	Total Non-operational Assets £'000	Operational and Non-Operational Tangible Fixed Assets £'000
As at 31 March 2022	13,617	4,848	18,465	315,707
Additions in the year	3,586	66	3,652	5,894
Disposals in the year	0	0	0	(796)
Revaluations	0	240	240	21,035
Impairments	0	0	0	(112)
Transfers	(12,879)	0	(12,879)	0
<b>Value as at 31 March 2023</b>	<b>4,324</b>	<b>5,154</b>	<b>9,478</b>	<b>341,728</b>
<b>Accumulated Depreciation</b>				
As at 31 March 2022	0	0	0	(28,153)
Charge for the year	0	0	0	(9,425)
Disposals in the year	0	0	0	724
Reversal of depreciation on revalued assets	0	0	0	5,562
<b>Value as at 31 March 2023</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(31,292)</b>
<b>Net Book Value as at 31 March 2023</b>	<b>4,324</b>	<b>5,154</b>	<b>9,478</b>	<b>310,436</b>
Net book value as at 31 March 2022	13,617	4,848	18,465	287,554

### 1.3 Valuation of fixed assets

The authority operates a rolling revaluation programme so that all land and buildings are revalued every five years. Valuations have been carried out by Royal Institute of Chartered Surveyors-qualified staff at Chrystals, the Council's independent external valuers. The valuations have been carried out in accordance with the Practice Statements, Guidance Notes and Valuation Information papers published by the Royal Institution of Chartered Surveyors; RICS Valuation – Global Standards (known as The Red Book) dated 2022 and subsequent updates. Site values were noted for each housing estate based on assumptions as to the extent of the sites on the basis of a typical site for each house type rather than being based on the overall area of the estate.

	<b>As at 31 March 2023 £'000</b>	As at 31 March 2022 £'000
Historic cost of dwellings	<b>150,151</b>	136,011
Historic cost of other revalued assets, i.e. other land & buildings, investment properties and surplus assets	<b>30,645</b>	30,475

## Douglas City Council Financial Statements for the Year Ended 31 March 2023

### 1.4 Assets held

	<b>As at 31 March 2023 Number</b>	<b>Changes in year Number</b>	As at 31 March 2022 Number
<b><i>Operational Assets</i></b>			
<u>Council dwellings</u>			
Council dwellings	<b>2,300</b>	<b>66</b>	2,234
Sheltered accommodation units	<b>138</b>	-	138
Total	<b>2,438</b>	<b>66</b>	2,372
<u>Other land &amp; buildings</u>			
Public offices	<b>2</b>	-	2
Depot/Administrative office	<b>1</b>	-	1
Depots and stores	<b>7</b>	-	7
Nurseries	<b>1</b>	-	1
Off-street Car Parks	<b>2</b>	-	2
Crematoria and chapels	<b>2</b>	-	2
Cemeteries	<b>2</b>	-	2
Community centre/changing rooms	<b>1</b>	-	1
Golf Clubhouse/community centre	<b>1</b>	-	1
Golf course	<b>1</b>	-	1
Public conveniences	<b>9</b>	<b>(1)</b>	10
Commercially valued land assets	<b>3</b>	-	3
Miscellaneous properties	<b>9</b>	-	9
Total	<b>41</b>	<b>(1)</b>	42
<u>Vehicles, plant &amp; equipment</u>			
Vehicles	<b>69</b>	<b>6</b>	63
Plant & equipment	<b>109</b>	<b>8</b>	101
Total	<b>178</b>	<b>14</b>	164
<u>Infrastructure assets</u>			
Street lights	<b>4,234</b>	<b>5</b>	4,229
Street signage - way-marking	<b>39</b>	-	39
Total	<b>4,273</b>	<b>5</b>	4,268
<b><i>Non-Operational Assets</i></b>			
<u>Investment properties</u>			
Commercial properties	<b>19</b>	-	19
Other commercially let properties	<b>7</b>	-	7
Garages	<b>49</b>	-	49
Residential units	<b>4</b>	-	4
Other non-operational	<b>1</b>	-	1
Commercially valued land assets	<b>2</b>	-	2
Total	<b>82</b>	-	82

## 2. Intangible fixed assets

	<b>£'000</b>
<b>Cost or valuation</b>	
As at 31 March 2022	<b>277</b>
Additions in the year	<b>51</b>
<b>Value as at 31 March 2023</b>	<b><u>328</u></b>
<b>Accumulated amortisation</b>	
As at 31 March 2022	<b>(163)</b>
Charge for the year	<b>(57)</b>
<b>Value as at 31 March 2023</b>	<b><u>(220)</u></b>
<b>Net Book Value as at 31 March 2023</b>	<b><u>108</u></b>
Net book value as at 31 March 2022	114

These assets are computer software.

## 3. Stocks

	<b>As at 31 March 2023 £'000</b>	As at 31 March 2022 £'000
Stock value	<b>117</b>	128
Value of stock recognised as an expense in the Comprehensive Income and Expenditure Statement	<b>382</b>	367

## 4. Debtors and prepayments

	<b>As at 31 March 2023 £'000</b>	As at 31 March 2022 £'000
VAT refund	<b>436</b>	300
Sundry debtors	<b>606</b>	457
Prepayments	<b>289</b>	407
Local authorities	<b>365</b>	188
Government departments	<b>50</b>	33
Housing rents	<b>57</b>	58
Ratepayers	<b>16</b>	22
	<b><u>1,819</u></b>	<u>1,465</u>
Debtor balances above are shown net of provisions for bad or doubtful debts as follows:		
Housing rents	<b>(133)</b>	(128)
Ratepayers	<b>(140)</b>	(131)
Sundry debtors	<b>(44)</b>	(44)
	<b><u>(317)</u></b>	<u>(303)</u>

## 5. Creditor amounts falling due within one year

	<b>As at 31 March 2023 £'000</b>	As at 31 March 2022 £'000
Trade creditors	<b>1,206</b>	479
Sundry creditors	<b>806</b>	894
Single status *	<b>1,726</b>	395
Government departments	<b>549</b>	1,018
Housing rents	<b>612</b>	577
Sundry prepayments/invoiced in advance	<b>687</b>	645
Interest payable	<b>699</b>	425
Ratepayers	<b>66</b>	121
Unfunded pension benefits payable within 12 months	<b>20</b>	18
	<b><u>6,371</u></b>	<b><u>4,572</u></b>

\* This is explained on the Explanatory Foreword on page 6.

## 6. Borrowing

All of the Council's borrowings are by way of bank loan facility. Some loans are fixed interest, and repayable over 30 years. Some loans are at a variable rate of interest. All bank loans have been sanctioned by both Isle of Man Government Treasury and the Department of Infrastructure and are secured under the Local Authority Borrowing Scheme to which Isle of Man Government Treasury are a signatory. Loans outstanding may be analysed as follows:

	<b>As at 31 March 2023 £'000</b>	As at 31 March 2022 £'000
Falling due within one year	<b>4,561</b>	5,447
Falling due after more than one year	<b>88,430</b>	87,324
Total long term loans	<b><u>92,991</u></b>	<b><u>92,771</u></b>

## 7. Operating leases

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

	<b>As at 31 March 2023 £'000</b>	As at 31 March 2022 £'000
Amounts due within one year	<b>278</b>	291
Later than one year and not later than five years	<b>634</b>	640
Later than five years	<b>18</b>	29
	<b><u>930</u></b>	<b><u>960</u></b>

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

## 7. Operating leases (continued)

The table below shows the minimum future rentals payable for the authority's operating leases where it acts as lessee. The Council has a lease for the Henry Bloom Noble Library premises until 2029. The Council entered into a 7-year lease in respect of refuse collection vehicles which commenced in early 2022.

	<b>As at 31 March 2023 £'000</b>	As at 31 March 2022 £'000
Amounts due within one year	<b>339</b>	380
Later than one year and not later than five years	<b>1,268</b>	1,268
Later than five years	<b>319</b>	636
	<b><u>1,926</u></b>	<u>2,284</u>
	<b>2022/23 £'000</b>	2021/22 £'000
Lease and licence payments recognised as an expense in the Comprehensive Income and Expenditure Statement	<b>403</b>	160

## 8. Housing Revenue Income and Expenditure

	<b>2022/23 £'000</b>	2021/22 £'000
<b>Income</b>		
Dwelling Rents (including rates)	<b>(13,162)</b>	(12,712)
Charges for services & facilities	<b>(240)</b>	(110)
Housing Deficiency Grant receivable	<b>(820)</b>	(303)
Other Income	<b>(2)</b>	(4)
Total income	<b><u>(14,224)</u></b>	<u>(13,129)</u>
<b>Expenditure</b>		
Repairs & maintenance	<b>3,137</b>	2,998
Supervision & management	<b>1,024</b>	882
Rates and other charges	<b>2,584</b>	2,403
Depreciation & impairment charges	<b>8,119</b>	7,491
Total expenditure	<b><u>14,864</u></b>	<u>13,774</u>
Net (income)/expenditure of Housing services	<b><u>640</u></b>	<u>645</u>

### Dwelling rent income

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

Voids as a percentage of the rental debit for the year	<b>3.7%</b>	4.2%
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## 8. Housing Revenue Income and Expenditure (continued)

### Rent arrears

	<b>As at 31 March 2023 £'000</b>	As at 31 March 2022 £'000
Gross arrears	<b>57</b>	58
Rent accounts in advance	<b>(612)</b>	(577)
Net in advance	<b>(555)</b>	(519)
As a percentage of gross rent income:		
Gross arrears	<b>0.4%</b>	0.5%
Rent accounts in advance	<b>-4.6%</b>	-4.5%
Net in advance	<b>-4.2%</b>	-4.0%

	<b>2022/23 £'000</b>	2021/22 £'000
Increase/(decrease) in provision for bad and doubtful debts	<b>5</b>	(45)

	<b>As at 31 March 2023 £'000</b>	As at 31 March 2022 £'000
Provision for bad and doubtful debts	<b>(133)</b>	(128)

### Housing deficiency grant

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

	<b>2022/23 £'000</b>	2021/22 £'000
Opening balance due (to)/from Dept of Infrastructure	<b>(814)</b>	(954)
Charges to Deficiency Grant	<b>820</b>	303
Payments received from Dept of Infrastructure	<b>(1,072)</b>	(1,117)
Refund to Dept of Infrastructure	<b>814</b>	954
Closing balance due (to)/from Dept of Infrastructure	<b>(252)</b>	(814)

Douglas City Council Financial Statements for the Year Ended 31 March 2023

**9. Rates**

	<b>2022/23</b> <b>£'000</b>	<b>2022/23</b> <b>£'000</b>	2021/22 £'000	2021/22 £'000
Total rates levied for the year		<b>12,854</b>		12,369
Add:				
Gross arrears brought forward	<b>152</b>		130	
Refunds	<b>22</b>		26	
		<b>174</b>		156
		<b>13,028</b>		12,525
Less:				
Rates paid in advance brought forward	<b>(121)</b>		(98)	
Discounts	<b>(234)</b>		(230)	
Exempt/reduced rate properties	<b>(128)</b>		(145)	
		<b>(483)</b>		(473)
<b>Total rates collectable</b>		<b>12,545</b>		<b>12,052</b>
Rates received in the year:				
Current year rates	<b>12,236</b>		11,821	
Arrears collected	<b>80</b>		79	
Prepaid rates	<b>66</b>		121	
Total revenue income		<b>12,382</b>		12,021
Balances outstanding carried forward:				
Current year arrears	<b>157</b>		101	
Prepaid rates	<b>(66)</b>		(121)	
	<b>91</b>		(20)	
Previous years arrears	<b>72</b>		51	
Total arrears		<b>163</b>		31
<b>Total rates collectable</b>		<b>12,545</b>		<b>12,052</b>
Rates levied for the year		<b>12,854</b>		12,369
Less exempt/reduced rate properties		<b>(128)</b>		(145)
Less discounts		<b>(234)</b>		(230)
<b>Per Comprehensive Income and Expenditure Statement</b>		<b>12,492</b>		11,994
		<b>Pence</b>		Pence
Rate in the pound		<b>468</b>		451
		<b>As at 31 March 2023 £'000</b>		As at 31 March 2022 £'000
Rateable value at year end		<b>2,747</b>		2,744

## 10. Employee remuneration

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

<b>Remuneration Band</b>	<b>2022/23 Number of Employees</b>	2021/22 Number of Employees
£50,000 to £74,999	<b>15</b>	16
£75,000 to £99,999	<b>7</b>	3
£100,000 to £124,999	<b>0</b>	1
£125,000 to £149,999	<b>1</b>	0

## Key management compensation

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

	<b>2022/23 £'000</b>	2021/22 £'000
Key management personnel compensation	<b>518</b>	488

## 11. Members' allowances

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

	<b>2022/23 £'000</b>	2021/22 £'000
Attendance allowances paid to Members	<b>21</b>	26
Members' expenses paid	<b>2</b>	3
Year End Balances:	<b>As at 31 March 2023 £'000</b>	As at 31 March 2022 £'000
Amounts due to Members	<b>2</b>	5

## 12. Related party transactions

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

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

## 12. Related party transactions (continued)

### 12.1 Members of Council

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

Related Party	Company in Receipt of Payment	Related Party Relationship to Company	Purchases from the Company by the Council (excluding VAT)		Service Purchased	Year End Balance	
			2022/23	2021/22		As at 31 March 2023	As at 31 March 2022
			£'000	£'000		£'000	£'000
Cllr S R Pitts	Buchanan & Pitts Ltd	Director	6	32	Painting	0	0

### 12.2 Key Management

The holiday year is the same as the financial year. The value of unutilised annual leave or time off in lieu is accrued for at the end of the financial year.

	Year End Balances	
	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Annual leave and time off in lieu accrued	14	21

### 12.3 Superannuation Scheme

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

	2022/23 £'000	2021/22 £'000
Opening balance due from the Scheme	57	60
Administration charged to the Scheme in year	61	65
Professional fees charged to the Scheme in year	364	282
Payments received from the Scheme	(300)	(350)
Closing balance due from the Scheme	<u>182</u>	<u>57</u>

## 12. Related party transactions (continued)

### 12.4 Eastern District Civic Amenity Site Joint Committee

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

Local Authority	Costs recoverable from participating local authorities		Year End Balance regarding those costs	
	2022/23 £'000	2021/22 £'000	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Onchan District Commissioners	561	132	110	30
Braddan Parish Commissioners	402	94	79	21
Garff Commissioners	171	40	31	9
Santon Parish Commissioners	53	12	10	4
	<b>1,187</b>	278	<b>230</b>	64

### 12.5 Douglas Town Band

The Council elects two councillors to represent it on the Douglas Town Band Committee. The band performs at some civic events and invoices the Council on a fee per performance basis.

	2022/23 £'000	2021/22 £'000
Payments for performances by the band	2	2

### 12.6 Burials Act Levies

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

	Levies Payable to Burial Authorities		Year End Prepayments	
	2022/23 £'000	2021/22 £'000	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Vicar & Wardens of Kirk Braddan	89	88	90	88
Vicar & Wardens of St Peter's Church, Onchan	4	4	4	4

### 13. Cash Flow statement – Operating activities

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

	<b>2022/23</b> <b>£'000</b>	2021/22 £'000
Depreciation, impairment & revaluation losses for non-current assets	<b>9,354</b>	8,713
Amortisation of capital contributions	<b>(2)</b>	(2)
(Increase)/decrease in stock	<b>7</b>	25
(Increase)/decrease in debtors	<b>(371)</b>	(239)
Increase/(decrease) in creditors	<b>1,477</b>	137
Difference between FRS102 pension cost and contributions paid	<b>1,912</b>	1,939
Carrying amount of assets sold and de-recognition of components	<b>(8)</b>	210
Other non-cash items charged to Surplus/Deficit on provision of services	<b>21</b>	(51)
	<b><u>12,390</u></b>	<u>10,732</u>

### 14. Cash flow statement – Investing activities

	<b>2022/23</b> <b>£'000</b>	2021/22 £'000
Purchase of assets (fixed assets, investment property, intangible assets)	<b>(5,794)</b>	(8,239)
Proceeds from the sale of tangible fixed assets and investment property	<b>80</b>	217
	<b><u>(5,714)</u></b>	<u>(8,022)</u>

### 15. Cash flow statement – Financing activities

	<b>2022/23</b> <b>£'000</b>	2021/22 £'000
Cash receipts from short-term and long-term borrowing	<b>5,685</b>	5,249
Repayment of short-term and long-term borrowing	<b>(5,465)</b>	(5,513)
Loan interest paid	<b>(3,259)</b>	(2,612)
Loan interest received	<b>33</b>	2
	<b><u>(3,006)</u></b>	<u>(2,874)</u>

## 16. Analysis of change in net debt

	As at 31 March 2022 £'000	Cash flows £'000	Other non- cash changes £'000	As at 31 March 2023 £'000
<b>Cash and cash equivalents</b>				
Cash	1,896	953	0	2,849
<b>Borrowings</b>				
Debt due within one year	(5,447)	5,483	(4,597)	(4,561)
Debt due after one year	(87,324)	(5,703)	4,597	(88,430)
	(92,771)	(220)	0	(92,991)
Total	(90,875)	733	0	(90,142)

## 17. Audit fees

	2022/23 £'000	2021/22 £'000
External audit fees incurred	49	45

## 18. Post-employment benefits

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

A comprehensive actuarial valuation of the Local Government Superannuation Scheme, using the projected unit credit method, was carried out as at 31 March 2022 by independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions:

	As at 31 March 2023	As at 31 March 2022
Rate of increase in salaries	3.65%	4.05%
Rate of increase in pensions	2.85%	3.25%
Rate for discounting scheme liabilities	4.80%	2.60%

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

## 18. Post-employment benefits (continued)

The mortality assumptions used were as follows:

	<b>As at 31 March 2023</b>	As at 31 March 2022
Life expectations at the age of 65 for current pensioners		
- Men	<b>19.6</b>	21.2
- Women	<b>24.7</b>	24.2
Life expectations at the age of 65 for future pensioners		
- Men	<b>21.0</b>	22.6
- Women	<b>26.2</b>	25.7

Reconciliation of scheme assets and liabilities:

	<b>Assets £'000</b>	<b>Liabilities £'000</b>	<b>Net £'000</b>
At 1 April 2022	55,338	(83,188)	(27,850)
Re-measurement gains/(losses)			
- Actuarial gains/(losses)	1,097	33,844	34,941
- Return on plan assets excluding interest income	(6,850)	0	(6,850)
<b>- Total re-measurement gains/(losses)</b>	<b>(5,753)</b>	<b>33,844</b>	<b>28,091</b>
Benefits paid	(1,909)	1,927	18
Employee contributions	425	(425)	0
Employer contributions	1,721	0	1,721
Current service cost	0	(2,772)	(2,772)
Administration expenses	(178)	0	(178)
Interest income/(expense)	1,442	(2,143)	(701)
Total as at 31 March 2023	51,086	(52,757)	(1,671)
Projected unfunded payments next year - note 5	0	20	20
<b>Long-term element</b>	<b>51,086</b>	<b>(52,737)</b>	<b>(1,651)</b>

Comparative table:

	<b>Assets £'000</b>	<b>Liabilities £'000</b>	<b>Net £'000</b>
At 1 April 2021	51,151	(83,586)	(32,435)
Re-measurement gains/(losses)			
- Actuarial gains/(losses)	0	3,612	3,612
- Return on plan assets excluding interest income	2,912	0	2,912
<b>- Total re-measurement gains/(losses)</b>	<b>2,912</b>	<b>3,612</b>	<b>6,524</b>
Benefits paid	(1,800)	1,818	18
Employee contributions	428	(428)	0
Employer contributions	1,748	0	1,748
Current service cost	0	(2,946)	(2,946)
Administration expenses	(128)	0	(128)
Interest income/(expense)	1,027	(1,658)	(631)
At 31 March 2022	55,338	(83,188)	(27,850)
Projected unfunded payments next year - note 5	0	18	18
<b>Long-term element</b>	<b>55,338</b>	<b>(83,170)</b>	<b>(27,832)</b>

## 18. Post-employment benefits (continued)

Total cost recognised as an expense:

	<b>2022/23</b> <b>£'000</b>	2021/22 £'000
Current service cost	<b>2,772</b>	2,946
Gross interest cost	<b>2,143</b>	1,658
Administration expenses	<b>178</b>	128
Gross cost	<b>5,093</b>	4,732
Interest income	<b>(1,442)</b>	(1,027)
Net cost	<b>3,651</b>	3,705

The scheme assets split was:

	<b>As at 31</b> <b>March</b> <b>2023</b> <b>%</b>	As at 31 March 2022 %
Equity instruments	<b>52</b>	50
Bonds	<b>34</b>	35
Property	<b>13</b>	15
Cash	<b>1</b>	0
Total	<b>100</b>	100

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

	<b>2022/23</b> <b>£'000</b>	2021/22 £'000
Interest income	<b>1,442</b>	1,027
Return on scheme assets less interest income	<b>(6,850)</b>	2,912
Total return on scheme assets	<b>(5,408)</b>	3,939

## 19. Capital commitments

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

	<b>As at 31</b> <b>March</b> <b>2023</b> <b>£'000</b>	As at 31 March 2022 £'000
Housing Revenue Account projects	<b>9,551</b>	2,480
General Fund projects	<b>341</b>	88
	<b>9,892</b>	2,568

## Douglas City Council Financial Statements for the Year Ended 31 March 2023

### 20. Capital contributions

During 2019/20 the Council received a contribution from developers under Section 13 of the Town and Country Planning Act 1999. This will be used to fund play equipment nearby the relevant development. The amount is deferred until the respective capital expenditure is incurred and then amortised in line with the depreciation charge on the asset it was used to help create.

	<b>As at 31 March 2023 £'000</b>	As at 31 March 2022 £'000
Opening capital contributions deferred	<b>3</b>	3
Capital contribution received	<b>0</b>	0
Closing capital contributions deferred	<b>3</b>	<b>3</b>
Opening capital contributions applied net book value	<b>4</b>	6
Amortisation	<b>(2)</b>	(2)
Closing capital contributions applied net book value	<b>2</b>	<b>4</b>

### 21. Provisions

The accounts include a provision of £105k in relation to a legal case. The case and appeal have since been concluded and it is expected that payment will be made during 2023/24. The final bill has not yet been received so the value may vary from the estimate. There was no provision in the 2021/22 accounts in relation to this matter.

### 22. Contingent liabilities

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

### 23. Subsequent events

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

Inflation rates been high throughout the financial year and thereafter. The Isle of Man Consumer Prices Index (CPI) was 5.7% and the Isle of Man Retail Prices Index (RPI) was 8.6% for the 12 months to September 2023. Interest rates have also increased to the highest level in over a decade with the United Kingdom base rate increased to 5.25% on the 3<sup>rd</sup> of August 2023. These pressures have been described as a "cost of living crisis" leading to calls for higher than usual pay rises to keep pace. At the time of writing negotiations between the Isle of Man Government and public sector unions regarding public sector pay awards for April 2023 are not yet concluded. This is likely to result in an increase higher than the level that the Council budgeted for. All of these factors are likely to result in adverse variances to the Council's budget in 2023/24. The Council holds sufficient reserves to cope with these matters.