



BOROUGH OF DOUGLAS
ABSTRACT OF ACCOUNTS
YEAR ENDING
31st MARCH 2007



New Housing at Pulrose



Cleaning of the Promenade



Operational Services Centre Ballacottier



CCTV in Douglas

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DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2007

EXPLANATORY FOREWORD

1. During the year, net revenue expenditure on services funded from the General Rate Fund amounted to some £8.380M (2005/2006: £8.172M) with rate income of £8.450M (2005/2006: £7.873M). This gave a surplus of £0.070M (2005/2006: a deficit of £0.299M) to increase the General Rate Fund working balance. At the close of the year the General Revenue balance stood at £2.311M (2005/2006: £2.256M).
2. Capital expenditure of £12.014M (2005/2006: £11.852M) was undertaken during the year, much of which related to public sector housing, and the purchase of the Council's new Operational Services Centre at Ballacottier. The depot site at Lake Road was sold with the capital receipts applied to part-fund the Ballacottier site.
3. Income from Government for services and agencies run by the Council amounted to some £5.939M during the year (2005/2006: £5.393M). This figure includes the subsidy received in respect of the Government levy charged for household waste.
4. 2006/2007 represents the first full financial year of the Council administering the new Civic Amenity Site at Middle River Industrial Estate in Douglas. The site, which opened during December 2005, is owned by the Department of Local Government and the Environment, and was operated by a private contractor during the financial year. All operational expenditure was initially charged to the Council as the administering authority, with the costs recharged to the each of the Eastern Area local authorities (including Douglas) on the basis of their respective rateable values.

D W CHRISTIAN, J P
CHAIRMAN OF POLICY AND RESOURCES COMMITTEE
16th November 2007

G M BOLT, CPFA
BOROUGH TREASURER
16th November 2007

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2007

STATEMENT OF RESPONSIBILITIES FOR THE ABSTRACT OF ACCOUNTS

The Audit Act 1983 requires the Council to prepare financial statements for each financial year which give a true and fair view of the affairs of the Council and of the financial position of the Council for that year. In preparing these, the Council are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is not appropriate to presume that the council will continue business

The Council confirm that they have complied with the above requirements, and all other enactments applicable, in preparing the financial statements.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Council, and to ensure that the financial statements comply with applicable legislation. The Council is also responsible for safeguarding the assets of the Council and hence for taking responsible steps for the prevention and detection of fraud and other irregularities.

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

We have audited the abstract of accounts of Douglas Borough Council for the year ended 31 March 2007 set out on pages 4 to 26. These financial statements 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 4 of the Audit Act 1983. Our audit work has been undertaken so that we might state to the Mayor and Councillors those matters we are required to state 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

As described on page 2, the Council are responsible for the preparation of the financial statements in accordance with the Audit Act 1983 and all other applicable enactments.

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

We report to you our opinion as to whether the accounts are prepared in accordance with the Accounts and Audit Regulations 1984, made under the Audit Act 1983. We also report to you if, in our opinion, if the Council has not kept proper accounting records, if we have not received all the information and explanations we require for our audit.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (United Kingdom and 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 accounts. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the 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 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 accounts.

Opinion

In our opinion:

the accounts have been prepared in accordance with Accounts and Audit Regulations 1984 as made under the Audit Act 1983, and comply with all other enactments applicable to the accounts.

MOORE STEPHENS
Chartered Accountants
Douglas
Isle of Man

24 December 2007

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2007

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2007

STATEMENT OF ACCOUNTING PRINCIPLES

1. General Principles

These accounts have been prepared in accordance with the requirements of the Accounts and Audit Regulations 1984 made under the Audit Act 1983, and the historical cost convention on a consistent basis to the prior year.

A number of changes have been made to the Abstract of Accounts in anticipation of the impending implementation of the 2006 Audit Act's Accounts and Audit Regulations 2007 for the Council's 2006/2007 statement of accounts. In particular, the number of core accounting statements have been reduced down to include mainly those required by the 2007 Regulations. This has meant that the Housing Revenue Account and Tramways Undertaking statements are shown separately from the core accounting statements, after the consolidated notes to the core statements. The General Rate Fund Balance Sheet and the Loans Pool Balance Sheet are no longer presented, as they are both incorporated within the Consolidated Balance Sheet position. Other items of financial information, previously forming accounting statements in their own right, have now been incorporated within the consolidated notes section to the core statements. Accordingly certain comparative figures have been presented to be consistent with current year presentation.

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.

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 2007.

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. A contingent liability claim has been referred to the Council by an employee relating to employment emoluments. An estimated amount payable has been accrued for in the accounts. There are no other known contingent liabilities 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 cost. Capital contributions which have been received in respect of capital schemes are retained in the capital accounts, and loans raised to finance the net cost. These items are generally financed by loans, by the use of internal balances, or through the application of usable capital receipts.

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2007

STATEMENT OF ACCOUNTING PRINCIPLES (CONTINUED)

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 2006/2007 year, the average rate of interest amounted to 6.0% (2005/2006: 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 £0.152M (2005/2006: £0.251M)

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.

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. A provision of £37,027 for obsolete stock is provided within these accounts. (2005/2006: £15,080)

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 2006 and 31st March 2007. Similarly, weekly rental income relates to the completed rental weeks in the financial year.

12. 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 was one equipment asset worth £21,255 acquired during the year funded from lease. Lease rentals paid in the year amounted to £33,274 (2005/2006: £66,708) and the sum of £18,253 (2005/2006: £30,272) was outstanding at the end of the year.

13. Pensions and Implementation of Financial Reporting Standard 17

The accounts and notes with relation to the Pension Fund have been prepared in accordance with Financial Reporting Standard (FRS) 17. The demographic assumptions used by the actuary are highlighted in note 24 to the accounts. The Pension Fund liability as at 31st March 2007 stands at £6.367M (2005/2006: £7.390M).

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2007

SUMMARY STATEMENT OF REVENUE INCOME AND EXPENDITURE

2005/2006 Net Cost £	Committee and Service	Estimated Net Cost £	2006/2007 Cost £	Income £	Net Cost £
SUMMARY OF COMMITTEES					
476,490	Public Health and Housing - (non-Housing) (note 1)	457,500	897,360	(406,423)	490,937
2,671,862	Public Works (note 2)	3,103,790	9,420,147	(6,551,304)	2,868,843
2,588,818	Leisure Services - excl Tramways (note 3)	2,705,830	3,420,640	(633,659)	2,786,981
1,589,436	Policy and Resources (note 4)	1,402,520	3,473,430	(2,207,890)	1,265,540
610,277	Housing Revenue Account (page 23)	677,290	8,991,512	(8,294,827)	696,685
235,192	Tramways Undertaking (page 25)	272,200	363,508	(92,178)	271,330
<u>8,172,075</u>		<u>8,619,130</u>	<u>26,566,597</u>	<u>(18,186,281)</u>	<u>8,380,316</u>
(149,000)	Current Service Cost of Pension Scheme (note 7)		1,248,000	(1,156,000)	92,000
<u>8,023,075</u>	NET COST OF SERVICES	<u>8,619,130</u>	<u>27,814,597</u>	<u>(19,342,281)</u>	<u>8,472,316</u>
245,000	Pensions Interest Cost and Return on Pension Assets		1,078,000	(939,000)	139,000
8,268,075	Net Operating Expenditure		28,892,597	(20,281,281)	8,611,316
(96,000)	Movement on Pensions Reserve		1,156,000	(1,387,000)	(231,000)
<u>8,172,075</u>	AMOUNT TO BE MET FROM RATE INCOME		<u>30,048,597</u>	<u>(21,668,281)</u>	<u>8,380,316</u>

STATEMENT OF MOVEMENT ON THE GENERAL RATE FUND BALANCE

The following statement summarises the transactions on the General Rate Fund for the year, incorporating the income and expenditure across all Committees with the rate income and balances held.

2005/2006 Actual £		Estimated Net Cost £	2006/2007 Actual £
8,172,075	Amount to be met from Rate Income	8,619,130	8,380,316
(7,873,452)	Rate income for the year (note 15)	(8,404,760)	(8,450,272)
298,623	(Surplus)/Deficit on Revenue Income and Expenditure Account	214,370	(69,956)
-	Net transfers to Specific Reserves	-	14,985
<u>298,623</u>	Increase in General Rate Fund Balance for the Year	<u>214,370</u>	<u>(54,971)</u>
(2,554,284)	General Rate Fund Balance brought forward	(2,554,284)	(2,255,661)
<u>(2,255,661)</u>	General Rate Fund Balance carried forward	<u>(2,339,914)</u>	<u>(2,310,632)</u>

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2007

CAPITAL ACCOUNTS

SUMMARY STATEMENT OF CAPITAL EXPENDITURE AND FINANCING

The statement below provides an overall summary of capital expenditure, summarised in respect of the Council's statutory function, and presents the sources of finance for the year's total capital expenditure.

2005/2006 £		2006/2007 £	£
	Capital Expenditure (note 16)		
3,514,668	General Rate Fund Schemes	6,105,379	
8,296,778	Housing Revenue Account Schemes	5,839,051	
40,440	Tramways Undertaking Schemes	69,688	
<u>11,851,886</u>	Total Capital Expenditure		12,014,118
	Financed By		
(9,268,351)	Loans	(7,461,465)	
(2,294,247)	Capital Receipts	(3,435,518)	
(723,027)	Reserves	(1,169,547)	
(469,463)	Direct Revenue Financing	(15,467)	
-	Finance Lease	(21,255)	
(46,257)	Other (including Government grants and other external contributions)	(22,010)	
<u>(12,801,345)</u>	Total Capital Income in the year		<u>(12,125,262)</u>
(949,459)	Change in expenditure financed by internal loans in year		(111,144)
1,215,964	Capital cash overdrawn at the start of the year (internal loans)		<u>266,505</u>
<u>266,505</u>	Balance of capital expenditure financed by internal loan (note 17)		<u>155,361</u>

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2007

CONSOLIDATED BALANCE SHEET

This Consolidated Balance Sheet summarises the overall position of the Council's financial position as at 31st March 2007. 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) and the Charity Accounts are not included, and are published separately.

As At 31st March 2006		As At 31st March 2007
£	£	£
83,988,516	Fixed Assets (note 18)	93,169,791
1,408,143	Deferred Charges (note 19)	1,286,369
7,634	Long Term Investments	7,034
<u>85,404,293</u>	Total Long Term Assets	<u>94,463,194</u>
	Current Assets	
275,225	Stocks (note 20)	179,630
1,954,623	Debtors (note 21)	<u>2,021,860</u>
<u>2,229,848</u>	Total Current Assets	2,201,490
	Less Current Liabilities	
(1,583,440)	Creditors (note 22)	(2,284,087)
(7,474,000)	Short Term Borrowing (note 23)	(3,908,000)
(202,136)	Cash Overdrawn	<u>(885,792)</u>
<u>(9,259,576)</u>	Total Current Liabilities	<u>(7,077,879)</u>
<u>78,374,565</u>	Total Assets less Current Liabilities	89,586,805
	Less Long Term Liabilities	
(7,390,000)	Liability related to Defined Benefit Pension Scheme (note 24)	(6,367,000)
<u>70,984,565</u>	NET ASSETS	<u>83,219,805</u>
	Financed by	
45,848,183	Long Term Borrowing (note 25)	53,803,189
30,272	Finance Leases	18,253
24,671,578	Capital Discharged (note 26)	28,877,640
267,518	Capital Receipts (note 27)	-
(7,390,000)	Pensions Reserve (note 28)	(6,367,000)
2,255,661	General Revenue Balances (note 28)	2,310,632
5,301,353	Specific (Earmarked) Reserves (note 28)	<u>4,577,091</u>
<u>70,984,565</u>	TOTAL EQUITY	<u>83,219,805</u>

D W CHRISTIAN, J P
CHAIRMAN OF POLICY AND RESOURCES COMMITTEE
16th November 2007

G M BOLT, CPFA
BOROUGH TREASURER
16th November 2007

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2007

CONSOLIDATED STATEMENT OF REVENUE AND CAPITAL MOVEMENTS

This statement consolidates all income and expenditure on both capital and revenue accounts. Internal transfers between accounts have been eliminated.

2005/2006		2006/2007	
£		£	£
	Expenditure		
	Revenue Account Expenditure		
7,688,671	Employment Costs	8,373,501	
8,099,591	Other Operating Costs	9,273,255	
<u>3,037,945</u>	Interest and Lease Payments	<u>2,978,537</u>	
<u>18,826,207</u>			20,625,293
	Capital Account Expenditure		
11,851,886	Fixed Assets and Other Long Term Investments		<u>12,014,118</u>
<u>30,678,093</u>	Total Revenue and Capital Expenditure		<u>32,639,411</u>
	Income		
	Revenue Account Income		
(5,392,879)	Government Income	(5,938,516)	
(1,916,573)	Charges for Goods and Services	(2,237,167)	
(6,440,200)	Net Rents	(6,931,196)	
(7,780,522)	Net Cash Receipts from Rates	(8,206,231)	
<u>(201,477)</u>	Other Income	<u>(275,236)</u>	
(21,731,651)	Total Revenue Income		(23,588,346)
<u>(3,046,837)</u>	Capital Income		<u>(3,260,818)</u>
<u>(24,778,488)</u>	Total Revenue and Capital Income		<u>(26,849,164)</u>
<u>5,899,605</u>	Net Expenditure		<u>5,790,248</u>
	Financed by		
21,289,573	Net Change in Long Term Borrowing and Finance Leases (note 25)		7,942,987
	Net Change in Short Term Indebtedness and Changes in other Current Assets and Liabilities		
(792)	Short Term Investments	600	
(4,581)	Stocks	95,595	
1,303,997	Debtors	(67,237)	
(15,849,000)	Net Change in Short Term Borrowing (note 23)	(3,566,000)	
(202,136)	Creditors	700,647	
<u>(637,456)</u>	Cash	<u>683,656</u>	
			(2,152,739)
<u>5,899,605</u>	Total Financing		<u>5,790,248</u>

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2007

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 Abstract (page 23)

2005/2006 Net Cost £	Service	Estimated Net Cost £	2006/2007 Cost £	Income £	Net Cost £
209,242	Borough Cemetery	244,180	255,618	(14,122)	241,496
8,980	Crematorium	-	305,998	(305,998)	-
148,653	Lawn Cemetery	152,040	164,636	(3,112)	161,524
(15,172)	Market	(19,420)	72,579	(83,191)	(10,612)
132,440	Public Health & Housing Admin	132,900	98,529	-	98,529
(7,653)	Commercial Property	(52,200)	-	-	-
<u>476,490</u>		<u>457,500</u>	<u>897,360</u>	<u>(406,423)</u>	<u>490,937</u>

The Public Health and Housing Commercial Property service has now been reclassified within the Policy and Resources Committee as Commercial Properties.

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 (notes 12 and 13 respectively).

2005/2006 Net Cost £	Service	Estimated Net Cost £	2006/2007 Cost £	Income £	Net Cost £
(25,092)	Building Regulations	17,390	187,980	(242,823)	(54,843)
37,547	Planning	31,790	22,312	(1,529)	20,783
33,864	Derelict Buildings	38,690	19,328	(1,237)	18,091
(282,397)	Car Parks	(166,070)	958,104	(1,272,029)	(313,925)
-	Drainage - Maintenance Agency	-	901,410	(901,410)	-
284,540	Decorative Lighting	252,830	303,698	(46)	303,652
-	Electrical Services Admin	-	114,044	(114,044)	-
746,493	Public Lighting	850,570	823,749	(10)	823,739
48,570	Engineering Misc Works	81,590	75,744	(2,213)	73,531
24,216	Dog Bins	20,230	18,695	(93)	18,602
48,370	Promenade and Foreshore	49,320	28,646	-	28,646
-	Depots	-	338,013	(259,814)	78,199
-	Fleet & Garage Operation	-	710,020	(685,166)	24,854
43,052	Stores & Purchasing	58,050	57,513	(559)	56,954
54,851	Beach Cleaning	62,520	43,168	-	43,168
154,713	Public Conveniences	170,190	147,433	(177)	147,256
232,349	Civic Amenity Site	243,950	1,030,927	(796,564)	234,363
676,355	Refuse Collection	755,230	1,837,218	(1,125,549)	711,669
84,512	Commercial Refuse	98,840	505,312	(411,235)	94,077
21,075	Street Cleaning Agency	47,550	728,093	(650,000)	78,093
-	Gully Emptying Agency	-	79,206	(79,206)	-
180,806	Street Cleaning Amenity	199,150	244,200	(7,600)	236,600
308,038	Public Works Admin	291,970	245,334	-	245,334
<u>2,671,862</u>		<u>3,103,790</u>	<u>9,420,147</u>	<u>(6,551,304)</u>	<u>2,868,843</u>

As of 2006/2007, the Public Works Gully Emptying Agency service for the Department of Transport is presented as a service in its own right, whereas in previous years it had been included within the Street Cleaning Agency service.

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2007

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 Abstract on page 25.

2005/2006 Net Cost £	Service	Estimated Net Cost £	2006/2007 Cost £	Income £	Net Cost £
512,064	Library	554,430	571,211	(18,366)	552,845
230,722	Leisure Services Admin	180,950	158,716	-	158,716
11,980	Douglas Head	-	-	-	-
101,220	King George V Park	110,420	149,381	(16,576)	132,805
94,538	Loch Promenade	128,180	142,172	(4)	142,168
-	National Sports Centre	-	20,360	(20,360)	-
434,356	Nobles Park	512,840	550,555	(49,346)	501,209
334,872	Nursery	185,430	538,733	(340,831)	197,902
665,349	Open Spaces	821,540	802,168	(11,441)	790,727
11,203	Leisure Services Miscellaneous	-	-	-	-
-	Verges Maintenance	-	90,823	(57,999)	32,824
-	Hanging Baskets	-	41,229	(12,989)	28,240
149,444	Douglas Golf Course	165,520	302,791	(105,746)	197,045
43,070	Summer Hill Glen	46,520	52,500	-	52,500
2,588,818		2,705,830	3,420,640	(633,659)	2,786,981

As of 2006/2007 the Leisure Services Verges Maintenance and Hanging Baskets services are showing in their own right (previously incorporated within the Open Spaces and Nursery services).

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.

2005/2006 Net Cost £	Service	Estimated Net Cost £	2006/2007 Cost £	Income £	Net Cost £
429,411	Support Services	143,400	387,342	(336,621)	50,721
-	Central Admin & Secretarial	-	450,365	(450,365)	-
185,812	Civic and Public	246,410	228,875	(266)	228,609
323,876	Corporate Management	350,000	356,608	-	356,608
-	Elections	-	-	-	-
133,231	Policy & Resources Misc.	81,640	55,238	(2,110)	53,128
126,604	Douglas Dev't Partnership	123,690	121,317	-	121,317
(525,906)	Financial Provisions	(687,380)	158,225	(894,933)	(736,708)
317,229	Policy & Resources Admin	357,900	319,388	-	319,388
20,617	Information & Public Relations	20,590	26,033	-	26,033
416,449	Cost of Rate Collection	465,390	473,125	(10,125)	463,000
-	Commercial Properties	-	142,658	(153,199)	(10,541)
103,716	CCTV & Other Civic Property	81,070	104,278	-	104,278
-	Streetscene & Byelaw				
-	Enforcement	216,520	237,170	(170)	237,000
2,290	St Georges Churchyard Fund	3,290	7,436	(4,146)	3,290
-	Rechargeable - TT & Events	-	81,035	(81,035)	-
56,107	Pension Admin Control A/C	-	324,337	(274,920)	49,417
1,589,436		1,402,520	3,473,430	(2,207,890)	1,265,540

The Streetscene and Byelaw Enforcement service within the Policy and Resources Committee incorporates expenditure incurred with the Council's "Cleaner, Safer, Greener" initiative, together with the Byelaw enforcement function. These costs had hitherto been incorporated within a range of services across all committees.

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2007

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

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 £49,468, being 1.98 pence in the pound (2005/2006: £31,185, being 1.26 pence in the pound) on such items, including expenditure on Armistice Day, Civic Sunday, Manx National Week, the Family Fun Day fair held at Nobles Park, together with receptions held for various official visits. In addition, in 2006/2007 the Council hosted a fireworks display and bonfire night. This largely explains the year on year increase. 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 Isle of Man Local Government Pension Scheme can be obtained on the Douglas Borough Council website (www.douglas.gov.im).

7. Pensions Costs

In 2006/2007 the Council paid an employer's contribution of £1.140M (2005/2006: £1.028M), representing 22.0% (2005/2006: 21.5%) 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, and this is due to be reported to the Council early in 2008 (the last reported triennial valuation being at 31st March 2004). There were also contributions of £0.016M (2005/2006: £0.016M) 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. 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 Summary Revenue Accounts with the employer's contribution to the fund that is charged against ratepayers:

2005/2006 £'000		2006/2007 £'000
	Net Cost of Services:	
895	Current Service Cost of Pension Scheme	1,248
	Net Operating Expenditure:	
964	Interest Cost on Pension Scheme Liabilities	1,078
(719)	Expected Return on Scheme Assets	(939)
245	Net Return	139
(96)	Movements on Pensions Reserve	(231)
	Actual Amount Charged Against Ratepayers in Year:	
1,044	Employer Contributions Payable to Scheme	1,156

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2007

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

8. Members' Allowances

During 2006/2007 allowances paid to the Council's elected Members amounted to £45,000 (2005/2006: £34,755). The increase mainly reflects the fact that, as of 1st April 2006, the allowance payable to Members was increased from £25 to £30 per meeting session. Included within 2006/2007 there are also £1,650 allowances' costs relating to 2005/2006, but not accrued for in that prior year.

9. 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 2005/2006	Remuneration Band	Number of Employees 2006/2007
3	£50,000 to £59,999	5
2	£60,000 to £69,999	2
1	£70,000 to £79,000	1

10. Audit Costs

In 2006/2007, the Council incurred the following fees relating to external audit and inspection:

2005/2006 £		2006/2007 £
11,469	Fees payable with regard to external audit services carried out by the appointed auditor	11,400

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

11. Related Party Transactions

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

Members of the Council have direct control over the Council's financial and operating policies. As contracts are let in compliance with the Council's Standing Orders, the risk of abuse of that position is minimal. Furthermore, where contracts or business with organisations that are closely linked with individual Members are being considered, 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. Two Members had interests in businesses which had dealings with the Council during the year. These transactions totalled £24,638 (2005/2006: £9,360), and were undertaken within the normal course of business on an arm's-length basis.

Chief Officers are also deemed to be related parties to the Council. There were no significant transactions with these individuals other than payments falling within normal terms of employment.

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 £49,116 (2005/2006: £37,527) 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 2006/2007 totalled £1,139,747 (2005/2006: £1,032,773).

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2007

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

The Council has representation on the Board of the Douglas Development Partnership, and the Council does contribute 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 2006/2007 was £121,317 (2005/2006: £126,605). The Council also received £6,800 income from the Partnership during the year, as a contribution towards the costs of the hanging baskets function (2005/2006: £6,500). A debtor balance of £300 was outstanding at the year end (2005/2006: creditor balance of £41,450). 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 Georges 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:

2005/2006	Burials Act Expenditure	2006/2007
£		£
62,145	Rate levy from Braddan Burial Ground Churchwardens	64,472
1,588	Rate levy from Onchan Burial Ground Churchwardens	1,612
3,673	Cost to Council of maintaining St Georges Parish Churchyard	4,146
<u>67,406</u>	Total expenditure under Burials Act	<u>70,230</u>

12. Civic Amenity Site

During the 2006/2007 financial year, the Council was responsible for administering the Civic Amenity Site at Middle River, Douglas, which was opened in December 2005 and is owned by the Department of Local Government and the Environment. The costs of running the facility, which was operated by a private contractor, were shared by the Eastern District authorities, on the basis of each authority's respective rateable values. 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 the Department of Local Government and the Environment) and the amounts recovered from the other authorities.

Description	2006/2007
	£
Site Operator's costs	202,800
Waste Disposal	72,197
Waste Levy (net of Government subsidy)	68,524
Site Set-up costs	10,327
Borough of Douglas Administration	5,720
Total Expenditure	<u>359,568</u>
Local Authority Share of the Expenditure:	
Douglas Borough Council	227,624
Onchan Commissioners	66,630
Braddan Commissioners	40,226
Laxey Commissioners	10,388
Lonan Commissioners	8,991
Santon Commissioners	5,709
	<u>359,568</u>
Other non-relevant costs borne by Douglas	6,739

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2007

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

13. Agency Income and Expenditure

The Council has a number of operations with various Government Departments, which are governed by agency agreements. 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	2005/2006 £	Grant and Agency Details	2006/2007 £
Department of Transport		Drainage Agency	
	7,564	Balance due from Government at beginning of year	42,241
	692,844	Net Operating Expenditure	695,410
	700,408	Total Agency Income due	737,651
	(658,167)	Government Reimbursement Received	(724,721)
	42,241	Balance due from Government at end of year	12,930
		Street Cleaning & Gully Emptying	
	-	Balance due from Government at beginning of year	5,767
	742,912	Net Operating Expenditure	807,299
	716,070	Total Agency Income due (cash limited sum)	726,930
(716,070)	Government Reimbursement Received	(726,930)	
5,767	Balance due from Government at end of year	2,276	
21,075	Rateborne Deficit	78,093	
Department of Local Government and the Environment		Council Housing Deficiency	
	285,333	Balance due from Government at beginning of year	197,958
	2,568,235	Net Operating Expenditure	2,952,181
	1,957,958	Total Grant Income due	2,255,496
	(2,045,333)	Government Reimbursement Received	(2,632,346)
	197,958	Balance due from/(to) Government at end of year	(376,850)
	610,277	Rateborne Deficit (Housing Administration)	696,685
		Shaw's Brow Car Park Deficiency	
	13,714	Balance due from/(to) Government at beginning of year	(10,560)
	239,964	Net Operating Expenditure	226,745
441,261	Total Deficiency Grant due	411,654	
(451,821)	Government Reimbursement Received	(372,205)	
(10,560)	Balance due (to)/from Government at end of year	39,449	
Department of Tourism & Leisure		Grandstand/Permanent Campsite	
	1,182	Balance due from/(to) Government at beginning of year	(453)
	43,122	Net Operating Expenditure	41,707
	44,304	Total Agency Income due	41,707
	(44,757)	Government Reimbursement Received	(41,295)
(453)	Balance due (to)/from Government at end of year	412	

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.

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2007

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

14. Publicity

The Council's spending on publicity was:

2005/2006	Publicity Expenditure	2006/2007
£		£
19,193	Recruitment advertising	18,321
18,400	Other advertising	32,825
6,600	Other publicity	7,174
<u>44,193</u>		<u>58,320</u>

15. Rates Income

2005/2006		2006/2007
Pence		Pence
317	Rates levied (pence in the pound)	337
£		£
24,837	Penny Rate Product	25,075
<u>7,873,452</u>	Rates proceeds to General Rate Fund	<u>8,450,272</u>
7,998,760	Rates levied	8,554,762
(125,308)	Less statutory allowances	(104,490)
<u>7,873,452</u>	Net proceeds to General Rate Fund	<u>8,450,272</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 1.22% (2005/2006: 1.57%) 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 2006/2007 statutory discounts of £291,354 were given (2005/2006: £260,550). The rateborne cost of providing the statutory discounts is charged each year to the Policy and Resources Cost of Rate Collection service.

16. Capital Expenditure

Capital expenditure in the General Rate Fund fixed assets position includes £3.6M expenditure on the purchase of the new Operational Services Centre at Ballacottier. This item was funded mainly through the use of capital receipts.

Housing Revenue Account capital expenditure includes £3.2M (2005/2006: £5.7M) investment into new Council Housing stock, including the Lower Pulrose and the Tynwald Court Redevelopment Schemes, 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 the annual Deficiency Grant claimed from the Department of Local Government and the Environment. £2M Housing Property fixed asset value has been written down in respect of the First Time Buyer Housing Development scheme at Sycamore Grove which have been sold under the Department of Local Government and Environment first time buyers scheme.

17. 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.

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2007

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

18. 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 2006 £	Fixed Assets Category	Additions £	Disposals/ Writedowns £	As At 31st March 2007 £
63,189,861	Housing Property	5,839,051	(2,000,000)	67,028,912
13,475,841	Other Land & Buildings	5,277,619	(37,852)	18,715,608
4,161,308	Fixed Plant	364,603	(75,453)	4,450,458
3,161,506	Plant & Vehicles	532,845	(719,538)	2,974,813
<u>83,988,516</u>	Total	<u>12,014,118</u>	<u>(2,832,843)</u>	<u>93,169,791</u>

The £2.0M Housing fixed asset writedown represents the part-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 2007 is £207.798M (2005/2006: £193.338M), comprising £151.114M (2005/2006: £138.693M) Housing properties and £56.684M other (2005/2006: £54.645M). 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 fixed assets are shown at historical cost.

19. 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.

20. Stocks

A Provision for Obsolete Stock figure of £37,027 (2005/2006: £15,080) is applied to reduce the Stock balance as at 31st March 2007.

21. Debtors

Amounts falling due within one year:

As At 31st March 2006 £		As At 31st March 2007 £
188,804	Sundry Debtors	839,659
1,667,021	Government Departments	1,086,775
103,468	Housing Rents	112,438
96,232	Rates Arrears	80,683
144,464	Payments in Advance	51,873
6,026	Work in Progress	2,093
<u>2,206,015</u>		<u>2,173,521</u>
	Less Provision for Bad Debts:	
(235,170)	General Rate Fund	(117,167)
(16,222)	Housing Revenue Account	(34,494)
<u>1,954,623</u>		<u>2,021,860</u>

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.

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2007

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

The prior year Rates Arrears figure incorporates £37,888 Rates Prepaid (now disclosed separately within the Creditors figure - note 22).

22. Creditors

Amounts falling due within one year

As At 31st March 2006		As At 31st March 2007
£		£
813,648	Sundry Creditors	1,006,951
36,362	Government Departments	560,797
303,615	Bond Interest Payable	251,855
97,302	Housing Rents Prepaid	129,677
-	Rates Prepaid	31,764
<u>332,513</u>	Sundry Prepayments/Receipts in Advance	<u>303,043</u>
<u><u>1,583,440</u></u>		<u><u>2,284,087</u></u>

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 creditor in respect of Government Departments is mainly the Department of Local Government and the Environment in respect of overpaid Council Housing Deficiency.

In previous years, the Rates Prepaid figure had been incorporated within the debtors balance, thereby reducing down the Rates Arrears figure (note 21 above).

23. Short Term Borrowing

Together with the Department of Local Government and the Environment, the Council has reviewed its borrowing arrangements and established a long term borrowing facility with the Council's Bankers. The Council's new long term borrowing facility has been progressively implemented during the 2005/2006 and 2006/2007 financial years, thereby reducing down any short term borrowings (note 25).

24. Net Pensions Liability

In accordance with the 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 2007 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 2006	Assumptions	As At 31st March 2007
% per Annum		% per annum
3.1%	Rate of inflation	3.2%
4.6%	Rate of increase in salaries	4.7%
3.1%	Rate of increase in pensions	3.2%
4.9%	Rate for discounting Scheme liabilities	5.4%

The actuary has also adopted a set of demographic assumptions that are consistent with those used for the Pension Scheme at the last reported triennial valuation on 31st March 2004. The actuary used this valuation as the basis for the FRS17 calculations.

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2007

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

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 2006		Long Term Return Per Annum As At 31 st March 2007	Distribution As At 31st March 2007		
£'000	%		%	£'000	%
8,854	62.5	Equities	7.8	10,780	67.41
2,295	16.2	Bonds	4.9	2,990	18.70
1,573	11.1	Property	5.8	1,439	9.00
1,445	10.2	Cash	4.9	782	4.89
<u>14,167</u>	<u>100.0</u>	Total Estimated Employer Assets		<u>15,991</u>	<u>100.00</u>
(21,377)		Present value of scheme liabilities		(22,187)	
(180)		Present value of unfunded liabilities		(171)	
<u>(21,557)</u>		Total value of liabilities		<u>(22,358)</u>	
<u>(7,390)</u>		Net Pensions Liability		<u>(6,367)</u>	

The impact of complying in full with FRS17 has been to reduce the total net assets of the Council by £6.367M (2005/2006: £7.390M). An analysis of the movement in the liability position during the year as shown on the Balance Sheet is presented in the following table:

2005/2006 £'000		2006/2007 £'000
(7,184)	Net Pensions Liability at beginning of the year	(7,390)
	Movements in the year:	
(895)	Current service cost	(1,248)
1,028	Employer contributions	1,140
16	Contributions in respect of unfunded benefits	16
(245)	Net return on employers assets	(139)
(110)	Actuarial Gain/(Loss)	1,254
<u>(7,390)</u>	Net Pensions Liability at end of year	<u>(6,367)</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 2007 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 2007 (and to be reported to the Council early in 2008). 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 17 years (from the last triennial valuation date).

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2007

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

The actuarial gains have been further analysed in the following table, measured as absolute amounts and as a percentage of assets or liabilities as at the end of the financial year:

2005/2006			2006/2007	
£'000	Actuarial Gain/ Loss as % of Assets/ Liabilities		£'000	Actuarial Gain/ Loss as % of Assets/ Liabilities
14,167		Value of assets at end of year	15,991	
2,389	16.9%	Difference between the expected and actual return on assets	99	0.6%
<hr/>				
21,557		Total present value of liabilities	22,358	
27	0.1%	Experience Gains on liabilities	-	0.0%
(110)	(0.5)%	Actuarial Gains/(Losses) Recognised in the Statement	1,254	5.6%

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.

25. Long Term Borrowing

As the Council's 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:

2005/2006		2006/2007	
£		£	
26,287,402	Bank Loan Principal	37,793,585	
19,560,781	Loans Pool Mortgage Bonds	16,009,604	
<u>45,848,183</u>	Total Long Term Borrowing	<u>53,803,189</u>	

26. 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.

27. 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 capital receipt of £3.168M was received following the sale of the Lake Road Depot site. The full capital receipts balance was then applied to fund the new Operational Services Centre at Ballacottier (£3.287M, with £0.359M funding also made available from the Plant Renewals Fund in order to facilitate the year's full purchase cost of £3.646M). A further £0.149M was applied to part-finance the Golf Course Depot Relocation Scheme.

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2007

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

28. 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. The following table provides details of the movements and balances across each of the reserves.

Balance In Hand At 31.3.06 £	Reserve	Income In Year £	Expended In Year £	Balance In Hand At 31.3.07 £	Committed Expenditure £
267,518	Capital Receipts	3,168,000	(3,435,518)	-	-
(7,390,000)	Pensions Reserve	2,410,000	(1,387,000)	(6,367,000)	-
2,255,661	General Revenue Balances	201,618	(146,647)	2,310,632	(879,107)
	Specific (Earmarked) Reserves				
	General Rate Fund				
2,729,575	Plant Renewals	388,745	(1,011,075)	2,107,245	(2,492,900)
448,521	Cremator Renewals	49,078	(40,822)	456,777	(60,000)
480	Bequests	-	-	480	-
295,314	Special Works	-	(295,314)	-	-
470,466	Provision for Derelict Buildings Building Maintenance	-	(11,421)	459,045	(162,379)
241,418	(Commercial) Community	57,415	(37,748)	261,085	(239,019)
152,848	Projects/Environmental Impact	-	(152,848)	-	-
109,210	Information Technology	-	-	109,210	(2,000)
65,630	Health and Safety	-	(65,630)	-	-
60,448	St. George's Churchyard	6,600	(4,890)	62,158	(56,014)
104,105	Graves Maintenance	-	-	104,105	-
-	Risk Management & Special Projects	656,395	(279,069)	377,326	(154,638)
<u>4,678,016</u>	Total General Rate Fund	<u>1,158,232</u>	<u>(1,898,817)</u>	<u>3,937,431</u>	<u>(3,166,950)</u>
	Housing Revenue Account				
178,754	Housing Repairs Fund	1,753,970	(1,727,869)	204,855	(134,497)
<u>330,992</u>	Community Facilities Reserve	31,396	(39,885)	<u>322,503</u>	<u>(22,839)</u>
<u>509,746</u>	Total Housing	<u>1,785,366</u>	<u>(1,767,754)</u>	<u>527,358</u>	<u>(157,336)</u>
	Tramways Undertaking				
79,246	Tramways Renewals Fund	3,989	(3,370)	79,865	-
<u>34,345</u>	Provision for Stocks and Stores	-	(1,908)	<u>32,437</u>	-
<u>113,591</u>	Total Tramways	<u>3,989</u>	<u>(5,278)</u>	<u>112,302</u>	-
<u>5,301,353</u>	Total Specific (Earmarked) Reserves	<u>2,947,587</u>	<u>(3,671,849)</u>	<u>4,577,091</u>	<u>(3,324,286)</u>
<u>434,532</u>	Total Reserves	<u>8,727,205</u>	<u>(8,641,04)</u>	<u>520,723</u>	<u>(4,203,393)</u>

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2007

NOTES TO THE CORE FINANCIAL STATEMENTS (CONTINUED)

Committed expenditure 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. 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 interest on their opening balances, where relevant. Expenditure, as approved by the Council, is charged to these funds.

The Special Works, Provision for Derelict Buildings and the Community Projects/Environmental Impact Fund balances were all combined into the Risk Management and Special Projects Fund on the 1st April 2006.

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.

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2007

HOUSING REVENUE ACCOUNT

Subject to compliance by the Council with the all-Island housing financial plan, the Government pays the Council a 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 2006/2007, this amounted to £0.697M (2005/2006: £0.610M).

SUMMARY OF HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE

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

2005/2006 £		2006/2007 £
	Expenditure	
1,603,527	Allowance transferred to Housing Repairs Fund	1,727,918
1,074,544	Borough and Water Rates	1,155,124
	Architectural Services (as allowable within the Housing Deficiency arrangement with Government)	68,289
56,772	Sheltered Accommodation: Ballanard & Waverley Court operating expenses	260,776
230,396	Loan Charges	4,823,135
4,453,874	Housing Administration Costs	956,270
850,806	Transfer to Housing Community Facilities Reserve Fund	-
<u>28,537</u>		<u>-</u>
8,298,456	Total Housing Cost	8,991,512
	Income	
(5,730,221)	Less Rental Income (inclusive)	(6,237,289)
<u>(1,957,958)</u>	Less Government Deficiency Grant	<u>(2,057,538)</u>
	Deficit Transferred to General Rate Fund	
<u>610,277</u>	Rateborne Deficit (Housing Administration)	<u>696,685</u>

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2007

HOUSING REVENUE ACCOUNT (CONTINUED)

HOUSING REVENUE ACCOUNT BALANCE SHEET

As At 31st March 2006				As At 31st March 2007
£		£	£	£
<u>63,189,861</u>	Fixed Assets			<u>67,028,912</u>
<u>63,189,861</u>	Total Long Term Assets			<u>67,028,912</u>
	Current Assets			
291,220	Debtors	77,944		
<u>133,800</u>	Cash In Hand	<u>1,010,666</u>		
425,020	Total Current Assets		1,088,610	
	Less Current Liabilities			
<u>(112,369)</u>	Creditors and Receipts in Advance	<u>(569,104)</u>		
(112,369)	Total Current Liabilities		<u>(569,104)</u>	
<u>312,651</u>	Net Current Assets			519,506
<u>63,502,512</u>	NET ASSETS			<u>67,548,418</u>
	Financed by			
46,757,133	Long Term Borrowing			50,940,305
16,235,633	Capital Discharged (note 26)			16,080,755
<u>509,746</u>	Housing Revenue Account Reserves			<u>527,358</u>
<u>63,502,512</u>	TOTAL EQUITY			<u>67,548,418</u>

Notes

- The reduction in the Capital Discharged figure during 2006/2007 reflects the sale of Sycamore Grove First Time Buyer Housing development to the Department of Local Government and the Environment.

D W CHRISTIAN, J P
CHAIRMAN OF POLICY AND RESOURCES COMMITTEE
16th November 2007

G M BOLT, CPFA
BOROUGH TREASURER
16th November 2007

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2007

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 1984, made under the Audit Act 1983, 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

2005/2006 £		2006/2007 £
	Expenditure	
219,181	Employee Costs	257,596
22,286	Property & Fixed Plant	22,889
17,116	Transport and Plant	21,655
32,175	Supplies	32,277
8,063	Central Support Services	9,467
18,079	Capital Finance	19,625
316,900		363,509
	Income	
(75,484)	Traffic Receipts	(69,333)
-	Receipts from Funds	(11,305)
(6,224)	Other income	(11,541)
(81,708)		(92,179)
235,192	Net deficit transferred to General Rate Fund	271,330

TRAMWAYS UNDERTAKING BALANCE SHEET

As At 31st March 2006 £		£	£	As At 31st March 2007 £
363,400	Fixed Assets			433,088
	Current Assets			
34,345	Stocks	32,437		
82,984	Cash	85,363		
117,329	Total Current Assets		117,800	
	Less Current Liabilities			
(3,786)	Creditors	(5,498)		
(3,786)	Total Current Liabilities		(5,498)	
113,543	Net Current Assets			112,302
476,943	NET ASSETS			545,390
	Financed By			
173,611	Long Term Borrowing			220,984
189,741	Capital Discharged			212,104
113,591	Tramways Fund Reserves			112,302
476,943	TOTAL EQUITY			545,390

D W CHRISTIAN, J P
CHAIRMAN OF POLICY AND RESOURCES COMMITTEE
16th November 2007

G M BOLT, CPFA
BOROUGH TREASURER
16th November 2007

DOUGLAS BOROUGH COUNCIL – ABSTRACT OF ACCOUNTS

YEAR ENDED 31ST MARCH 2007 AND PERIOD 1ST APRIL 2007 TO 30TH JUNE 2007

Statement of Trustees' Responsibilities

For the year ended 31st March 2007 and period 1st April 2007 to 30th June 2007

Charity law requires the Douglas Borough Council as Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the surplus or deficit of the income over expenditure of the charity for that period. In preparing these financial statements, the Council as Trustees are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Council as Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity which will enable them to ensure that the financial statements comply with the Charities Registration Act 1989. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent the detect fraud and other irregularities.

DOUGLAS BOROUGH COUNCIL - ABSTRACT OF ACCOUNTS

YEAR ENDED 31st MARCH 2007 AND PERIOD 1st APRIL 2007 TO 30th JUNE 2007

CHARITY ACCOUNT - SAMUEL NORRIS (POLITICAL) TRUST

Under the provisions of the Public Charities Act 1922 and the Charities Registration Act 1989, the Corporation stood as the trustee for one charity, the Samuel Norris (Political) Trust. This charity was closed in June 2007. The accounts for the year ended 31st March 2007 and the period April to June 2007 are summarised below:-

2005/06		2006/07	Apr-Jun 07
£		£	£
	Amounts held in trust at start of the year/period		
200	Invested	200	200
<u>135</u>	Cash	<u>153</u>	<u>9</u>
<u><u>335</u></u>	Total	<u><u>353</u></u>	<u><u>209</u></u>
	Transactions during the year/period		
(18)	Income	(18)	(5)
<u>0</u>	Expenditure	<u>162</u>	<u>214</u>
<u><u>(18)</u></u>	(Surplus)/Deficit for the year	<u><u>144</u></u>	<u><u>209</u></u>
	Amounts held in trust at end of the year/period		
200	Invested	200	0
<u>153</u>	Cash	<u>9</u>	<u>0</u>
<u><u>353</u></u>	Total	<u><u>209</u></u>	<u><u>0</u></u>
	Represented by Charity Accounts		
200	Capital	200	0
<u>153</u>	Revenue	<u>9</u>	<u>0</u>
<u><u>353</u></u>	Total	<u><u>209</u></u>	<u><u>0</u></u>

Notes to the Accounts:-

1. **Accounting Policies**

- (a) **Basis of Preparation** - The financial statements have been prepared in accordance with the historical cost convention on a consistent basis with prior years.
- (b) **Income and Expenditure** - Income and Expenditure is accounted for on a receipts and payments basis and no account has been taken of accruals and prepayments.

2. **Closure**

This charity was closed in June 2007. The accumulated fund was paid to Tynwald Library to be spent in accordance with the objects of the Trust.

3. **Charitable Status**

The organisation was established as a charity under the Charities Registration Act 1989.

4. **Taxation**

The charity was not liable to Manx Income Tax as it was a registered charity.

D W CHRISTIAN, J P
CHAIRMAN OF POLICY & RESOURCES COMMITTEE
18th September 2007

G M BOLT CPFA
BOROUGH TREASURER
18th September 2007

Independent Auditors' Report to the Trustees of the Douglas Borough Council - Charity Accounts

We have audited the financial statements of Douglas Borough Council - Charity Accounts for the year ended 31 March 2007 and the period 1 April 2007 to 30 June 2007 set out on page C2. These financial statements have been prepared under the historical cost convention and the accounting policies are set out on page C2. The Douglas Borough Council - Charity Accounts consist of the following charity:

165 Samuel Norris (Political) Trust Account

The above charity closed in June 2007. This report is made solely to the trustees as a body, in accordance with the Charities Registration Act 1989. Our audit work has been undertaken so that we might state to the trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charities' trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Council and auditors

As described on page C1, the charities trustees, being Douglas Borough Council, are responsible for the preparation of the financial statements in accordance with applicable Isle of Man law.

Our responsibility is to audit the financial statements 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 financial statements give a true and fair view and are properly prepared in accordance with the Charities Registration Act 1989 and the provisions of the documents constituting the charities. We also report to you if the charity has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements. Our responsibilities do not extend to any other information.

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 financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity'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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the charities affairs as at 31 March 2007 and 30 June 2007 and of its incoming resources and application of resources in the year ended 31 March 2007 and period 1 April 2007 to 30 June 2007 and have been properly prepared in accordance with the Charities Registration Act 1989 and the provisions of the documents constituting the charity.

MOORE STEPHENS
Chartered Accountants
Douglas
Isle of Man

22 October 2007