

Douglas

Douglas Borough Council



Island in Bloom Winner 2005 and 2006
Britain in Bloom: Silver Award Winner 2006
and Island Representative 2007

Statement of Accounts Year ending **31st March 2008**



Twinned with Ballymoney N.I. 24th November 2006



Refurbished fountain Loch Promenade
switched on 31st October 2006
by The Worshipful, the Mayor Councillor Mrs E C Quirk, J P



Custodians of the Capital

TABLE OF CONTENTS

Douglas Borough Council's Statement of Accounts for the year ending 31st March, 2008 is set out on pages 1 to 35.

	Page
Explanatory Foreword	1-4
Statement of Responsibilities for the Statement of Accounts	5
Independent Auditor's Report	6-7
Statement of Accounting Principles	8-10
CORE ACCOUNTING STATEMENTS:	
Income and Expenditure Account	11
Statement of Movement on the General Rate Fund Balance	11
Statement of Total Recognised Gains and Losses (STRGL)	12
Summary Statement of Capital Expenditure and Financing	12
Balance Sheet	13
Consolidated Statement of Revenue and Capital Movements	14
NOTES TO THE CORE ACCOUNTING STATEMENTS	15-28
SUPPLEMENTARY ACCOUNTING STATEMENTS:	
Housing Revenue Account	
- Summary of Housing Revenue Account Income and Expenditure	29
- Housing Revenue Account Balance Sheet	30
Tramways Undertaking Accounts	
- Summary of Tramways Revenue Income and Expenditure	31
- Tramways Undertaking Balance Sheet	31
Statement on Internal Control and the System of Internal Financial Control	32-35
Explanation of Financial Terms	36-37

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

EXPLANATORY FOREWORD

1. Introduction

The purpose of this set of accounts is to present the financial results of the Council's activities for the year ending 31st March 2008, and to summarise the overall financial position as at 31st March 2008. The following paragraphs provide an overview of the financial performance and position of the Council, with the supporting detail being set out within the subsequent sections of these accounts.

2. The Accounting Statements

For 2007/2008 there have been some major changes in the format of the Statement of Accounts compared to 2006/2007. These changes have arisen out of The Accounts and Audit Regulations 2007, as supported by the Isle of Man Government Treasury's Statement of Recommended Practice ("the Island SORP") 2007, which has been based largely on the Code of Practice on Local Authority Accounting in the United Kingdom 2006 – A Statement of Recommended Practice (the UK SORP). This Council has been proactive in making significant changes to the Statement of Accounts in order to clearly demonstrate its commitment to the new regulations. It has however been acknowledged by the Department of Local Government and the Environment that it is not yet practicable to expect local authorities on the Island to be fully compliant with the Accounts and Audit Regulations 2007 for the 2007/2008 year. A number of departures to the Regulations still remain in this Council's accounts, and they are disclosed within the Statement of Accounting Principles section of these accounts (clause 1). Because it has not been possible to fully comply with all areas of the Regulations, this matter has led the Council's external auditor to qualify its opinion to this Statement of Accounts.

The information in these accounts is presented in a number of statements, which are explained below, and changes from 2006/2007 indicated.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS – This sets out the respective responsibilities of the Council and the Responsible Financial Officer for the accounts. This has been updated for 2007/2008 in order to meet the new requirements of the Accounts and Audit Regulations 2007.

THE INCOME AND EXPENDITURE ACCOUNT - This account reports the day to day running costs for all of the functions for which the Council is responsible, and how those costs are financed from income from local ratepayers. This account replaces the Summary Statement of Revenue Income and Expenditure used for the 2006/2007 accounts and presents for the first time a net revenue surplus or deficit for the year; this being the amount by which income is greater or less than expenditure.

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE – Whilst the Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the year, the Council is required to set its rate on a different accounting basis. This statement shows the surplus or deficit on the Income and Expenditure Account adjusted for additional amounts, which are required to be charged or credited to the General Rate Fund in determining the movement on the General Fund Balance for the year. Those additional amounts include accounting for transfers to and from the Council's earmarked reserves, which had previously been incorporated within the revenue net cost of services

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL) – This new statement for 2007/2008 discloses all gains and losses of the Council for the year. In addition to the surplus or deficit generated on the Income and Expenditure Account, any other gains or losses disclosed elsewhere on the Balance Sheet are also included here. As there is no revaluation of fixed assets yet undertaken by the Council, the only item currently included in addition to the surplus or deficit on the Income and Expenditure Account is gains related to the remeasurement of the net liability to recover the cost of retirement benefits.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

EXPLANATORY FOREWORD (CONTINUED)

SUMMARY STATEMENT OF CAPITAL EXPENDITURE AND FINANCING – this statement provides an overall summary of capital expenditure, summarised in respect of the Council's different statutory functions, and presents the sources of finance for the year's total capital expenditure. Although this statement is not required by UK SORP, this is a requirement for Isle of Man local authorities under the Accounts and Audit Regulations 2007.

THE BALANCE SHEET – This statement sets out the overall consolidated financial position of the Council at the end of the year, incorporating the General Fund, Housing Revenue Account, and Tramways Undertaking balance sheet areas. In line with the Island SORP requirements, the Balance Sheet now presents all long term borrowing within the long term liabilities section of the account. This consolidated Balance Sheet summarises the Council's overall financial position as at 31st March 2008. All internal debtors and creditors have been eliminated. The Isle of Man Local Government Pension Scheme (with the exception of the FRS17 long term pension liability) is published separately.

CONSOLIDATED STATEMENT OF REVENUE AND CAPITAL MOVEMENTS – This statement consolidates all income and expenditure on both capital and revenue accounts. Although internal transfers between the Council's accounts have been eliminated from this account, this is not the same as the Cash Flow Statement required by the Island SORP. As the accounts for the Council are not yet fully compliant with the Island SORP, it has not proved possible to produce the Cash Flow Statement for the 2007/2008 year.

THE HOUSING REVENUE INCOME AND EXPENDITURE ACCOUNT AND BALANCE SHEET- The Housing Revenue Account (HRA) reflects the statutory obligation to provide a separate account for the Council's public sector housing function. This account independently records the costs of maintaining and managing the Council's own housing stock and how these costs are met by rental income, government subsidy and a housing administration charge to the General Rate Fund. The Housing Revenue Account's own Balance Sheet is also provided.

THE TRAMWAYS UNDERTAKING SUMMARY INCOME AND EXPENDITURE ACCOUNT AND BALANCE SHEET – The inclusion of this statement reflects the statutory obligation to provide a separate account for this unique function.

THE STATEMENT ON INTERNAL CONTROL AND THE SYSTEM OF INTERNAL FINANCIAL CONTROL – This statement, which is new for 2007/2008, reviews the effectiveness of internal control systems and the system of internal financial control. This is a requirement of the Isle of Man public sector organisations under the Accounts and Audit Regulations 2007.

3. Summary Performance

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

INCOME AND EXPENDITURE

The table below summarises the income and expenditure outturn for 2007/2008, compared with the approved estimates of the Council.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

EXPLANATORY FOREWORD (CONTINUED)

	Approved Estimates 2007/2008 £	Net Expenditure 2007/2008 £	Variance 2007/2008 £
Public Health & Housing (incl HRA)	1,276,230	1,032,920	(243,310)
Public Works	3,026,530	2,858,298	(168,232)
Leisure Services	3,354,820	3,372,319	17,499
Policy & Resources	2,153,820	2,106,946	(46,874)
Net Total All Committees	9,811,400	9,370,483	(440,917)
Interest and Investment Income	-	(800,974)	(800,974)
Net Operating Expenditure (excl FRS17)	9,811,400	8,569,509	(1,241,891)
Net Transfers (from)/to all Reserves	(738,390)	163,458	901,848
Net Budget Requirement	9,073,010	8,732,967	(340,043)
Total from Rate Income	(9,046,810)	(9,118,006)	(71,196)
Revenue Contribution (from)/to Balances	(26,200)	385,039	411,239

The Net Operating Expenditure (excluding Pension Fund liability adjustments) incorporates all service expenditure, income from Government, fees and charges and interest income. Interest and Investment Income is now shown as a separate heading in line with SORP requirements, whereas this had been included within the Policy and Resources Committee service approved estimates. Income from government for services and agencies run by the Council amounted to some £6.038m during the year. This figure includes the £1.570m gross subsidy received in respect of the Government levy charged for household waste. Compared to the approved Estimates for the year, the Net Operating Expenditure was some £1.242m less than budgeted. There are five main factors contributing to this overall result:

- £473,000 – being the budgeted revenue contribution to capital outlay in respect of Phase 3 of the Town Hall Refurbishment Scheme, which was not required due to delays in the commencement of this project. This therefore remains a commitment against the General Revenue Balances
- £209,000 – being the underspend against budgeted capital charges in connection with non-Housing Revenue Account Capital Programme items. Most of this amount will still be required during 2008/2009 in so far as the underspend relates to the delayed commencement of various schemes.
- £193,000 – representing the effect of transferring Housing Revenue Account repairs-related expenditure from the rateborne Housing Administrations service to the Housing Repairs function, the cost of which is met through tenant rental income and the balance on the Housing Repairs Fund.
- £120,000 – being the excess Building Regulations and other Building Control income recovered over the year, compared to the estimated income levels.
- £206,000 – representing interest income earned on the Council's own internal balances, which is now accounted for within the Council's Net Operating Expenditure (in accordance with the SORP), rather than being credited directly to those reserve balances, as had been anticipated within the 2007/2008 estimates.

The favourable final outturn position was bolstered by a surplus of £71,000 income from Borough rates over the estimated figure.

GENERAL REVENUE BALANCES

After all appropriations to and from balances and income from rates are taken into account, the position on the General Revenue Balances is £3.466m; some £1.647m higher than had been estimated at the beginning of the year. The General Fund did benefit from a final contribution from the revenue account of £0.385m (there was a budgeted contribution from Balances of £0.026m to support the Rate) although the larger balance is to offset future years' planned commitments; most of which are capital, including the delayed Phase 3 of the Town Hall Refurbishment Scheme. The General Revenue Balances benefited from an advance £0.756m surplus contribution from the Repairs and Renewals Fund in order to fund some of these activities. The uncommitted balance on the General Fund at the end of the year is £2.402m.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

EXPLANATORY FOREWORD (CONTINUED)

CAPITAL EXPENDITURE

Capital expenditure of £6.651m was undertaken during the year, of which £3.127m was for Housing Revenue Account purposes and £3.524m was spent on General Fund. The total capital expenditure compares with the Capital Programme original estimate of £10.707m. Most of this variance is accounted for by delayed commencement to a number of items in the Capital Programme, particularly within the Housing Revenue Account. Capital expenditure on Housing included the Lower Pulrose New Build scheme and planned central heating installations. Capital expenditure on General Fund during the year included the Nobles Park Pavilion, the Golf Course Community Facility and Clubhouse and public lighting.

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

PENSIONS LIABILITY

Financial Reporting Standard 17 "Retirement Benefits" (FRS17) requires the Council to disclose certain information within its Statement of Accounts and this appears in note 26 to the Core Financial Statements. Included within that information is the net liability on the Isle of Man Local Government Pension Scheme that is attributable to Douglas Borough Council. This is the difference between future liabilities and assets, as valued at 31st March 2008, and amounts to £4.149m; a reduction of £2.218m on the previous year. No current provision exists to meet this deficit, which will be addressed by future contributions to the Pension Fund.

AUDIT OF ACCOUNTS

These accounts are published following completion of audit by Moore Stephens (see Audit Report on page 6).

FURTHER INFORMATION

The Council produces an Estimate Book which sets out the plans for the following financial year. A copy of this can be viewed in Douglas Borough Library or alternatively obtained for a small charge by contacting the Borough Treasurer's Department at the Town Hall, Ridgeway Street, Douglas, Isle of Man IM99 1AD. Other detailed information is also available on the Council's website (www.douglas.gov.im), where a copy of these accounts will also be made available after completion of the audit. A copy of the Isle of Man Local Government Pension Scheme Annual Report and Accounts and the Council's Corporate Plan can also be viewed there.

D W CHRISTIAN J P
CHAIRMAN OF POLICY AND RESOURCES COMMITTEE
24th October 2008

G M BOLT, CPFA
BOROUGH TREASURER
24th October 2008

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DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

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

The Responsible Financial Officer's Responsibilities

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

In preparing this statement of accounts, the Responsible Financial Officer has:

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

The Responsible Financial Officer has also:

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

The Responsible Financial Officer should sign and date the statement of accounts, stating that it presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2008.

Certificate by the Responsible Financial Officer

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

I certify that this Statement of Accounts has been prepared in accordance with proper accounting practices and present fairly the financial position of the Council as at 31st March 2008 and its income and expenditure for the year ended 31st March 2008. However, dispensation has been received from the Department of Local Government and Environment that the new format of accounts and the requirement for internal audit contained within the legislation, will not need to be applied until the year ended 31 March 2009.

G M Bolt, CPFA
Borough Treasurer as Responsible Financial Officer
Douglas Borough Council

11th July 2008

The Annual Report and Accounts were approved by the Policy and Resources Committee on 25th July 2008 and passed to Moore Stephens for audit.

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

We have audited the statement of accounts of Douglas Borough Council for the year ended 31 March 2008 set out on pages 8 to 37. These have been prepared under the historical cost convention and in accordance with the accounting policies set out therein.

This report is made solely to the Mayor and Councillors as a body, in accordance with Section 6 of the Audit Act 2006. Our audit work has been undertaken so that we might state to the Mayor and Councillors those matters we are required to state to them in an 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 Mayor and Councillors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Council and Auditors

The Council is responsible for preparing the statement of accounts in accordance with applicable Isle of Man law as set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the statement of accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom & Ireland).

We report to you our opinion as to whether the statement of accounts are prepared in accordance with the Accounts and Audit Regulations 2007, made under the Audit Act 2006. In addition we report to you if, in our opinion, the Council have not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (United Kingdom & Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the statement of accounts, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

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

Disagreement on Accounting Policies – Application of relevant legislation – Qualified Opinion

As disclosed in note 1 of the accounting policies, under the approval of the Department of Local Government and the Environment, the statement of accounts have not been fully prepared in accordance with the Accounts and Audit Regulations 2007 as made under the Audit Act 2006. The matters of non-compliance cover both the core statements and the supporting notes, as required by the Accounts and Audit Regulations 2007 and the Statement of Recommended Practice 2007: Accounting for entities subject to the Audit Act 2006 ("the SORP").

The matters of non-compliance in respect of the SORP are:

- Section 2.15- The statement of accounts has not been prepared on a full accruals basis;
- Section 3.80 – treatment of transfers to and from reserves are not disclosed separately within the Income and Expenditure account;
- Section 3.95 - assets have not been categorised and included in the balance sheet in accordance with sections 3.96 to 3.98 of the SORP;
- Section 4.4 – omission of Cash Flow Statement and associated disclosure; and
- Section 4.31 (28) – disclosure of borrowing repayable has been omitted from the notes to the core Financial Statements.

In our opinion, except for the effect on the statement of accounts of the matters referred to in the preceding paragraphs, the statement of accounts present fairly, in all material aspects, the state of the Council's affairs as at 31 March 2008 and for the year then ended.

MOORE STEPHENS
Chartered Accountants
Douglas
Isle of Man

30 October 2008

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

STATEMENT OF ACCOUNTING PRINCIPLES

1. Accounts and Audit Regulations

These accounts have been prepared in accordance with the requirements of the Accounts and Audit Regulations 2007 made under the Audit Act 2006, and the historical cost convention.

The Council is progressively making a number of changes to the Statement of Accounts in order to comply with the implementation of the 2006 Audit Act's Accounts and Audit Regulations 2007. In particular, the Statement of Responsibilities for the Statement of Accounts is now updated to conform with the new requirements, while a Statement on Internal Control and the System of Financial Control is included for the first time. The Income and Expenditure Account updates the previous Summary Statement of Revenue Income and Expenditure, and this should be read in conjunction with the Statement of Movement on the General Rate Fund Balance, which is updated to meet the changing requirements, and also the new Statement of Total Recognised Gains and Losses (STRGL).

Changes to the Statement of Accounts have led to a number of changes in accounting treatment in 2007/2008. Within the Income and Expenditure Account, interest income is now excluded from the Net Cost of Services and showing within the Net Operating Expenditure section. The prior year comparatives for this have been changed to reflect that new treatment. The Balance Sheet has also been updated to show any long term borrowing (including finance leases) within the Long Term Liabilities section, in line with standard accounting practice.

The Statement of Accounts does not yet fully comply with the Island SORP 2007. The principle areas of departure are:

- (i) Not all transfers to and from reserves are excluded from the Income and Expenditure Account in that transfers to and from the Housing Revenue Account reserves are still showing within the Net Cost of Services, as they form an integral part of the calculation of the Housing Deficiency Grant calculation.
- (ii) The capital charges arising from the purchase of fixed assets include loans pool interest where the capital expenditure is financed by long term borrowing. This is also because such charges form an integral part of Government Deficiency Grant calculations.
- (iii) Fixed Assets on the Balance Sheet are showing at historical cost as they are not subject to periodic independent valuation.
- (iv) Fixed Assets are not subject to depreciation charges, because of the historical cost accounting treatment. The principal repayments from outstanding loans are currently shown to represent the depletion of historical costs.
- (v) The Cash Flow Statement as required under Financial Reporting Standard 1 is not produced, although, as in previous years, the Consolidated Statement of Revenue and Capital Movements is included within these accounts. This is because the Cash Flow Statement requires that the remaining accounts statements are compliant with the SORP.
- (vi) There is a disclosure requirement for long term borrowings to be analysed by lender category and repayment term (i.e. length of period before loan maturity). Although there is a disclosure note to the Balance Sheet presenting the long term borrowing split between Loans Pool Mortgage Bonds and long term Bank Loan Principal, the repayment term analysis is not yet incorporated into the Authority's Statement of Accounts.

This Council will continue to progress closer compliance with the Island SORP through further changes of accounting practice in future years.

2. Revenue Expenditure

The revenue accounts of the Council record the costs of staffing, running expenses and capital financing costs, together with associated income of the various services. These are grouped over the various Committees responsible for carrying out the services.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

STATEMENT OF ACCOUNTING PRINCIPLES (CONTINUED)

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

Revenue account transactions are accounted for on an accruals basis. In the case of payroll costs these are included on the basis of complete pay periods, which fall within the financial year. All known income is recorded when the debt is established, together with an estimate of other large sums due but not established at the year end. Rental income for the Council's housing stock is recorded on the same basis as payroll costs. Expenditure is accrued for sums due but not paid at the end of the year. Capital transactions are recorded on a receipts and payments basis and do not therefore include any accrual for the cost of work carried out but not paid for at 31st March 2008.

4. Reserves, Provisions, Contingent Liabilities and Deferred Charges

A number of renewal and reserve funds are maintained within the Council's accounts. Sums are provided for the renewal of vehicles and plant based upon the estimated cost of replacement at the end of their estimated life. In other cases, reserve funds are maintained to finance unforeseen costs of asset repair. There are no known contingent liabilities as at the balance sheet date, except in relation to claims covered by the Council's insurance and claims by contractors on building works. There are deferred charges outstanding, which relate to the loan debt on the Drainage infrastructure assets (transferred to the Government as part of the Sewerage Act 1999). The outstanding balances are reduced each year by the amount of loan repayments, which are a charge upon the General Rate Fund, and reimbursed to the Council through the Drainage Agency with the Department of Transport.

5. Capital Expenditure

The capital accounts of the Council record the expenditure incurred in the provision of assets and other long term outlay, together with sources of finance. Property and permanent works are recorded at historical cost. Capital contributions which have been received from third parties in respect of capital schemes are retained in the capital accounts. Capital expenditure items are generally financed by loans, by the use of internal balances, or through the application of usable capital receipts and any capital contributions from third parties.

6. 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 the various services in order to finance capital expenditure and long term outlay. The sources are bank loans and (historically) mortgage bonds. Provision for the redemption of debt has been made in accordance with statutory borrowing powers. Provision for repayment of these liabilities is on the basis of sinking fund calculations with an annual accumulation currently set at 5%. Repayments with interest on the balance of principal outstanding are charged to the appropriate revenue accounts. During the 2007/2008 year, the average rate of interest amounted to 5.6% (2006/2007: 6.0%).

7. Valuation of Investments

Investments are recorded at cost less any provision for impairment. The only investments currently held by the Council represent war stock holdings.

8. Provision for Bad Debts

A provision for bad debts is provided in these accounts amounting to £83,539 (2006/2007: £151,661)

9. Depreciation Provisions

There is no provision for depreciation in these accounts. However, all loan repayments in respect of capital assets are charged to the appropriate service revenue account.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

STATEMENT OF ACCOUNTING PRINCIPLES (CONTINUED)

10. Stocks and Stores

The bulk of stocks and stores holdings are recorded on the basis of average costs. A minority of the holdings are recorded on the basis of either net realisable value or actual cost.

11. Matching and Consistency Concepts

Whilst every effort is made to include a full year's expenditure in each financial year, the timing of some regular payments is such that the year's expenditure will not exactly correspond with the same yearly period as the financial accounts. Payroll costs included in the accounts relate to the completed earning periods (monthly and weekly), which fall between 1st April 2007 and 31st March 2008. Similarly, weekly rental income relates to the completed rental weeks in the financial year.

12. Overheads

The cost of service management and support services have been fully charged or allocated to service accounts.

13. Leased Assets

Assets acquired by means of lease, and the matching obligations due to lessors are written down each year in accordance with the 'Rule of 78' method. There were no assets acquired during the year funded from lease (2006/2007: one item worth £21,255 acquired). Lease rentals paid in the year amounted to £3,627 (2006/2007: £33,274) and the sum of £14,626 (2006/2007: £18,253) was outstanding at the end of the year.

14. Pensions and Financial Reporting Standard 17

The accounts and notes with relation to the Pension Fund have been prepared in accordance with Financial Reporting Standard 17 "Retirement Benefits" (FRS17). The demographic assumptions used by the actuary are highlighted in note 25 to the accounts. The Pension Fund liability as at 31st March 2008 stands at £4.149m (2006/2007: £6.367m).

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

INCOME AND EXPENDITURE ACCOUNT

2006/2007 Net Cost £		Note	2007/2008 Cost £	Income £	Net Cost £
SUMMARY OF COMMITTEES					
490,937	Public Health and Housing - (non-Housing)	1	885,169	(416,535)	468,634
2,868,843	Public Works	2	9,437,429	(6,579,131)	2,858,298
2,786,981	Leisure Services - excl Tramways	3	3,878,841	(781,712)	3,097,129
2,160,473	Policy and Resources	4	3,451,980	(1,345,034)	2,106,946
271,330	Tramways Undertaking	p31	368,828	(93,638)	275,190
<u>8,758,564</u>	Net Cost of General Fund Services		<u>18,022,247</u>	<u>(9,216,050)</u>	<u>8,806,197</u>
696,685	Housing Revenue Account	p29	9,184,135	(8,619,849)	564,286
92,000	Current Service Cost of Pension Scheme	7	1,075,000	(1,238,000)	(163,000)
<u>9,367,249</u>	Net Cost of Services		<u>28,281,382</u>	<u>(19,073,899)</u>	<u>9,207,483</u>
(894,933)	Interest and Investment Income				(800,974)
	Pensions Interest Cost and Return on				
139,000	Pension Assets	7			87,000
<u>8,611,316</u>	Net Operating Expenditure				<u>8,493,509</u>
(8,450,272)	Income from General Rate Fund				(9,118,006)
<u>161,044</u>	Net (Surplus)/Deficit for the Year				<u>(624,497)</u>

STATEMENT OF MOVEMENT ON THE GENERAL RATE FUND BALANCE

2006/2007 Actual £		Note	2007/2008 Actual £
161,044	(Surplus)/Deficit on Income and Expenditure Account		(624,497)
(1,387,000)	Reversal of net charges made for retirement benefits in accordance with FRS17	7	(1,162,000)
1,156,000	Actual amount charged against the General Fund Balance for Pensions in the Year	7	1,238,000
14,985	Net transfers to/(from) Specific Reserves	8	(606,856)
<u>(54,971)</u>	Increase in General Rate Fund Balance for the Year		<u>(1,155,353)</u>
(2,255,661)	General Rate Fund Balance brought forward		(2,310,632)
<u>(2,310,632)</u>	General Rate Fund carried forward		<u>(3,465,985)</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

2006/2007		Note	2007/2008
Actual			Actual
£			£
161,044	(Surplus)/Deficit on Revenue Income and Expenditure Account		(624,497)
(1,254,000)	Actuarial Gains on Pension Fund Assets and Liabilities	26	(2,142,000)
<u>(1,092,956)</u>	Total Recognised Gains for the Year		<u>(2,766,497)</u>

CAPITAL ACCOUNTS

SUMMARY STATEMENT OF CAPITAL EXPENDITURE AND FINANCING

2006/2007		Notes	2007/2008	
£			£	£
	Capital Expenditure			
6,105,379	General Rate Fund Schemes	19	3,524,507	
5,839,051	Housing Revenue Account Schemes	17/19	3,126,551	
69,688	Tramways Undertaking Schemes		-	
<u>12,014,118</u>	Total Capital Expenditure			6,651,058
	Financed By			
(7,461,465)	Loans		(5,201,294)	
(3,435,518)	Capital Receipts		(172,424)	
(1,169,547)	Reserves		(490,246)	
(15,467)	Direct Revenue Financing		(106,073)	
(21,255)	Finance Lease		-	
(22,010)	Other (including Government grants and other external contributions)		(754,022)	
<u>(12,125,262)</u>	Total Capital Income in the year			<u>(6,724,059)</u>
(111,144)	Change in expenditure financed by internal loans in year			(73,001)
266,505	Capital cash overdrawn at the start of the year (internal loans)			155,361
<u>155,361</u>	Balance of capital expenditure financed by internal loan	18		<u>82,360</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

THE BALANCE SHEET

As At 31st March 2007		Note	£	£	As At 31st March 2008
£					£
93,169,791	Fixed Assets	19		99,108,936	
1,286,369	Deferred Charges	20		1,189,107	
<u>7,034</u>	Long Term Investments			<u>7,095</u>	
<u>94,463,194</u>	Total Long Term Assets				100,305,138
	Current Assets				
179,630	Stocks	21	172,361		
2,021,860	Debtors	22	<u>2,853,751</u>		
<u>2,201,490</u>	Total Current Assets			3,026,112	
	Less Current Liabilities				
(2,284,087)	Creditors	23	(1,855,458)		
(3,908,000)	Short Term Borrowing	24	(2,020,000)		
<u>(885,792)</u>	Cash Overdrawn		<u>(467,487)</u>		
<u>(7,077,879)</u>	Total Current Liabilities			<u>(4,343,945)</u>	
					<u>(1,316,833)</u>
<u>89,586,805</u>	Total Assets less Current Liabilities				98,988,305
	Less Long Term Liabilities				
(53,803,189)	Long Term Borrowing	25		(58,941,341)	
(18,253)	Finance Leases	p9		(14,626)	
<u>(6,367,000)</u>	Liability related to Defined Benefit Pension Scheme	26		<u>(4,149,000)</u>	
<u>(60,188,442)</u>					<u>(63,104,967)</u>
<u>29,398,363</u>	TOTAL ASSETS LESS LIABILITIES				<u>35,883,338</u>
	Financed by				
28,877,640	Capital Discharged	27			32,181,042
-	Capital Receipts	28			629,576
(6,367,000)	Pensions Reserve	26			(4,149,000)
2,310,632	General Revenue Balances	29			3,465,985
4,577,091	Specific (Earmarked) Reserves	29			<u>3,755,735</u>
<u>29,398,363</u>					<u>35,883,338</u>

D W CHRISTIAN J P
CHAIRMAN OF POLICY AND RESOURCES COMMITTEE
24th October 2008

G M BOLT, CPFA
BOROUGH TREASURER
24th October 2008

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

CONSOLIDATED STATEMENT OF REVENUE AND CAPITAL MOVEMENTS

2006/2007			2007/2008
£		Note	£ £
	Expenditure		
	Revenue account expenditure		
8,373,501	Employment costs		8,832,915
9,273,255	Other operating costs		7,996,990
2,978,537	Interest and lease payments		<u>3,029,830</u>
<u>20,625,293</u>			19,859,735
	Capital account expenditure		
12,014,118	Fixed assets and other long term investments		<u>6,651,059</u>
<u>32,639,411</u>	Total revenue and capital expenditure		<u>26,510,794</u>
	Income		
	Revenue account income		
(5,938,516)	Government income		(4,091,558)
(2,237,167)	Charges for Goods and Services		(2,358,427)
(6,931,196)	Net Rents		(7,713,949)
(8,206,231)	Net cash receipts from rates		(8,833,847)
(275,236)	Other income		<u>(379,238)</u>
<u>(23,588,346)</u>	Total revenue income		(23,377,019)
<u>(3,260,818)</u>	Capital income		<u>(1,558,868)</u>
<u>(26,849,164)</u>	Total revenue and capital income		<u>(24,935,887)</u>
<u>5,790,248</u>	Net Expenditure		<u>1,574,907</u>
	Financed by		
7,942,987	Net change in long term borrowing and finance leases	25	5,134,525
	Net change in indebtedness and changes in other current assets and liabilities:		
600	Long Term Investments		(62)
95,595	Stocks		7,270
(67,237)	Debtors		(832,164)
(3,566,000)	Net change in short term borrowing	24	(1,888,000)
700,647	Creditors		(428,629)
683,656	Cash		<u>(418,033)</u>
<u>(2,152,739)</u>			(3,559,618)
<u>5,790,248</u>	Total Financing		<u>1,574,907</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Public Health and Housing Committee Revenue Income and Expenditure

The service level income and expenditure for the Public Health and Housing Committee is shown in the table below. Those services that form the Housing Revenue Accounts are shown elsewhere within the Statement of Accounts (see page 29)

2006/2007 Net Cost £	Service	2007/2008		
		Cost £	Income £	Net Cost £
241,496	Borough Cemetery	266,960	(17,907)	249,053
-	Crematorium	279,535	(316,318)	(36,783)
161,524	Lawn Cemetery	167,626	-	167,626
(10,612)	Market	68,350	(82,310)	(13,960)
98,529	Public Health & Housing Admin	102,698	-	102,698
<u>490,937</u>		<u>885,169</u>	<u>(416,535)</u>	<u>468,634</u>

The Borough Cemetery Service no longer includes the Burials Act payments to the Braddan and Onchan Burial Authorities, which are now showing within the Policy and Resources Committee Burials Act service.

For 2007/2008, the net income position on the Crematorium service is matched by a corresponding contribution into the Cremator Renewals Fund. In previous years, this accounting entry had been accounted for within that service's gross income position (see note 8).

2. Public Works Committee Revenue Income and Expenditure

The service level income and expenditure for the Public Works Committee is shown in the table below. Further detail on the Civic Amenity Site function, and the agency services are shown in separate notes (13 and 14 respectively).

2006/2007 Net Cost £	Service	2007/2008		
		Cost £	Income £	Net Cost £
(54,843)	Building Regulations	200,399	(338,089)	(137,690)
20,783	Planning	29,828	-	29,828
18,091	Derelict Buildings	31,876	-	31,876
(313,925)	Car Parks	993,881	(1,306,443)	(312,562)
-	Drainage - Maintenance Agency	902,104	(902,104)	-
303,652	Decorative Lighting	291,802	-	291,802
-	Electrical Services Admin	84,706	(84,706)	-
823,739	Public Lighting	969,683	-	969,683
73,531	Engineering Misc Works	53,779	(1,808)	51,971
18,602	Dog Bins	21,475	-	21,475
28,646	Promenade and Foreshore	37,169	-	37,169
78,199	Depots	177,677	(177,677)	-
24,854	Fleet & Garage Operation	737,263	(737,263)	-
56,954	Stores & Purchasing	66,877	(959)	65,918
43,168	Beach Cleaning	47,467	-	47,467
147,256	Public Conveniences	143,975	(58)	143,917
234,363	Civic Amenity Site	957,585	(720,026)	237,559
711,669	Refuse Collection	1,766,648	(1,078,468)	688,180
94,077	Commercial Refuse	534,401	(464,752)	69,649
78,093	Street Cleaning Agency	783,248	(671,000)	112,248
-	Gully Emptying Agency	91,955	(91,955)	-
236,600	Street Cleaning Amenity	287,709	(3,823)	283,886
245,334	Public Works Admin	225,922	-	225,922
<u>2,868,843</u>		<u>9,437,429</u>	<u>(6,579,131)</u>	<u>2,858,298</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

3. Leisure Services Committee Revenue Income and Expenditure

The service level income and expenditure for the Leisure Services Committee is shown in the table below. The Tramways Undertaking service is shown separately within the Statement of Accounts on page 31.

2006/2007 Net Cost £	Service	2007/2008		Net Cost £
		Cost £	Income £	
552,845	Library	612,849	(11,757)	601,092
158,716	Leisure Services Admin	184,821	(500)	184,321
-	Douglas Head	-	-	-
132,805	Pulrose Recreational Grounds	185,049	(16,648)	168,401
142,168	Loch Promenade	166,405	(163)	166,242
-	National Sports Centre	21,180	(21,180)	-
501,209	Nobles Park	604,865	(69,501)	535,364
197,902	Nursery	614,655	(449,028)	165,627
790,727	Open Spaces	894,113	(2,205)	891,908
-	Playgrounds	51,786	-	51,786
32,824	Verges Maintenance	110,012	(60,320)	49,692
28,240	Hanging Baskets	52,278	(52,278)	-
197,045	Douglas Golf Course	351,279	(98,132)	253,147
52,500	Summer Hill Glen	29,549	-	29,549
<u>2,786,981</u>		<u>3,878,841</u>	<u>(781,712)</u>	<u>3,097,129</u>

As of 2007/2008 the Leisure Services Playgrounds service is showing in its own right (previously incorporated within the Open Spaces and Loch Promenade services).

The Pulrose Recreational Grounds service was previously known as the King George V Park service.

4. Policy and Resources Committee Revenue Income and Expenditure

The service level income and expenditure for the Policy and Resources Committee is shown in the table below.

2006/2007 Net Cost £	Service	2007/2008		Net Cost £
		Cost £	Income £	
50,721	Support Services	419,242	(293,814)	125,428
-	Central Admin & Secretarial	403,506	(403,506)	-
228,609	Civic and Public	236,796	-	236,796
356,608	Corporate Management	428,259	-	428,259
53,128	Policy & Resources Misc.	-	-	-
121,317	Douglas Dev't Partnership	126,358	(80)	126,278
(64,266)	Financial Provisions	(46,880)	-	(46,880)
319,388	Policy & Resources Admin	311,319	-	311,319
26,033	Information & Public Relations	28,168	-	28,168
463,000	Cost of Rate Collection	492,142	(12,646)	479,496
(10,541)	Commercial Properties	169,579	(187,369)	(17,790)
104,278	CCTV & Other Civic Property	121,457	(3,020)	118,437
237,000	Streetscene & Byelaws	190,538	(370)	190,168
3,290	Burials Act	80,451	-	80,451
-	Rechargeable - TT & Events	72,542	(72,542)	-
49,417	Pension Admin Control A/C	418,503	(371,687)	46,816
<u>2,066,514</u>		<u>3,451,980</u>	<u>(1,345,034)</u>	<u>2,106,946</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

The Burials Act service was previously named St. George's Churchyard Fund, and is now combined with the Burials Act payments to Braddan and Onchan Burial Authorities (previously incorporated within the Public Health and Housing Committee Borough Cemetery service).

The 2006/2007 Financial Provisions service is restated to exclude £894,933 interest income, now incorporated within the Net Operating Expenditure section of the Income and Expenditure Account.

5. Local Government (Entertainments) Act 1950

Under the terms of the above legislation (as amended by the Local Authorities Entertainments Order 2006), local authorities are empowered to spend up to a rate of 6 pence in the pound for the purposes of public entertainment, ceremony and in the reception and entertainment of distinguished persons. During the year the Council spent £59,769, being 2.35 pence in the pound (2006/2007: £49,468, being 1.98 pence in the pound) on such items, including expenditure on Armistice Day, Civic Sunday, Manx National Week, a fireworks display and bonfire night, the Family Fun Day fair held at Nobles Park, together with receptions held for various official visits. The reason for the increase is largely to do with increased twinning activities with Ballymoney Council. These costs are all included within the Civic and Public service of the Policy and Resources Committee.

6. Retirement Benefits

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

7. Pensions Costs

In 2007/2008 the Council paid an employer's contribution of £1.224m (2006/2007: £1.140m), representing 22.5% (2006/2007: 22.0%) of pensionable pay into the Pension Fund. The contribution rate is determined by the Fund's actuary, based on triennial valuations; the last full review being at 31st March 2007. There were also contributions of £16,000 (2006/2007: £16,000) in respect of unfunded discretionary benefits granted by the Council.

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

2006/2007		2007/2008	
£'000		£'000	£'000
	Net Cost of Services:		
1,248	Current Service Cost of Pension Scheme		1,075
	Net Operating Expenditure:		
1,078	Interest Cost on Pension Scheme Liabilities	1,229	
(939)	Expected Return on Scheme Assets	(1,142)	87
1,387	Net Return		1,162
(231)	Movements on Pensions Reserve		76
	Actual Amount Charged Against Ratepayers in Year:		
<u>1,156</u>	Employer Contributions Payable to Scheme		<u>1,238</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

8. Contributions to/(from) Specific (Earmarked) Reserves

This is made up of a number of transfers to and from various specific reserves. These are detailed as follows:

	£	£
Contributions to Specific (Earmarked) Reserves:		
-Loans pool interest credited to reserves	77,453	
-ICT Fund	56,942	
-Cremators Renewals Fund	36,783	
-Building Maintenance (Commercial) Fund	18,733	
-Risk Management and Special Projects	8,497	
-CCTV	<u>9,000</u>	
		207,408
Contributions from Specific (Earmarked) Reserves:		
-Repairs & Renewals Fund regarding capital commitments	(755,874)	
-Risk Management & Special Projects Fund regarding minor revenue schemes during the year	(55,906)	
-Reduced provision required against Tramways Stores	<u>(2,484)</u>	
		<u>(814,264)</u>
Net Transfer to/(from) Specific (Earmarked) Reserves		<u>(606,856)</u>

For 2006/2007 and prior financial years, almost all contributions to and from specific reserves would have been accounted for either in the revenue service relevant to the transfer, or as expenditure/income charged/credited directly to the reserve in question. Under the Island SORP, all such items should now be shown separately within the Statement of Movement on the General Fund Balance, so this practice has been applied for all General Rate Fund transfers for the 2007/2008 financial year. Housing Revenue Account transfers to and from the Housing Repairs Fund are still showing within the Net Cost of Services. This is due to the fact that such transfers form part of the Council Housing Deficiency Grant arrangements with the Department of Local Government and the Environment (see note 29).

9. Members' Allowances

During 2007/2008 allowances paid to the Council's elected Members amounted to £38,670 (2006/2007: £45,000). The allowance payable to Members is £30 per meeting session.

10. Remuneration/Emoluments of Employees

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

Number of Employees 2006/2007	Remuneration Band	Number of Employees 2007/2008
5	£50,000 to £59,999	6
2	£60,000 to £69,999	2
1	£70,000 to £79,999	-
-	£80,000 to £89,999	1

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

11. Audit Costs

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

2006/2007		2007/2008
£		£
11,400	Fees payable with regard to external audit services carried out by the appointed auditor	12,163

Included within the 2007/2008 figure is £1,663 (2006/2007: £900) of audit fees, which were recharged to the Isle of Man Local Government Pension Scheme.

12. Related Party Transactions

The Government has a significant level of interaction with the operations of the Council. It is responsible for providing the statutory framework within which the Council operates, and provides a significant element of funding for Council operations in the form of agency and various deficiency arrangements. Details of such transactions with Government Departments are shown in the separate note on agency income and expenditure (note 14).

Members of the Council have direct control over the Council's financial and operating policies. As contracts are let in compliance with the Council's Standing Orders, the risk of abuse of that position is minimal. Furthermore, where contracts or business with organisations that are closely linked with individual Members are being considered, proper consideration of declarations of interest is made, and relevant Members would not take any part in the discussion or decision relating to such matters. Three Members had interests in businesses which had dealings with the Council during the year. These transactions totalled £31,922 (2006/2007: £24,638), and were undertaken within the normal course of business on an arm's-length basis.

The Council is the administering authority for the Isle of Man Local Government Pension Scheme. Administration expenses incurred by the Council during the year amounted to £52,235 (2006/2007: £49,116) and relate to a combination of direct and indirect costs. This was charged to the Pension Scheme. The Council's employer superannuation contributions into the scheme for 2007/2008 totalled £1.224m (2006/2007: £1.140m).

The Council has representation on the Board of the Douglas Development Partnership, and the Council contributes towards the operational and administrative costs of the Partnership, including salaries, office rental, lease car, and general grant. The total cost to the Council of this arrangement during 2007/2008 was £126,278 (2006/2007: £121,317). The Council also received £7,070 income from the Partnership during the year, as a contribution towards the costs of the hanging baskets function (2006/2007: £6,800). There were no balances owing to or from the Partnership at the year end (2006/2007: £300 debtor balance). All transactions were performed at an arms-length basis.

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

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

2006/2007 £	Burials Act Expenditure	2007/2008 £
64,472	Rate levy from Braddan Burial Ground Churchwardens	71,774
1,612	Rate levy from Onchan Burial Ground Churchwardens	1,616
4,146	Cost to Council of maintaining St. George's Parish Churchyard	7,061
<u>70,230</u>	Total revenue expenditure under Burials Act	<u>80,451</u>

There was also a capital scheme for resurfacing the St. George's Churchyard drives during the year. Expenditure incurred amounted to £51,652. This has been funded from the St. Georges Churchyard Fund.

13. Civic Amenity Site

The Council was the administering authority for the Civic Amenity Site at Middle River Industrial Estate in Douglas for the period 1st April 2007 until 10th January 2008. The site is owned by the Department of Local Government and the Environment (DLGE), and was operated by a private contractor during the financial year. All operational expenditure for the period until 10th January 2008 was initially charged to the Council as the administering authority, with the costs recharged to each of the Eastern Area local authorities (including Douglas) on the basis of their respective rateable values. Whilst contractual matters with the Department and the site operator are ongoing, as at the balance sheet date, expenditure for the remaining period 11th January to 31st March has been estimated on the same basis as the period since the previous balance sheet date and accrued for.

The table below provides a breakdown of the relevant costs (NB £100 per tonne waste levy is here offset by the 90% household waste subsidy received from DLGE) and the amounts recoverable from the other authorities.

2006/2007 £	Description	2007/2008 £
202,800	Site Operator's costs	202,800
72,197	Waste Disposal and Recycling Costs	162,118
68,524	Waste Levy (net of DLGE subsidy)	73,037
10,327	Site Set-up costs	-
5,720	Borough of Douglas Administration	16,053
<u>359,568</u>	Total Expenditure	<u>454,008</u>
	- Recycling Grant from DLGE	83,422
	Local Authority Share of the Expenditure:	
227,624	Douglas Borough Council	237,559
66,630	Onchan District Commissioners	66,889
40,226	Braddan Parish Commissioners	40,664
10,388	Laxey Village Commissioners	10,453
8,991	Lonan Parish Commissioners	9,120
5,709	Santon Parish Commissioners	5,901
<u>359,568</u>	Total Contributions	<u>454,008</u>
6,739	Other non-relevant costs borne by Douglas	-

During the year, a grant was received from the Department to offset the costs of recycling televisions and computer monitors. It is these costs that largely account for the higher waste disposal and recycling expenditure during the year.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

14. Agency Income and Expenditure

The Council has a number of operations with various Government Departments, which are governed by agency agreements. The relevant Department reimburses the Council for this work, including a contribution towards administrative cost. A summary of expenditure incurred in respect of the significant formal agency activities is shown in the table below:

Government Department	2006/2007 £	Grant and Agency Details	2007/2008 £
Department of Transport		Drainage Agency	
	42,241	Balance due from Government at beginning of year	12,930
	695,410	Net Operating Expenditure	756,104
	737,651	Total Agency Income due	769,034
	(724,721)	Government Reimbursement Received	(727,192)
	12,930	Balance due from Government at end of year	41,842
		Street Cleaning	
	-	Balance due from/(to) Government at beginning of year	-
	728,093	Net Operating Expenditure	783,248
	650,000	Total Agency Income due (cash limited sum)	671,000
	(650,000)	Government Reimbursement Received	(671,000)
	-	Balance due from Government at end of year	-
	78,093	Rateborne Deficit	112,248
	Gully Emptying		
5,767	Balance due from Government at beginning of year	2,276	
79,206	Net Operating Expenditure	91,955	
84,973	Total Agency Income due	94,231	
(82,697)	Government Reimbursement Received	(85,895)	
2,276	Balance due from Government at end of year	8,336	
Department of Local Government and the Environment		Council Housing Deficiency	
	197,958	Balance due from/(to) Government at beginning of year	(376,850)
	2,952,181	Net Operating Expenditure	2,313,603
	2,255,496	Total Grant Income due	1,749,317
	(2,632,346)	Government Reimbursement Received	(1,000,950)
	(376,850)	Balance due (to)/from Government at end of year	748,367
	696,685	Rateborne Deficit (Housing Administration)	564,286
		Shaw's Brow Car Park Deficiency	
	(10,560)	Balance due (to)/from Government at beginning of year	39,449
	226,745	Net Operating Expenditure	170,756
411,654	Total Deficiency Grant due	391,611	
(372,205)	Government Reimbursement Received	(365,699)	
39,449	Balance due from Government at end of year	25,912	
Department of Tourism & Leisure		Grandstand/Permanent Campsite	
	(453)	Balance due (to)/from Government at beginning of year	412
	41,707	Net Operating Expenditure	60,727
	41,707	Total Agency Income due	61,139
	(41,295)	Government Reimbursement Received	(54,848)
412	Balance due from/(to) Government at end of year	6,291	

The Council also provides a number of other miscellaneous services to different Government Departments, including: maintaining the Villa Marina and National Sports Centre gardens and various, ad hoc, rechargeable works in connection with the TT and Manx Grand Prix festivals (Department of Tourism and Leisure); grounds maintenance along road verges (Department of Transport). Government grant is also received from the Department of Local Government and the Environment in respect of the Crematorium and in respect of the Government levy charged for household waste. A reconciliation of these amounts, and the above, to the Government income quoted in the Income and Expenditure section of the explanatory foreword (page 3), is shown below:

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

2006/2007		2007/2008
£		£
(3,941,282)	Amount receivable per Agency table above:	(4,058,115)
(47,436)	Crematorium loan charges	(44,632)
(18,530)	Tramways' portion of Isle of Man Transport 'Rover Tickets'	(24,425)
(58,000)	Verges' maintenance	(60,320)
(1,113,707)	Waste levy subsidy – refuse collection (gross)	(1,066,365)
(616,712)	Waste levy subsidy - Civic Amenity Site (gross)	(503,577)
-	Recycling subsidy - Civic Amenity Site	(83,422)
(142,849)	Miscellaneous	(197,494)
(5,938,516)	Total Government income	(6,038,350)

15. Publicity

The Council's spending on publicity was:

2006/2007	Publicity Expenditure	2007/2008
£		£
18,321	Recruitment advertising	35,837
32,825	Other advertising	28,515
7,174	Other publicity	12,050
<u>58,320</u>		<u>76,402</u>

16. Rates Income

2006/2007		2007/2008
Pence		Pence
337	Rates levied (pence in the pound)	359
£		£
25,075	Penny Rate Product	25,398
<u>8,450,272</u>	Rates proceeds to General Rate Fund	<u>9,118,006</u>
8,554,762	Rates levied	9,221,802
(104,490)	Less statutory allowances	(103,796)
<u>8,450,272</u>	Net proceeds to General Rate Fund	<u>9,118,006</u>

Statutory allowances are in respect of part year liability (e.g. with new build properties), charitable relief, and other reductions in property rateable values as directed by the Treasury Valuation Office. The total statutory allowances for the year amounted to 1.13% (2006/2007: 1.22%) of the rates due. In addition, statutory discounts are granted in respect of rates paid in full prior to the end of June each year. During 2007/2008 statutory discounts of £312,986 were given (2006/2007: £291,354). The rateborne cost of providing the statutory discounts is charged each year to the Policy and Resources Cost of Rate Collection service.

The total rateable value for the Borough as at 31st March 2008 was 2,568,747 (2006/2007: 2,538,505)

17. Capital Expenditure

Housing Revenue Account capital expenditure includes £1.4m (2006/2007: £3.2m) investment into new Council housing stock, including the Lower Pulrose Scheme, together with the programme of installing central heating into the Council housing stock. The financing of this expenditure is normally by way of loan, while the long term cost of that borrowing is met by a combination of rent from the housing tenants and the annual Deficiency Grant claimed from the Department of Local Government and the Environment. Housing Property fixed asset value of £0.576m has been written down in respect of the First Time Buyer Housing Development scheme at Sycamore Grove due to the final account onward transfer of these properties to the Department of Local Government and the Environment.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

18. Capital Cash Overdrawn

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

19. Fixed Assets

The following table presents the movement of fixed asset balances, across category, since the last balance sheet date. All fixed asset balances are presented at historical cost.

As At 31st March 2007	Fixed Assets Category	Additions	Disposals/ Writedowns	As At 31st March 2008
£		£	£	£
67,028,912	Housing Property	3,126,551	(576,442)	69,579,021
18,715,608	Other Land & Buildings	2,605,433	-	21,321,041
4,450,458	Fixed Plant	702,647	(93,202)	5,059,903
2,974,813	Plant & Vehicles	216,428	(42,270)	3,148,971
<u>93,169,791</u>	Total	<u>6,651,059</u>	<u>(711,914)</u>	<u>99,108,936</u>

The £0.576m Housing fixed asset writedown represents the final account sale of Sycamore Grove First Time Buyer Housing development to the Department of Local Government and the Environment.

The estimated rebuild costs of property fixed assets owned by the Council as at 31st March 2008 is £294.783m (2006/2007: £207.798m), comprising £233.880m Housing properties (2006/2007: £151.114m) and £60.903m other (2006/2007: £56.684m). The increase on the previous year, particularly in Housing property, reflects a review of rebuild values by Council surveyors. As no independent valuation exercise of Council property has been carried out, the market value for the Council's property fixed assets is not available, and so fixed assets are shown at historical cost.

20. Deferred Charges

Deferred charges represent costs to be charged to revenue in future years which are not represented by tangible fixed assets. The balance on the deferred charges relates to loans outstanding on the drainage infrastructure assets, the balance of which is reduced each year by the amount of loan repayments. These are a charge into the General Rate Fund and recovered from the Department of Transport as part of the Drainage Agency.

21. Stocks

During the 2006/2007 prior year, there was a Provision for Obsolete Stock figure of: £37,027 applied to reduce the Stock balance as at 31st March 2007. There was no such provision as at 31st March 2008.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

22. Debtors

Amounts falling due within one year:

As At 31st March 2007		As At 31st March 2008
£		£
839,659	Sundry Debtors	757,236
776,870	Government Departments	1,579,000
309,905	VAT refund	299,709
112,438	Housing Rents	124,921
80,683	Rates Arrears	50,615
51,873	Payments in Advance	121,918
2,093	Work in Progress	3,891
2,173,521		2,937,290
	Less Provision for Bad Debts:	
(117,167)	General Rate Fund	(70,286)
(34,494)	Housing Revenue Account	(13,253)
2,021,860		2,853,751

The Sundry Debtors balance comprises miscellaneous amounts due from customers but not yet paid as at the balance sheet date, together with amounts accrued for as they relate to income due, but not yet invoiced for, prior to that date. The prior year Government Departments figure has been restated in order to separately identify the VAT refund due from Isle of Man Customs and Excise at the end of that year.

The Government Departments figure for 31st March 2008 includes a £748,367 debtor balance owed by the Department of Local Government and the Environment in respect of the annual Housing Deficiency amount still owing to the Council at the year end. This contrasts with a creditor balance owing to the Department as at the previous balance sheet date.

23. Creditors

Amounts falling due within one year:

As At 31st March 2007		As At 31st March 2008
£		£
1,006,951	Sundry Creditors	1,011,346
560,797	Government Departments	202,770
251,855	Bond Interest Payable	195,918
129,677	Housing Rents Prepaid	118,524
31,764	Rates Prepaid	30,524
303,043	Sundry Prepayments/Receipts in Advance	296,376
2,284,087		1,855,458

The Sundry Creditors balance comprises miscellaneous amounts due to suppliers but not yet paid as at the balance sheet date, together with amounts accrued for as they relate to expenditure incurred, but not yet invoiced, prior to that date. There are also some payroll-related creditor balances included within this figure.

The prior year creditor in respect of Government Departments is mainly the Department of Local Government and the Environment in respect of overpaid Council Housing Deficiency, for which there is a debtor balance owing to the Council as at 31st March 2008.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

24. Short Term Borrowing

The Council has established a long term borrowing facility with its Bankers. The Council's long term borrowing facility has been progressively implemented during the last four financial years, thereby reducing down any short term borrowings (see note 25 also).

25. Long Term Borrowing

As the Council's new borrowings are now by way of bank loan facility, no new Bonds are being issued. Bonds are now repaid, rather than renewed, at time of maturity. The long term borrowing split between bank loan principal and the remaining loans pool mortgage bonds is as follows:

2006/2007		2007/2008
£		£
37,793,585	Bank Loan Principal	46,037,097
<u>16,009,604</u>	Loans Pool Mortgage Bonds	<u>12,904,244</u>
<u>53,803,189</u>	Total Long Term Borrowing	<u>58,941,341</u>

26. Net Pensions Liability

Basis for Estimating Assets and Liabilities

In accordance with FRS17 – Retirement Benefits, the Council must disclose its share of the assets and liabilities related to the Scheme for its employees. The assets and liabilities of the Scheme as at 31st March 2008 were valued by the Fund's actuaries, Hymans Robertson, using the projected unit method, which assesses the future liabilities of the Scheme discounted to their present value. The main financial assumptions used in the calculations are:

As At 31st March 2007	Assumptions	As At 31st March 2008
% per Annum		% per annum
3.2%	Rate of inflation	3.6%
4.7%	Rate of increase in salaries	5.1%
3.2%	Rate of increase in pensions	3.6%
5.4%	Rate for discounting Scheme liabilities	6.9%

The actuary has also adopted a set of demographic assumptions that are consistent with those used for the Pension Scheme at the last triennial valuation on 31st March 2007. The actuary used this valuation as the basis for the FRS17 calculations. The assets in the Isle of Man Local Government Pension Scheme are valued at fair value, principally market value for investments, and the asset categories are shown in the Isle of Man Local Government Pension Scheme Accounts.

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

Distribution As At 31st March 2007		Long Term Return Per Annum As At 31st March 2008	Distribution As At 31st March 2008	
£'000	%		£'000	%
10,780	67.4	Equities	10,055	62.8
2,990	18.7	Bonds	3,861	24.1
1,439	9.0	Property	1,253	7.8
782	4.9	Cash	841	5.3
<u>15,991</u>	<u>100.0</u>	Total Estimated Employer Assets	<u>16,010</u>	<u>100.0</u>
		Present value of scheme liabilities	(19,993)	
(22,187)		Present value of unfunded liabilities	(166)	
<u>(171)</u>		Total value of liabilities	<u>(20,159)</u>	
<u>(22,358)</u>		Net Pensions Liability	<u>(4,149)</u>	
<u>(6,367)</u>				

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

Movement in Pension Fund Liability During the Year

The impact of complying in full with FRS17 has been to reduce the total net assets of the Council by £4.149m (2006/2007: £6.367m). An analysis of the movement in the liability position during the year as shown on the Balance Sheet is presented in the following table:

2006/2007		2007/2008
£'000		£'000
(7,390)	Net Pensions Liability at beginning of the year	(6,367)
	Movements in the year:	
(1,248)	Current service cost	(1,075)
1,140	Employer contributions	1,222
16	Contributions in respect of unfunded benefits	16
(139)	Net return on employers assets	(87)
1,254	Actuarial Gain/(Loss)	2,142
<u>(6,367)</u>	Net Pensions Liability at end of year	<u>(4,149)</u>

The net liability represents the difference between the value of the Council's share of assets in the Scheme and the value of the future pension payments to which it was committed at that date. These pension liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 1st April 2008 would also have an impact on the capital value of pension fund assets.

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

Actuarial Gains and Losses

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

	2003/2004		2004/2005		2005/2006		2006/2007		2007/2008	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Value of Assets	8,508	-	10,423	-	14,167	-	15,991	-	16,010	-
Total Present Value of Liabilities	13,832	-	17,606	-	21,557	-	22,358	-	20,159	-
Difference Between the Actual and Expected Return on Assets	1,070	12.6	458	4.4	2,389	16.9	99	0.6	(1,670)	9.0
Experience Gains/(losses) on Liabilities	(234)	(1.7)	481	2.7	27	0.1	-	-	(288)	(1.4)
Changes in Assumptions Underlying the Present Value of Scheme Liabilities	-	-	(2,867)	(16.3)	(2,526)	(11.7)	1,155	5.2	4,100	20.3
Actuarial Gains/(Losses) Recognised in STRGL	836	6.0	(1,928)	(11.0)	(110)	(0.5)	1,254	5.6	2,142	10.6

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

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

27. Capital Discharged

The Capital Discharged refers to that element of capital financing which is matched by loans already redeemed, together with other forms of financing such as grants, direct revenue financing of capital expenditure, capital receipts applied and reserves contributions. The Capital Discharged figure is written down as and when assets are disposed of or replaced.

28. Capital Receipts

The Capital Receipts Account represents the proceeds from the sale of fixed assets, which are made available to meet future capital investments. A receipt of £800,000 was received during the year in respect of the sale of the Pulrose Farm site. Also during the year, £172,424 of capital receipts were applied to finance the Golf Course Depot Relocation Scheme.

29. Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons (e.g. General Revenue Balances, which includes the Council's Working Balance); some are needed to comply with proper accounting practice (e.g. Capital Receipts, Pensions Reserve); and other specific reserves have been set up voluntarily to earmark resources for future spending plans and unforeseen events.

Committed expenditure against each reserve includes amounts set aside for miscellaneous revenue and capital items, dependent upon the reserve in question. In the case of Plant Renewals, the replacement cost is shown, which is greater than the Fund, requiring future contributions to be made. Details of many of these commitments against the Funds are published in the Annual Estimates Book, a copy of which is held at the Douglas Borough Library.

The Pensions Reserve is a reserve matching the FRS17 long term liability related to the Council's defined benefit scheme on the balance sheet.

In the case of the specific (or earmarked) reserves, the funds are operated under the provisions of the Local Government Act 1985 (as amended). Contributions are made to the funds on the basis of either a lump sum or the costs of the asset in question. This is the case with the Tramways Provision for Stocks and Stores, which is a self-insurance fund for Tramways stores items. Reserve income includes contributions in respect of interest on their opening balances, where relevant. Expenditure, as approved by the Council, is indirectly charged to these funds.

The Council maintains the Housing Revenue Account reserve funds in accordance with the provisions of Government Housing Policy. In the case of the Housing Repairs Fund, this is funded by an annual transfer from the Housing Revenue Account of an amount equal to one third of net rent income from the Council's housing stock. This reserve is then applied to meet the costs of Revenue Housing Repairs each year. The Community Facilities Reserve is funded through an annual transfer from the Housing Revenue Account of an amount equal to one tenth of net rent income from the sheltered accommodation units. This reserve is used to fund capital expenditure on specific capital schemes within the sheltered accommodation complexes, subject to approval by the Department of Local Government and the Environment.

The following table provides details of the movements and balances across each of the reserves, together with the known commitments against those reserves:

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

Balance In Hand At 31.3.07 £	Reserve	Income In Year £	Expended In Year £	Balance In Hand At 31.3.08 £	Committed Expenditure £
-	Capital Receipts	802,000	(172,424)	629,576	(629,576)
(6,367,000)	Pensions Reserve	3,380,000	(1,162,000)	(4,149,000)	-
2,310,632	General Revenue Balances	1,269,923	(114,570)	3,465,985	(1,064,021)
	Specific (Earmarked) Reserves				
	General Rate Fund				
2,107,245	Plant Renewals	261,189	(966,724)	1,401,710	(1,925,100)
456,777	Cremator Renewals	62,286	-	519,063	(626,000)
480	Bequests	-	-	480	-
459,045	Provision For Derelict Buildings Building Maintenance	-	-	459,045	(198,800)
261,085	(Commercial)	33,310	(65,829)	228,566	(185,213)
109,210	Information Technology	56,942	-	166,152	(25,500)
62,158	St. George's Churchyard	3,470	(51,652)	13,976	(348)
104,105	Graves Maintenance	-	-	104,105	-
377,326	Risk Management & Special Projects	8,498	(86,045)	299,779	(173,836)
<u>3,937,431</u>	Total General Rate Fund	<u>425,695</u>	<u>(1,170,250)</u>	<u>3,192,876</u>	<u>(3,134,797)</u>
	Housing Revenue Account				
204,855	Housing Repairs Fund	1,912,032	(1,994,429)	122,458	(14,265)
322,503	Community Facilities Reserve	18,006	(14,385)	326,124	(128,258)
<u>527,358</u>	Total Housing	<u>1,930,038</u>	<u>(2,008,814)</u>	<u>448,582</u>	<u>(142,523)</u>
	Tramways Undertaking				
79,865	Tramways Renewals Fund	4,459	-	84,324	-
32,437	Provision for Stocks and Stores	-	(2,484)	29,953	-
<u>112,302</u>	Total Tramways	<u>4,459</u>	<u>(2,484)</u>	<u>114,277</u>	<u>-</u>
<u>4,577,091</u>	Total Specific (Earmarked) Reserves	<u>2,360,192</u>	<u>(3,181,548)</u>	<u>3,755,735</u>	<u>(3,277,320)</u>
<u>520,723</u>	Total Reserves	<u>7,812,115</u>	<u>(4,630,542)</u>	<u>3,702,296</u>	<u>(4,970,917)</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

HOUSING REVENUE ACCOUNT

In accordance with Tynwald resolution under the Housing Act 1955, the Department of Local Government and the Environment pays the Council a housing deficiency grant, which generally meets the cost of housing provision. The balance of the administration costs of the housing function, which is not met by the Government Deficiency Grant (being subject to the upper limit of 5% of the rent received during the year), remains as a rateborne cost. During 2007/2008, this amounted to £0.564m (2006/2007: £0.697m).

SUMMARY OF HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE

The transactions in respect of public sector housing are summarised in the following table:

2006/2007		2007/2008
£		£
	Expenditure	
1,727,918	Allowance transferred to Housing Repairs Fund	1,918,860
1,155,124	Borough and Water Rates	1,277,836
68,289	Architectural Services (as allowable within the Housing Deficiency arrangement with Government)	98,402
260,776	Sheltered Accommodation: Ballanard & Waverley Court operating expenses	243,901
4,823,135	Loan Charges	4,793,022
<u>956,270</u>	Housing Administration Costs	<u>852,114</u>
<u>8,991,512</u>	Total Housing Cost	<u>9,184,135</u>
	Income	
(6,237,289)	Less Rental Income (inclusive)	(6,870,532)
<u>(2,057,538)</u>	Less Government Deficiency Grant	<u>(1,749,317)</u>
<u>(8,294,827)</u>	Total Housing Income	<u>(8,619,849)</u>
	Deficit Transferred to General Rate Fund	
<u>696,685</u>	Rateborne Deficit (Housing Administration)	<u>564,286</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

HOUSING REVENUE ACCOUNT (CONTINUED)

HOUSING REVENUE ACCOUNT BALANCE SHEET

As At 31st March 2007		£	£	As At 31st March 2008
<u>£</u>		<u>£</u>		<u>£</u>
67,028,912	Fixed Assets			69,579,021
<u>67,028,912</u>	Total Long Term Assets			<u>69,579,021</u>
	Current Assets			
77,944	Debtors	860,035		
1,010,666	Cash In Hand	-		
<u>1,088,610</u>	Total Current Assets	<u> </u>	860,035	
	Less Current Liabilities			
(569,104)	Creditors and Receipts in Advance	(161,936)		
-	Cash Overdrawn	(308,811)		
<u>(569,104)</u>	Total Current Liabilities	<u> </u>	<u>(470,747)</u>	
<u>519,506</u>	Net Current Assets			389,288
(50,940,305)	Long Term Borrowing			(51,347,996)
<u>16,608,113</u>	TOTAL ASSETS LESS LIABILITIES			<u>18,620,313</u>
	Financed by			
16,080,755	Capital Discharged			18,171,731
527,358	Housing Revenue Account Reserves			448,582
<u>16,608,113</u>				<u>18,620,313</u>

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

TRAMWAYS UNDERTAKING ACCOUNTS

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

SUMMARY OF TRAMWAYS REVENUE UNDERTAKING INCOME AND EXPENDITURE

2006/2007		2007/2008
£		£
	Expenditure	
257,596	Employee Costs	262,998
22,889	Property & Fixed Plant	27,885
21,655	Transport and Plant	18,849
32,277	Supplies	30,489
9,467	Central Support Services	8,322
19,625	Capital Finance	20,285
363,509	Total Tramways Expenditure	368,828
	Income	
(69,333)	Traffic receipts	(80,421)
(11,305)	Receipts from Funds	-
(11,541)	Other income	(13,217)
(92,179)	Total Tramways Income	(93,638)
271,330	Net deficit charged to General Rate Fund	275,190

TRAMWAYS UNDERTAKING BALANCE SHEET

As At 31st				As At 31st
March 2007				March 2008
£		£	£	£
433,088	Fixed Assets			433,088
	Current Assets			
32,437	Stocks	29,952		
85,363	Cash	84,501		
117,800	Total Current Assets		114,453	
	Less Current Liabilities			
(5,498)	Creditors	(176)		
(5,498)	Total Current Liabilities		(176)	
112,302	Net Current Assets			114,277
(220,984)	Long Term Borrowing			(213,080)
324,406	TOTAL ASSETS LESS LIABILITIES			334,285
	Financed By			
212,104	Capital Discharged			220,008
112,302	Tramways Fund Reserves			114,277
324,406				334,285

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

STATEMENT ON INTERNAL CONTROL AND THE SYSTEM OF INTERNAL FINANCIAL CONTROL

Scope of Responsibility

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

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

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

The purpose of the system of internal control

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

A system of internal control has been in place at the Council for the year ending 31st March 2008 and up to the date of approval of the accounts. The internal control systems of the Council are currently under review, and system processes will be subject to change as part of a drive to secure continuous improvement in the way the Council's processes are exercised, having regard to a combination of economy, efficiency and effectiveness.

The internal control environment

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

Establishment of the Council's objectives – The Council launched its first Corporate Plan in November 2007, for the period 2008-2011. This document sets out the Council's policy and future strategy with nine Corporate Aims for the Council, together with Corporate and Strategic Objectives in the areas of: Governance; Environment; Housing; Recreation and Culture; Public Health; Economic Development; and Partnerships. The Corporate Plan lists short and long term priorities for each of these headline areas.

Monitoring achievement against the objectives – Performance management of service delivery has, until the publication of the Corporate Plan, been by way of service-specific reporting on achievements and service developments to the relevant service committees of the Council. The Chief Officers Management Team is, during 2008, developing a Corporate Delivery Plan to help ensure the effective delivery of each of the Council's Strategic Objectives. Accountability for each area will be secured with an assigned Chief Officer and Project Officer responsible. As each of the Strategic Objectives are measurable and time-related, performance can be assessed.

Corporate Governance – The Council is responsible for putting in place proper arrangements for the governance of its affairs; facilitating the effective exercise of its functions. During the year ending 31st March 2008, significant progress has been made in this area through the formal approval by Council in October 2007 of the Member/Officer Protocol. The object of this Protocol is to maintain and enhance the integrity (real and perceived) of the way the Council's affairs are governed and, through guidance, providing clarity and certainty on the proper conduct of interface between the Council's officers and elected representatives. This Protocol is supported by the Prevention of Bullying, Harassment and Victimisation at Work policy document, which was formally approved by Council in June 2007.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

**STATEMENT ON INTERNAL CONTROL AND THE SYSTEM OF INTERNAL FINANCIAL CONTROL
(CONTINUED)**

The publication of the Corporate Plan, and in particular therein the Council's Strategic Governance Objectives, has helped the Council to focus on the need to develop its governance framework. Towards the end of the year ending 31st March 2008, a Governance Working Group was established and tasked with reviewing those areas of the Council's operations where changes and improvements to the corporate governance framework are required. Already, by the time of the date of approval of the Statement of Accounts, there is evidence of good progress and change implementation being made in this area.

Facilitation of policy and decision making – The decision making process is defined in the Council's Standing Orders. Decisions within this framework are required to proceed through the relevant service committee and full Council for approval. There is a framework for delegated decision-making powers at service committee level, where decisions made fall within the parameters of existing Council policy. All decisions are recorded in the Council minute book, with formal minutes being available for public inspection. The Chief Officers Management Team meets regularly to consider operational management issues and, where required, determines where reports are needed for Committee consideration and decision-making.

Risk Management – The Council is committed to producing risk management and business continuity strategies. This is recognised as a high priority within the Corporate Plan's Strategic Governance Objectives. During 2007 the Council's first Corporate Governance Risk Management Policy was drafted. Whilst not yet formally approved by the Council, the Policy and Resources Committee has already provided its backing to the further development of the Risk Management Policy, through the appointment of an independent risk management consultant to assist the Council in its development of an effective risk management and business continuity framework.

Also during the year, the Council went through a market testing exercise of its insurance intermediary (brokerage services) function. This was seen as an opportunity to review and update the service specification of the Council's insurance advisers, and in particular incorporate new formal requirements in respect of risk management. The service objectives of the new contract now require the service provider to advise the Council on areas of risk management and to proactively manage its insurance requirement through a detailed knowledge of the Council's risk management environment.

Financial Management – The Council's internal financial control is based on a framework of regular management information, financial regulations (which were substantially updated and formally approved by the Council in October 2007), administrative procedures, management supervision and systems of delegation. The systems of internal financial control provide reasonable assurance that assets are safeguarded, transactions are authorised and properly recorded and that material errors or irregularities are either prevented or would be swiftly detected. During the year ending 31st March 2008, the Borough Treasurer was formally appointed as the Council's Responsible Financial Officer. Under the terms of the Accounts and Audit Regulations 2007, this officer is required to determine the Council's accounting records and control systems. He has a responsibility for ensuring the proper administration of the Council's financial affairs. As a Chief Officer of the Council, he is a member of the Chief Officers Management Team and attends all Council and Policy and Resources meetings, and other Committee and Sub-Committee meetings as required. He reports regularly to the Policy and Resources Committee on matters of financial importance and significance. An informal framework exists for budgetary control reporting to the Chief Officers Management Team and the Policy and Resources Committee, as appropriate.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

**STATEMENT ON INTERNAL CONTROL AND THE SYSTEM OF INTERNAL FINANCIAL CONTROL
(CONTINUED)**

Internal Audit - The Council also maintains an internal audit service to assist management with monitoring adherence to key controls and procedures. The internal audit function also carries out regular reviews to ensure that identified controls governing risk areas are carried out. The function is delivered by an external supplier and was subject to a formal market testing exercise during the year financial year, resulting in a change of service provider as of 1st March 2008. This exercise was used as an opportunity to review and upgrade the service contract and specification, thereby developing the function as a robust and integral element of the Council's internal control environment. The service's objectives are primarily to satisfy the Councils' statutory responsibility under the Accounts and Audit Regulations 2007 to "maintain in accordance with proper practices an adequate and effective system of internal audit of its accounting records and of its system of internal control". More specifically, the internal audit function must provide a service that objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources. The procedures for undertaking audit work must now 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). There is a contractual obligation for internal audit to provide an annual report to the Policy and Resources Committee on the effectiveness of the operation of the systems of internal control.

Review of effectiveness

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

At the beginning of 2008, the Council also commissioned the services of an independent consultant from the Society of Local Authority Chief Executives (SOLACE) in order to provide a wide-ranging Best Value Review of its housing function. The resulting final report is expected to identify a number of areas where improvements can be made and to make a number of significant recommendations concerning the effective management of the Housing Service.

Significant internal control issues

We are not aware of any actual or potential non-compliance with laws and regulations that could have a material effect on the Council to conduct its business or on the results and financial position disclosed in the financial statements for the year ended 31 March 2008. Nevertheless, taking into account all of the information made available, the Council is not in a position to provide complete assurance to internal control strength but is intent on making further improvements. This is because although the Council is now committed to a good governance framework and significant progress has been achieved in this area since the last balance sheet date; the systems of performance and risk management are either not yet sufficiently formalised or developed in order to provide a properly informed opinion or assurance on these matters. In view of the internal control status, it is accepted that further development work is required in the following areas over the next few financial years:

- Further development and formal approval of the Council's Corporate Governance Risk Management Policy (this matter being the main point arising out of the external auditor's management letter from the accounts for the year ending 31st March 2007).
- The development of a formal risk register for the Council, incorporating key risks to individual service areas responsible for implementing the Council's corporate aims and objectives.
- The further development of the Corporate Delivery Plan as a means to effectively implement the objectives of the Corporate Plan and to monitor progress therein.
- Implementation through the Council's recently-implemented Staff Development scheme, to assist with the cascaded implementation of those corporate aims and objectives, and to assist with continuous improvement generally.
- The review and updating of the Council's ICT Strategy and production of Business Continuity Plans for the Council's services.
- The enhancement of project management skills through the introduction of the PRINCE2 qualification amongst key officers.
- The establishment of a fixed asset register.

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

**STATEMENT ON INTERNAL CONTROL AND THE SYSTEM OF INTERNAL FINANCIAL CONTROL
(CONTINUED)**

A review of the internal control processes was carried out by internal audit to establish whether assurance has been obtained for key controls operating during the financial year ending 31st March 2008. In so far as the internal auditor has been able to place reliance on the audit work undertaken since the commencement of the new internal audit service contract, and a risk management and internal control workshop held with senior officers of the Council, no significant internal control weaknesses have been identified. The overall conclusion is as follows: **“Our current understanding and experience of the Borough Council shows that they have a risk- aware and adaptable approach to their system of internal control. We understand that the system of internal control is designed to reduce the risks the Council is exposed to a reasonable level, and not to reduce the impact of all risk.”**

Attention is drawn to the fact that systems of internal control and corporate governance are designed to manage rather than eliminate the risk of failure to achieve objectives. They can therefore only provide reasonable and not absolute assurance. Accordingly, reasonable assurance is given that, except for the developmental areas listed above, the Council’s internal control and corporate governance arrangements are adequate and operate effectively during the year ending 31st March 2008.

G M BOLT CPFA
BOROUGH TREASURER
25th July 2008

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

EXPLANATION OF FINANCIAL TERMS

Accruals

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

Budget/Estimate

A statement of an Authority's estimated revenue and capital expenditure. Revenue Estimates and a Capital Programme are prepared each year.

Capital Expenditure

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

Contingent Liability

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

Capital Receipts

Proceeds from the sale of land and other fixed assets.

Creditors

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

Debtors

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

Deferred Charges

Expenditure of a capital nature, but which does not result in, or remain matched with, tangible assets owned by this Council. An example is drainage infrastructure assets which although built by this Council, have since been transferred to the Department of Transport

Direct Revenue Financing

The financing of capital expenditure directly from revenue i.e. General Rate Fund.

Emolument

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

Finance Lease

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

Fixed Assets

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

General Rate Fund

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

Historical Cost Convention

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

Housing Revenue Account (HRA)

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

Loans Pool

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

DOUGLAS BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2008

EXPLANATION OF FINANCIAL TERMS (CONTINUED)

Mortgage Bonds

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

Operational Expenditure

Is an ongoing cost for running a service.

Provisions

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

Remuneration

Monetary payment for services rendered.

Reserves

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

Revenue Expenditure

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

Sinking Fund

Is the monies from the Council's Loans Pool, used to repay the capital element of a loan.

Triennial Valuations

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

Unfunded Discretionary Benefits

Benefits paid to ex employees whose employment pre-dates the establishment of the Isle of Man Local Government Pension Scheme.



New shops at Pulrose completed early 2007



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