

**Marashen Crescent Housing Committee
Financial Statements**

For the year ended 31 March 2018

Marashen Crescent Housing Committee

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Marashen Crescent Housing Committee

Members, Officers and Advisers

for the year ended 31 March 2018

Marashen Crescent Housing Committee's registered address is:

Town Hall
The Promenade
Port St Mary
Isle of Man
IM9 5DA

The Committee is made up of a representative from four Southern based Local Authorities, this includes Arbory, Port Erin, Port St Mary & Rushen. The administration services for the Committee are currently carried out by Port St Mary Commissioners. The Committee provides sheltered housing for Island residents over 3 complexes, Rearyt-Y-Chrink, Marashen Crescent and Cooil Veg.

The Committee representatives term of appointment operates from May 2016 until April 2019. The Committee members for the year ended 31 March 2018 and to date were:

Mr David Radcliffe (Chairman) – Rushen Representative
Mrs Bernadette Williams (Vice Chair) – Port St Mary Representative
Mr Steve George – Port Erin Representative
Mrs Jane Glover – Arbory Representative

The Clerk for the period was Mr Alastair Hamilton, the Deputy Clerk from January was Ms Hayley Fargher. Due to the resignation of Mr Hamilton, Ms Fargher has been Acting Clerk (awaiting Department ratification on a permanent basis) since May 2018.

The Committee's internal auditor is Alexander Elliott and the external auditor is Grant Thornton Ltd.

Their Registered Addresses are as follows:

Alexander Elliott
Media House
Cronkbourne
Douglas
Isle of Man
IM4 4SB

Grant Thornton Limited
Exchange House
54-62 Athol Street
Douglas
Isle of Man
IM1 1JD

Marashen Crescent Housing Committee

Explanatory Foreword

for the year ended 31 March 2018

Committee's objectives

The Committee provide Sheltered housing to three sites for Island resident's age over 65 who meet the criteria set by Central Government. All complexes are provided with a 24 hour on call warden service, provided by 4 wardens with extensive experience.

Financial performance and results for the year

The housing deficiency requirement for the period was £550,828, which was in line with Government deficiency estimates (£535,267 as at 31 March 2017). As at 31 March 2018, Heating Reserves stand at a surplus of £35,491 (£32,472 as at 31 March 2017). At the beginning of the period, heating charges paid by the tenants were reduced by 10% in an effort to reduce the reserves. However, efficiencies from the use of the biomass boiler at Rearyt-Y-Chrink has resulted in a further small surplus for the year. The Committee will look at the heating charges paid by tenants further at the budgeting stage for 2019/20. The Community Reserves balance stands at £6,887 (£5,321 as at 31 March 2017). The Comforts Fund balance is £8,943 (£8,611 as at 31 March 2017) and the Housing Maintenance Reserves balance stands at £18,652 (£6,627 as at 31 March 2017).

Significant achievements

Over £68,000 of additions were undertaken in the financial year. This included replacement bathrooms and showers costing £17,125, stair lift repairs and modifications of £11,980, kitchens replacement and improvements of £3,150, lighting repairs of £4,269 and a window replacement scheme at Cooil Veg totalling £31,929. All repairs and improvements were funded from reserves, apart from the window replacement scheme, which was funded from a loan facility taken out with HSBC shortly after the year end.

Issues likely to affect future performance

The Committee and Administration providers are currently in talks with Central Government regarding the possibility of merging the Committee with Castletown and Malew Elderly Persons Complex, to provide one southern sheltered housing board. The proposed merger is in the early business planning stages, however should it proceed; the view will be to dissolve the Committee to restructure a new Board with one representative member from each southern Local Authority.

Marashen Crescent Housing Committee

Statement of Responsibilities for the Statement of Accounts

for the year ended 31 March 2018

The Committee's responsibilities

The Committee is required to:

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

The Responsible Financial Officer's responsibilities

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

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

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

The Responsible Financial Officer has also:

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

Marashen Crescent Housing Committee

Independent auditor's report to the members of Marashen Crescent Housing Committee

Opinion

We have audited the financial statements of Marashen Crescent Housing Committee for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Statement of Movement on Reserves, the Balance Sheet, the Cash Flow Statement, the Statement of Accounting Policies and the related Notes to the Financial Statements.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the authority's affairs as at 31 March 2018 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of Accounts and Audit Regulations 2018 made under the Audit Act 2006.

Basis for opinion

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

Who we are reporting to

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

Marashen Crescent Housing Committee

Independent auditor's report to the members of Marashen Crescent Housing Committee - continued

Conclusions relating to going concern

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

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

Other information

The Responsible Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 2 to 29 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Marashen Crescent Housing Committee

Independent auditor's report to the members of Marashen Crescent Housing Committee - continued

Responsibilities of Responsible Financial Officer

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 3, the Responsible Financial Officer is responsible for the preparation of the Statement of Accounts and for being satisfied that they give a true and fair view, and for such internal control as the Responsible Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Grant Thornton Limited

Grant Thornton Limited
Douglas
Isle of Man

Date: 26 October 2018

Marashen Crescent Housing Committee

Statement of Internal Control

for the year ended 31 March 2018

Introduction

Regulation 6 of the Accounts and Audit Regulations 2018 requires the Committee to conduct a review at least once a year of the effectiveness of its systems of internal control and include a statement on internal control within the Committee's statement of accounts.

This statement is made by the Marashen Crescent Housing Committee to the Isle of Man Government Treasury in accordance with the requirements of the Isle of Man Government's Corporate Governance Principles and Code of Conduct ("the Code").

Responsibilities of the Committee and the Responsible Financial Officer

The Committee controls strategy, policy and key financial and operational matters within the organisation. In addition, it is the Committee's responsibility to ensure that the work of the Responsible Financial Officer and other senior officers supports the strategy and policy approved by the Committee.

The Committee is responsible for implementing and maintaining systems of internal control and corporate governance which:

- ensure compliance with legislation and other regulations;
- safeguard public money, ensure that it is properly accounted for and that it is used economically, efficiently and effectively; and
- support the achievement of the strategy, policies, aims and objectives approved by the Committee.

In discharging this responsibility, the Committee works with senior officers to put in place arrangements for the governance of the Committee's affairs and the stewardship of resources, in accordance with the Code.

Internal control and corporate governance environment

The Committee's systems of internal control and corporate governance have been developed through an on-going process designed to identify the principal risks, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The following are considered to be key aspects of the internal control and corporate governance environment:

- ***Committee's corporate governance framework***

A corporate governance framework has been developed which documents the Committee's policies and procedures in relation to community focus, performance management, internal control, risk management, delegated Committee, human resources management, standards of conduct and management of Health & Safety and the environment. The framework provides a structure for documenting the legislation, regulations, policies, procedures and other internal controls which, when taken together, form the Committee's internal control and corporate governance environment.

- ***Committee meetings***

The Committee meets monthly and consists of a Chairman and 3 other Committee members. The Committee receive reports from the Committee's Officers on operational matters and ensures that the work of the Responsible Financial Officer and other senior officers supports the strategy and policy approved by the Committee.

Marashen Crescent Housing Committee

Statement of Internal Control (continued)

for the year ended 31 March 2018

Review of internal control and corporate governance environment

The effectiveness of the Committee's internal control and corporate governance arrangements is continuously assessed by the work of management and the Committee.

Report on internal control and corporate governance environment

Attention is drawn to the fact that systems of internal control and corporate governance are designed to manage rather than eliminate the risk of failure to achieve objectives. They can therefore only provide reasonable and not absolute assurance. Accordingly, reasonable assurance is given that the Committee's internal control and corporate governance arrangements are adequate and operate effectively during the period ended 31 March 2018.

During the year ended 31 March 2018, the following high risk observations were made: (2017: None).

- Impact of General Data Protection Regulation
- Health and safety in relation to risk assessments
- Long term absence of Clerk

The RFO has met with the Committee to discuss the detailed findings of the report with a view to implementing, where practical, the key recommendations of the Internal Auditor.

Signed _____



Chairman

Signed _____



Responsible Finance Officer

Dated _____

16/10/18

Marashen Crescent Housing Committee

Comprehensive Income and Expenditure Statement for the year ended 31 March 2018

	<i>Notes</i>	2017/18 £	2016/17 Restated £
Dwelling rents		742,049	735,511
Charges for services and facilities		195	195
Contributions towards expenditure including Housing Deficiency Receipts		550,828	535,267
Other income		3,583	2,851
Total income		1,296,655	1,273,824
Repairs and maintenance		64,041	61,321
Supervision and management		563,122	543,714
Rent, rates, taxes and other charges		71,208	67,956
Net current service cost of pensions		11,000	12,000
Total expenditure		709,371	684,991
Net income from services		587,284	588,833
Interest receivable and other income		41	56
Interest payable and similar charges		(375,644)	(388,047)
Net pension interest cost		(6,000)	(7,000)
Surplus on provision of services		205,681	193,842
Other Comprehensive Income and Expenditure			
Re-measurement of net pension liability	14	14,000	10,000
Total comprehensive income and expenditure		219,681	203,842

The notes on pages 14 to 29 form part of the audited financial statements.

Marashen Crescent Housing Committee

Statement of Movement on Reserves for the year ended 31 March 2018

	Notes	Housing revenue reserve £	Capital adjustment account £	Revaluation reserve £	Pensions reserve £	Heating reserve £	Community reserve £	Comforts fund £	Housing maintenance reserve £
Total comprehensive income and expenditure		205,681	-	-	14,000	-	-	-	-
Depreciation and impairment of fixed assets	1	165,507	(144,013)	(21,494)	-	-	-	-	-
Net charges made for retirement benefits	14	17,000	-	-	(17,000)	-	-	-	-
Loan fund principal repayments		(333,722)	333,722	-	-	-	-	-	-
Fixed assets financed from General Fund		(37,524)	37,524	-	-	-	-	-	-
Transfer to/from Heating Reserve Account		(3,019)	-	-	-	3,019	-	-	-
Transfer to/from Community Reserve Account		(1,566)	-	-	-	-	1,566	-	-
Transfer to/from Housing Maintenance Reserve Account		(12,025)	-	-	-	-	-	-	12,025
Transfer to/from Comfort Reserve Account		(332)	-	-	-	-	-	332	-
		-	227,233	(21,494)	(3,000)	3,019	1,566	332	12,025
Balance brought forward – restated		-	(1,013,609)	1,368,554	(218,000)	32,472	5,321	8,611	6,627
Balance carried forward		-	(786,376)	1,347,060	(221,000)	35,491	6,887	8,943	18,652

Marashen Crescent Housing Committee

Statement of Movement on Reserves

for the year ended 31 March 2017

	Housing revenue reserve £	Capital adjustment account £	Revaluation reserve £	Pensions reserve £	Heating reserve £	Community reserve £	Comforts fund £	Housing maintenance reserve £
Total comprehensive income and expenditure	193,842	-	-	10,000	-	-	-	-
Depreciation and impairment of fixed assets	161,892	(140,398)	(21,494)	-	-	-	-	-
Net charges made for retirement benefits	19,000	-	-	(19,000)	-	-	-	-
Loan fund principal repayments	(319,195)	319,195	-	-	-	-	-	-
Fixed assets financed from General Fund	(32,521)	32,521	-	-	-	-	-	-
Transfer to/from Heating Reserve Account	(20,813)	-	-	-	20,813	-	-	-
Transfer to/from Community Reserve Account	2,290	-	-	-	-	(2,290)	-	-
Transfer to/from Housing Maintenance Reserve Account	(4,293)	-	-	-	-	-	-	4,293
Transfer to/from Comfort Reserve Account	(202)	-	-	-	-	-	202	-
Balance brought forward – restated	-	211,318	(21,494)	(9,000)	20,813	(2,290)	202	4,293
	-	(1,224,927)	1,390,048	(209,000)	11,659	7,611	8,409	2,334
Balance carried forward	-	(1,013,609)	1,368,554	(218,000)	32,472	5,321	8,611	6,627

Marashen Crescent Housing Committee

Balance Sheet

as at 31 March 2018

	Notes	2018		2017
		£	£	restated £
Fixed assets				
Tangible fixed assets	1		9,529,937	9,626,990
Current assets				
Debtors	2	63,363		107,851
Cash at bank		101,948		71,815
		<u>165,311</u>		<u>179,666</u>
Current liabilities				
Short-term borrowing	4	340,516		333,722
Creditors	3	134,317		134,684
		<u>474,833</u>		<u>468,406</u>
			(309,522)	(288,740)
			<u>9,220,415</u>	<u>9,338,250</u>
Long-term liabilities				
Long-term borrowing	4	8,589,758		8,930,274
Net Pension liabilities	14	221,000		218,000
		<u>(8,810,758)</u>		<u>(9,148,274)</u>
Total assets less liabilities			<u>409,657</u>	<u>189,976</u>
Reserves:				
Capital adjustment account			(786,376)	(1,013,609)
Revaluation reserve			1,347,060	1,368,554
Pension reserve			(221,000)	(218,000)
Heating reserve			35,491	32,472
Community reserve			6,887	5,321
Housing maintenance reserve			18,652	6,627
Comforts fund			8,943	8,611
			<u>409,657</u>	<u>189,976</u>

The financial statements were approved by the Committee on 16/10/18 and were signed on their behalf by:

Chairman



RFO



The notes on pages 14 to 29 form part of the audited financial statements.

Marashen Crescent Housing Committee

Cash Flow Statement

for the year ended 31 March 2018

	<i>Notes</i>	2018 £	2018 £	2017 £
Net surplus on provision of services		205,681		193,842
Adjustments to net surplus on provision of services for non-cash movements	10	226,628		140,972
Adjustments for items included in net surplus on provision of services that are investing and financing activities		376,071		390,781
Net cash flows from Operating Activities		<hr/>	808,380	<hr/> 725,595
Net cash flows from Investing Activities	11	(68,454)		(76,658)
Net cash flows from Financing Activities	12	(709,793)		(627,137)
		<hr/>	(778,247)	<hr/> (703,795)
Net increase in cash and cash equivalents			<hr/> 30,133	<hr/> 21,800
Cash & cash equivalents at the beginning of the reporting period			<hr/> 71,815	<hr/> 50,015
Cash & cash equivalents at the end of the reporting period			<hr/> 101,948 <hr/>	<hr/> 71,815 <hr/>

Marashen Crescent Housing Committee

Statement of Accounting Policies

for the year ended 31 March 2018

1. Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' Section 1A ('FRS 102'), and with the Audit Act 2006 and the Accounts and Audit Regulations 2018. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain land and buildings as specified in the accounting policies below.

This is the first year in which the financial statements have been prepared under FRS 102 and Accounts and Audit Regulations 2018. Refer to note 16 for an explanation of the transition.

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

2. Going concern

After reviewing the budget of the committee, the board have a reasonable expectation that the committee has adequate resources including the continuation of support from Central Government, to continue in operational existence for the foreseeable future.

3. Income

(a) Rentals

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

(b) Housing deficiency

Housing deficiency is accounted for on an accruals basis and represents amounts due for the period in respect of the shortfall in housing income over housing expenditure in the year.

4. Accruals of income and expenditure

The accounts of the committee are maintained on an accruals basis: activity is accounted for in the year that it takes place not simply when cash payments are made or received.

5. Value Added Tax

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

Marashen Crescent Housing Committee

Statement of Accounting Policies (continued)

for the year ended 31 March 2018

6. Tangible fixed assets

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

(a) Recognition

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

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

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

(b) Measurement (Valuation Bases)

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

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

- Assets under construction – historic cost
- Social Housing and all other tangible fixed assets are measured at current value which is determined as the amount that would be paid for the asset in its existing use ("existing use value" – EUV).

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

For non-property assets that have short useful lives or low values (or both) depreciated historical cost basis is used as a proxy for current value.

(c) Revaluation

A class of assets included in the Balance Sheet at current value (fair value for Surplus assets) may be revalued on a rolling basis provided revaluation of the class of assets is completed within five years.

The valuations are undertaken with sufficient regularity to ensure that their carrying amount is not materially different from current value (fair value for Surplus assets). All valuations are undertaken by a qualified valuer, using a professional valuer contracted to the committee.

Marashen Crescent Housing Committee

Statement of Accounting Policies (continued)

for the year ended 31 March 2018

6. Tangible fixed assets (continued)

(c) Revaluation (continued)

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

(d) Impairment

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Marashen Crescent Housing Committee

Statement of Accounting Policies (continued)

for the year ended 31 March 2018

6. Tangible fixed assets (continued)

(e) Depreciation

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

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

Operational assets:

Dwellings	2% per annum on a straight line basis
Component Parts of Social Housing Improvements	Between 10 and 30 years

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

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

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

(f) Disposals

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

7. Cash and cash equivalents

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

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

Marashen Crescent Housing Committee

Statement of Accounting Policies (continued)

for the year ended 31 March 2018

8. Government Grants and Contributions

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

(a) Housing Deficiency

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

9. Debtors

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

10. Creditors

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

11. Employee benefits

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

(a) Short term benefits

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

(b) Defined benefit pension plan

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

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

Marashen Crescent Housing Committee

Statement of Accounting Policies (continued)

for the year ended 31 March 2018

11. Employee benefits (continued)

(b) Defined benefit pension plan (continued)

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

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy. This includes the use of appropriate valuation techniques.

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

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

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

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as 'Finance expense'.

12. Provisions

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

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

Marashen Crescent Housing Committee

Statement of Accounting Policies (continued)

for the year ended 31 March 2018

13. Reserves

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

Housing Maintenance Reserve: set up to hold surplus monies received from annual housing repairs allowance less expenditure incurred.

Heating Reserve: set up to hold surplus monies of income from heating charges over heating expenses.

Community Reserve: set up to hold surplus monies from the annual administration allowance over community area expenses incurred.

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

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

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

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

Marashen Crescent Housing Committee

Significant Judgements and Estimates

for the year ended 31 March 2018

(a) Judgements

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

- The committee operates a 5 year revaluation programme for assets held on the Balance Sheet at revalued amount. This means that not all assets are revalued formally every year. However a desktop review is undertaken of the assets that were not formally revalued during the year, taking into account factors such as changes to building cost indices since the asset's last revaluation and the impact of revaluations in year for similar assets. As a result it is judged that the potential difference in value that would result from formal revaluation is not material in the context of the overall carrying value of the assets, and therefore the risk of material misstatement to the Balance Sheet is low.
- Property, Plant and Equipment assets are judged to be held for their service potential rather than future resale value and therefore the committee does not allocate residual values to assets when calculating depreciation. This could lead to the potential overstatement of depreciation and the understatement of asset carrying values in the Balance Sheet. The calculation of depreciation, however, does not affect the amount to be collected from Government in terms of deficiency.
- The committee has judged that amounts held on deposit or invested for periods of less than three months are sufficiently liquid as to be classed as cash equivalents. Judgement is also required as to whether the primary purpose of holding such investments is for meeting short term cash commitments (in which case the investment is classified as a cash equivalent) or for investment return (in which case the investment remains classified as a short term investment).

(b) Estimates

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

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

Marashen Crescent Housing Committee

Notes to the financial statements for the year ended 31 March 2018

1. Tangible fixed assets

<i>Operational assets</i>	Land and Dwellings
	£
Cost or valuation	
At 31 March 2017	10,095,365
Additions in the year	68,454
At 31 March 2018	10,163,819
Depreciation	
At 31 March 2017 - restated	468,375
Charge for the year	165,507
At 31 March 2018	633,882
Net book value	
At 31 March 2018	9,529,937
At 31 March 2017 - restated	9,626,990

Valuation of fixed assets

The Committee plans to revalue its fixed assets every five years. The last full valuation was carried out by external valuers, Chrystals Commercial, Chartered Surveyors as at 31 March 2014. The basis for valuation is set out in accounting policies.

Historical cost of revalued fixed assets

Included within the above are assets with a historical cost of £11,578,765.

Assets held

	Number at 31 March 2017	Changes In year	Number at 31 March 2018
Operational assets			
Sheltered accommodation units	136	-	136

2. Debtors and prepayments

	2018	2017
	£	£
Amounts falling due in one year (net of bad debt provisions):		
Government departments	44,270	92,283
Other local authorities	959	-
Trade debtors	-	357
Housing rents	4,331	10,962
Prepayments	13,803	4,249
	63,363	107,851

Marashen Crescent Housing Committee

Notes to the financial statements (continued)

for the year ended 31 March 2018

3. Creditors

	2018	2017
	£	£
Other local authorities	-	11,081
Housing rents	14,192	11,884
Sundry creditors	120,125	111,719
	<u>134,317</u>	<u>134,684</u>

4. Long term borrowing

Loans outstanding may be analysed as follows:

	2018	2017
	£	£
Falling due within one year:		
Bank loans	340,516	333,722
Falling due after more than one year:		
Bank loans	8,589,758	8,930,274
Total loan term borrowing	<u>8,930,274</u>	<u>9,263,996</u>

In recent years the Committee has taken out Isle of Man Bank loan finance to fund long term capital projects. Each of these loans are unsecured, repayable in instalments over a period of 14 and 30 years and are fixed term loans. The interest charged on the loads varies between 4.10% and 6.10%.

Any monies borrowed on temporary overdraft facilities now incur interest at 1.25% above base rate.

During the prior year, new borrowings were taken out with HSBC Bank. HSBC loans are unsecured, repayable between 10 and 30 years and are variable rate loans.

Any monies borrowed on temporary overdraft facilities with HSBC Bank incur interest at 0.9% above base rate.

All loans have been sanctioned on a loan by loan basis by Treasury and the Department of Infrastructure and/or the Department of Health and Social Care and are secured by way of a Letter of Comfort issued by Treasury.

5. Dwelling rent income

Dwelling rent income is the total rent due for the year after voids, write-offs, refunds etc. Voids represent 2.4% of the rental debit for the year (2017: 2.78%).

Marashen Crescent Housing Committee

Notes to the financial statements (continued)

for the year ended 31 March 2018

5. Dwelling rent income (continued)

Rent arrears

	2018	2017
	£	£
Rent arrears	4,331	10,962
Rent arrears as a percentage of gross rent income	<u>0.6%</u>	<u>2.01%</u>

Arrears written off during the year amounted to £Nil (2017: £Nil) and no increase/decrease (2017: £Nil) was made in the provision for bad and doubtful rental debts. As at 31 March 2018 the provision stood at £Nil (2017: £Nil).

6. Housing deficiency grant

Housing deficiency grant is paid from central government to meet the shortfall which might be incurred by the Authority. The amount of deficiency is calculated as follows:

	2018	2017
	£	£
Opening balance due	54,888	13,208
Charges to Deficiency Grant	550,828	535,267
Payments received from Department of Infrastructure	<u>(575,199)</u>	<u>(493,587)</u>
Closing balance due	<u>30,517</u>	<u>54,888</u>

7. Key management personnel

As the committee is administrated by Port St Mary Village Commissioners there are no key management personnel remunerated directly by the entity. Details of administration charges from Port St Mary Village Commissioners are disclosed in note 9.

8. Members' allowances

During 2016/17 and 2017/18 no amounts were paid by the Committee to its Members in respect of their attendance at meetings, undertaking duties and responsibilities. Members may be remunerated by their individual authorities for their attendance.

9. Related party transactions

The Committee is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence or to be controlled or influenced by the Committee. Disclosure of these transactions allows readers to assess the extent to which the Committee might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Committee.

Marashen Crescent Housing Committee

Notes to the financial statements (continued)

for the year ended 31 March 2018

9. Related party transactions (continued)

Central Government - has a direct influence over the general operations of the Committee – it is responsible for providing the statutory framework within which the Committee operates. The Committee required deficiency funding of £550,828 (2017: £535,267) from Central Government.

Port St Mary Village Commissioners are related by virtue of common influence and by virtue of the provision of management support.

Port Erin Village Commissioners and the Southern Civic Amenity Site Board are related by virtue of common influence.

During the year, Marashen Crescent was charged £54,066 (2017: £51,089) by Port St Mary Village Commissioners in respect of administration charges and repairs. There is a balance owing of £Nil (2017: £5,422) to Port St Mary Village Commissioners in this respect. There are no further costs included as an accrual to be invoiced to Marashen (2017: £11,081). At 31 March 2018 £959 (2017: £Nil) was due from Port St Mary Village Commissioners to Marashen Crescent in respect of administration fees overcharged in the year.

During the year Marashen Crescent was charged £49,108 (2017: £46,519) by Port St Mary Village Commissioners and £22,100 (2017: £21,437) by Port Erin Village Commissioners in respect of rates. No balance was due to either party at 31 March 2018 in this respect (2017: £Nil).

During the year, Marashen Crescent was charged £561 (2017: £94) by the Southern Civic Amenity Site Board in respect of waste disposal and other costs. There is a balance owing of £45 (2017: £Nil) to the Southern Civic Amenity Site Board in this respect.

All Members and officers of the Committee are asked to complete a disclosure statement in respect of themselves and their family members/close relatives, detailing any material transactions with related parties. With the exception of the above disclosures:

Officers of the Committee - no related party disclosures arose in relation to officers.

Members of the Committee – no related party transactions arose in relation to members of the Committee

10. Cash flow statement – Operating activities

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

	2018	2017
	£	£
Depreciation, impairment & revaluation losses for non-current assets	165,507	161,892
(Decrease) / Increase in creditors	(367)	14,593
Decrease / (Increase) in debtors	44,488	(54,513)
Difference between FRS102 pension cost and contributions paid	17,000	19,000
	<u>226,628</u>	<u>140,972</u>

Marashen Crescent Housing Committee

Notes to the financial statements (continued)

for the year ended 31 March 2018

11. Cash flow statement – Investing activities

	2018	2017
	£	£
Purchase of assets (Fixed assets, investment property, intangible assets)	68,454	76,658
	68,454	76,658

12. Cash flow statement – Financing activities

	2018	2017
	£	£
Cash receipts from short-term and long-term borrowing	-	(82,839)
Repayments of short-term and long-term borrowing	333,722	319,195
Loan interest paid	376,112	390,839
Bank interest received	(41)	(58)
	709,793	627,137

13. Audit fees

During the year the Committee incurred external audit fees of £5,330 (2017: £5,200).

14. Post-employment benefits

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

A comprehensive actuarial valuation of the Local Government Superannuation Scheme, using the projected unit credit method, was carried out at 31 March 2018 by independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions:

	31 March 2018	31 March 2017
Rate of increase in salaries	3.2%	3.2%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting scheme liabilities	2.7%	2.6%

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

Marashen Crescent Housing Committee

Notes to the financial statements (continued) for the year ended 31 March 2018

14. Post-employment benefits (continued)

The mortality assumptions used were as follows:

	31 March 2018 Years
Longevity at the age of 65 for current pensioners	
• Men	21.7
• Women	24.3
Longevity at the age of 65 for future pensioners	
• Men	24.1
• Women	27.1

Reconciliation of scheme assets and liabilities:

	Assets	Liabilities	Total
	£	£	£
At 1 April 2017	450,000	(668,000)	(218,000)
Benefits paid	(6,000)	6,000	-
Employer contributions	27,000	-	27,000
Current service cost	-	(38,000)	(38,000)
Past service cost	-	-	-
Interest income/(expense)	12,000	(18,000)	(6,000)
Remeasurement gains/(losses)			
• Actuarial losses	-	15,000	15,000
• Return on plan assets excluding interest income	(1,000)	-	(1,000)
At 31 March 2018	482,000	(703,000)	(221,000)

Total cost recognised as an expense (no amounts were included in the cost of assets in either year):

	2018	2017
	£	£
Current service cost	11,000	12,000
Interest cost	6,000	7,000
	17,000	19,000

The local committee's share of the fair value of plan assets was:

	2018	2017
Equity instruments	60%	57%
Bonds	28%	26%
Property	12%	13%
Cash	-	4%

Marashen Crescent Housing Committee

Notes to the financial statements (continued)

for the year ended 31 March 2018

14. Post-employment benefits (continued)

The local committee's share of the return on plan assets was:

	2018	2017
	£	£
Interest income	12,000	15,000
Return on plan assets less interest income	(1,000)	6,000
	<u>11,000</u>	<u>21,000</u>

15. Capital commitments

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

	31 March	31 March
	2018	2017
	£	£
Social housing improvements	-	30,929
	<u>-</u>	<u>30,929</u>

16. FRS 102 Transition

This is the first year that the committee has presented its results under FRS 102. The last financial statements under the SORP were for the year ended 31 March 2017. The date of transition to FRS 102 was 1 April 2016. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 March 2017 and the total equity as at 1 April 2016 and 31 March 2017 between the SORP as previously reported and FRS 102.

Holiday pay accrual

FRS 102 requires short term employee benefits to be charged to the Comprehensive Income and Expenditure Statement as the employee service is received. Holiday pay accruals for the year to 31 March 2017 amount to £10,252 which is considered immaterial and as such no liability for holiday pay has been recognised on transition to FRS 102. In the year to 31 March 2018 a liability for holiday pay was recognised of £10,855.

Defined benefit scheme

Under previous UK GAAP the committee recognised an expected return on defined benefit plan assets in the Comprehensive Income and Expenditure Statement. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in the Comprehensive Income and Expenditure Statement. There has been no change in the defined benefit liability at either 1 April 2016 or 31 March 2017. The effect of the change has been to reduce the credit to Net cost of Services in the year to 31 March 2017 by £5,000 and increase the credit in Other Comprehensive Income by an equivalent amount.

Marashen Crescent Housing Committee

Notes to the financial statements (continued)

for the year ended 31 March 2018

17. Prior year adjustment

Social Housing land values used to calculate depreciation in the years ended 31 March 2015, 2016 and 2017 had not previously been discounted by 33.33% to reflect their social housing nature, whereas overall social housing land and property values had been discounted.

An additional £24,627 depreciation has been applied each year to reduce the value of assets and to debit capital adjustment account by the same amount. Depreciation charged against social housing has been increased each year and the transfer to housing maintenance reserve has been reduced by the same amount.

The overall effect is to reduce the carrying value of assets as at 1 April 2016 by £49,254, to reduce the capital adjustment account by £42,088 and the revaluation reserve by £7,166. With the adjustment of £24,627 in respect of the year ended 31 March 2017, the overall effect is to reduce the carrying value of assets by £73,881, to reduce capital adjustment account by £63,132 and revaluation reserve by £10,749 as at 31 March 2017.

Marashen Crescent Housing Committee

Detailed Expenditure Account

for the year ended 31 March 2018

	2018 £	2017 £
Repairs and maintenance		
Repairs and renewals	63,982	59,559
Maintenance of grassed/landscaped areas	59	1,762
	<u>64,041</u>	<u>61,321</u>
Supervision and management		
Wages	149,524	134,325
Carephone charges	10,781	10,725
Insurance	11,540	23,676
Depreciation	165,507	161,892
Printing, stationery, professional fees and miscellaneous	184	720
Heat and light	121,106	109,780
Audit fee	5,168	5,300
Accountancy	7,964	10,549
Internal audit	800	800
Telephone charges	5,263	4,930
TV Licence	488	563
Administration charge	30,580	29,981
Bank charges	1,650	1,862
Community reserve expenses	47,280	49,639
Miscellaneous, IT, legal	5,287	1,261
Provision for bad debts	-	(2,289)
	<u>563,122</u>	<u>543,714</u>
Rates		
Rates paid	<u>71,208</u>	<u>67,956</u>

This page does not form part of the audited financial statements