

CASTLETOWN AND MALEW ELDERLY PERSONS HOUSING BOARD

Statement of Accounts

For the year ended 31 March 2020

Castletown and Malew Elderly Persons Housing Board

Year ended 31 March 2020

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Castletown and Malew Elderly Persons Housing Board

Year ended 31 March 2020

Members, Officers and Advisors

Castletown and Malew Elderly Persons Housing Board is a sheltered housing authority with an equal membership from Casletown Town Commissioners and Malew Parish Commissioners.

There are six members of the Board, there were a number of changes to members through the year as follows:

Member Name	Position	District	Resignation date	Appointment date
Mrs Margaret Mansfield	Chairman	Malew Parish Commissioners	November 2019	
Miss Carol Quine	Vice Chairman (Apr – Oct 2019) Chairman (Dec 2019 – Mar 2020)	Castletown Town Commissioners		
Mrs Barbara Brereton	Member	Malew Parish Commissioners	July 2019	
Mrs Janice Kniveton	Member	Malew Parish Commissioners		
Mr Jerry Ludford Brooks	Vice Chairman (Dec 2019 – Mar 2020)	Castletown Town Commissioners		
Mr Richard McAleer	Member	Castletown Town Commissioners		
Mr Tim Chamberlain	Member	Malew Parish Commissioners		October 2019
Mrs Tanya Mackrell	Member	Malew Parish Commissioners		December 2019

The Board meet each month, usually the last Monday of the month.

Administration for the Board is provided by Port St Mary Commissioners, the Clerk and Responsible Financial Officer for the period was Ms Hayley Fargher of Port St Mary Commissioners. The registered office is the Town Hall, The Promenade, Port St Mary, Isle of Man, IM9 5DA.

Suntera Accounting & Tax Ltd prepared the accounts for the authority and Baker Tilly Isle of Man LLC acts as the authority's external assurance reviewer. The authority employs Alexander Elliott as its internal auditor.

Their registered addresses are as follows:

Suntera Accounting & Tax
Limited
Clinch's House
Lord Street
Douglas
Isle of Man
IM99 1RZ

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

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

Castletown and Malew Elderly Persons Housing Board

Year ended 31 March 2020

Explanatory Foreword

Board's objectives

The objectives of the Board are to ensure the smooth and effective operations of the sheltered housing units at Sandfield and Millhope in Castletown, Isle of Man.

Overall financial performance and results for the year

The Comprehensive Income and Expenditure Account summarises the results of the day to day running of the operations of the Board.

The annual shortfall of income against expenditure is met from deficiency payments made by the Isle of Man Government.

For the year ended 31 March 2020 the deficiency requirement amounted to £179,386 (2019: £186,046).

Finances

The finances of the Board are tightly controlled in accordance with guidance received from the Department of Infrastructure. Repair and community area spending is monitored in order to remain within the allowances of 25.1% and 8.4% provided.

Significant achievements

During this financial year, the Board replaced 2 kitchens and upgraded 5 bathrooms. They also replaced a hot water tank, installed laundry room coin metres and a concrete based bin store.

Issues likely to shape future performance

At present, a review of the financial parameters under which Sheltered Housing operates is being conducted by the Department of Infrastructure. This will determine the financing available to the Board and its ability to carry out maintenance work on the accommodation.

The Board, similar to other sheltered housing providers, experiences high turnover of tenants in its housing units which often necessitates costly void repair work. It is hoped that allowances may be increased in order to enable such works to be undertaken.

The Board monitors and plans future capital work requirements, and is currently discussing the 25 year plan provided by the Department of Infrastructure to ascertain if any capital projects are required.

The Board is under contract for Administration purposes with Port St Mary Commissioners until October 2021. On 1 April 2020, the Board undertook a full merger with Marashen Crescent Housing Committee to form a unified Southern Sheltered Housing Joint Board.

Castletown and Malew Elderly Persons Housing Board

Year ended 31 March 2020

Statement of Responsibilities for the Statement of Accounts

The Board's responsibilities

The Board 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 Board'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.

Castletown and Malew Elderly Persons Housing Board

Year ended 31 March 2020

INDEPENDENT CHARTERED ACCOUNTANT'S REVIEW REPORT TO THE MEMBERS OF CASTLETOWN AND MALEW ELDERLY PERSONS HOUSING BOARD

Report on the Financial Statements

We have reviewed the financial statements of Castletown and Malew Elderly Persons Housing Board for the year ended 31 March 2020, which comprise the Comprehensive Income and Expenditure Statement, the Statement of the Movement on Reserves, the Balance Sheet, the Cash Flow Statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Responsible Financial Officer's Responsibility for the Financial Statements

As explained more fully in the Responsible Financial Officer's Responsibilities Statement set out on page 3, the Responsible Financial Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Accountant's Responsibility

Our responsibility is to express a conclusion on the financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to review historical financial statements and ICAEW Technical Release TECH 09/13AAF (Revised) Assurance review engagements on historical financial statements. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared, in all material respects, in accordance with United Kingdom Generally Accepted Accounting Practice. ISRE 2400 (Revised) also requires us to comply with the ICAEW Code of Ethics.

Scope of the Assurance Review

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. We have performed procedures, primarily consisting of making enquiries of management and others within the company, as appropriate, applying analytical procedures and evaluating the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (UK). Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements have not been prepared:

- so as to give a true and fair view of the state of the authority's affairs as at 31 March 2020, and of its results for the year then ended;
- in accordance with any regulations under Section 12 and any directions, as applicable, under Section 13 of the Audit Act 2006;
- in accordance with any other statutory provisions applicable to them.

Castletown and Malew Elderly Persons Housing Board

Year ended 31 March 2020

INDEPENDENT CHARTERED ACCOUNTANT'S REVIEW REPORT TO THE MEMBERS OF CASTLETOWN AND MALEW ELDERLY PERSONS HOUSING BOARD - CONTINUED

Use of our report

This report is made solely to the Board's Members, as a body, in accordance with the terms of our engagement letter dated 27 April 2020. Our review work has been undertaken so that we might state to the Board's Members those matters we have agreed to state to them in a reviewer'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 Board and its Members as a body for our review work, for this report or the opinions we have formed.

Baker Tilly Isle of Man LLC

Baker Tilly Isle of Man LLC

Chartered Accountants

PO Box 95

2a Lord Street

Douglas

Isle of Man

Date:

8 February 2021

Castletown and Malew Elderly Persons Housing Board

Year ended 31 March 2020

Statement of Internal Control

Introduction

Regulation 6 of the Accounts and Audit Regulations 2018 requires the Board 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 Board's statement of accounts.

This statement is made by the Castletown and Malew Elderly Persons Housing Board 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 Board and the Responsible Financial Officer

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

The Board 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 Board.

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

Internal control and corporate governance environment

The Board'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:

- ***Board's corporate governance framework***

A corporate governance framework has been developed which documents the Board's policies and procedures in relation to community focus, performance management, internal control, risk management, delegated Board, 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 Board's internal control and corporate governance environment.

- ***Board meetings***

The Board meets monthly and consists of a Chairman and 5 other Board members. The Board receive reports from the Board's Officers on operational matters and ensure that the work of the Responsible Financial Officer and other senior officers supports the strategy and policy approved by the Board.

Castletown and Malew Elderly Persons Housing Board

Year ended 31 March 2020

Statement of Internal Control (continued)

Review of internal control and corporate governance environment

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

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 Board's internal control and corporate governance arrangements are adequate and operate effectively during the period ended 31 March 2020.

During the year ended 31 March 2020, there were no high risk observations.

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

(Signed)  _____ (Signed)  _____
(Chairman) (Responsible Finance Officer)

(Dated) 5/2/21 _____

The Statement of Internal Control is signed by the Chairperson and Responsible Finance Officer of the Southern Sheltered Housing Joint Board following the implementation of the Southern Sheltered Housing Joint Board Order 2020, which merged Marashen Crescent Housing Committee and Castletown and Malew Elderly Persons Housing Board with effect from 1 April 2020.

Castletown and Malew Elderly Persons Housing Board

Comprehensive Income and Expenditure Statement

for the year ended 31 March 2020

	<i>Notes</i>	2019/20 Net £	2018/19 Net £
Income			
Dwelling rents and rates		236,616	198,471
Charges for services and facilities		2,066	2,146
Contributions towards expenditure including Housing Deficiency Receipts		179,386	186,046
Other income		957	108
		<u>419,025</u>	<u>386,771</u>
Expenditure			
Repairs and maintenance		37,809	32,440
Supervision and management		129,563	143,766
Rent, rates, taxes and other charges		101,174	92,856
Net current service cost of pensions	15	-	-
		<u>(268,546)</u>	<u>(269,062)</u>
Net income from Housing services		<u>150,479</u>	<u>117,709</u>
Interest payable and similar charges		(99,096)	(102,622)
Surplus on provision of services		<u>51,383</u>	<u>15,087</u>
Other Comprehensive Income and Expenditure			
Re-measurement of net pension liability	15	17,000	(2,000)
Revaluation of fixed assets	1	355,542	-
Total comprehensive income and expenditure		<u><u>423,925</u></u>	<u><u>13,087</u></u>

Castletown and Malew Elderly Persons Housing Board

Statement of Movement on Reserves for the year ended 31 March 2020

	Notes	Housing revenue reserve £	Capital adjustment account £	Capital receipts reserve £	Housing maintenance reserve £	Heating reserve £	Pensions reserve £	Revaluation reserve	Community reserve £
Total comprehensive income and expenditure		51,383	-	-	-	-	17,000	355,542	-
Depreciation of fixed assets	1	50,940	(50,940)	-	-	-	-	-	-
Loan fund principal repayments		(85,606)	85,606	-	-	-	-	-	-
Net charges made for retirement benefits	15	-	-	-	-	-	-	-	-
Revenue contribution to capital assets		(20,272)	20,272	-	-	-	-	-	-
Transfer to/from Heating Reserve Account		(10,766)	-	-	-	10,766	-	-	-
Transfer to/from Community Reserve Account		(2,737)	-	-	-	-	-	-	2,737
Transfer to/from Housing Maintenance Reserve Account		17,058	-	-	(17,058)	-	-	-	-
Transfer between reserves		-	300,489	-	-	-	-	(300,489)	-
		-	355,427	-	(17,058)	10,766	17,000	55,053	2,737
Balance brought forward		-	1,150,199	2,378	(9,354)	4,200	(32,000)	-	807
Balance carried forward		-	1,505,626	2,378	(26,412)	14,966	(15,000)	55,053	3,544

Castletown and Malew Elderly Persons Housing Board

Statement of Movement on Reserves for the year ended 31 March 2019

	Housing revenue reserve £	Capital adjustment account £	Capital receipts reserve £	Housing maintenance reserve £	Heating reserve £	Pensions reserve £	Community reserve £
Total comprehensive income and expenditure	15,087	-	-	-	-	(2,000)	-
Depreciation of fixed assets	48,913	(48,913)	-	-	-	-	-
Loan fund principal repayments	(83,361)	83,361	-	-	-	-	-
Net charges made for retirement benefits	-	-	-	-	-	-	-
Revenue contribution to assets	(26,782)	26,782	-	-	-	-	-
Transfer to/from Heating Reserve Account	22,843	-	-	-	(22,843)	-	-
Transfer to/from Community Reserve Account	3,492	-	-	-	-	-	(3,492)
Transfer to/from Housing Maintenance Reserve Account	19,808	-	-	(19,808)	-	-	-
	-	61,230	-	(19,808)	(22,843)	(2,000)	(3,492)
Balance brought forward	-	1,088,969	2,378	10,454	27,043	(30,000)	4,299
Balance carried forward	-	1,150,199	2,378	(9,354)	4,200	(32,000)	807


Castletown and Malew Elderly Persons Housing Board

Balance Sheet

as at 31 March 2020

	Notes	£	2020 £	£	2019 £
Fixed assets					
Tangible fixed assets	1		3,508,759		3,183,884
Current assets					
Debtors	2	37,303		29,066	
Cash at bank		10,057		8,171	
			<u>47,360</u>	<u>37,237</u>	
Current liabilities					
Short-term borrowing	4	89,423		85,606	
Creditors	3	59,040		45,361	
			<u>148,463</u>	<u>130,967</u>	
Net current liabilities			(101,103)		(93,730)
			<u>3,407,656</u>		<u>3,090,154</u>
Long-term liabilities					
Long-term borrowing	4	1,852,501		1,941,924	
Net pension liabilities	15	15,000		32,000	
			<u>(1,867,501)</u>	<u></u>	<u>(1,973,924)</u>
Total assets less liabilities			<u>1,540,155</u>		<u>1,116,230</u>
Reserves:					
Capital adjustment account			1,505,626		1,150,199
Heating reserve			14,966		4,200
Community reserve			3,544		807
Housing maintenance reserve			(26,412)		(9,354)
Usable capital receipts reserves			2,378		2,378
Pensions reserve			(15,000)		(32,000)
Revaluation reserve			55,053		-
			<u>1,540,155</u>		<u>1,116,230</u>

The financial statements were approved by the Board on 5/2/21 and were signed on their behalf by:


Chairman


RFO

Castletown and Malew Elderly Persons Housing Board

Balance Sheet (continued)

as at 31 March 2020

The Financial Statements are signed by the Chairperson and Responsible Finance Officer of The Southern Sheltered Housing Joint Board following the implementation of the Southern Sheltered Housing Joint Board Order 2020, which merged Marashen Crescent Housing Committee and Castletown and Malew Elderly Persons Housing Board with effect from 1 April 2020.

Castletown and Malew Elderly Persons Housing Board

Cash Flow Statement

for the year ended 31 March 2020

	<i>Notes</i>	2020	2019
		£	£
Net surplus on provision of services		51,383	15,087
Adjustments to net surplus on provision of services for non-cash movements	11	56,381	52,863
Adjustments for items included in net surplus on provision of services that are investing and financing activities		99,096	102,622
Net cash flows from Operating Activities		<u>206,860</u>	<u>170,572</u>
Net cash flows from Investing Activities	12	(20,272)	(26,782)
Net cash flows from Financing Activities	13	(184,702)	(185,983)
		<u>(204,974)</u>	<u>(212,765)</u>
Net increase/(decrease) in cash and cash equivalents		<u>1,886</u>	<u>(42,193)</u>
Cash & cash equivalents at the beginning of the reporting period		8,171	50,364
Cash & cash equivalents at the end of the reporting period		<u><u>10,057</u></u>	<u><u>8,171</u></u>

Castletown and Malew Elderly Persons Housing Board

Statement of Accounting Policies *for the year ended 31 March 2020*

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.

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

2. Going concern

On 11 March 2020 the World Health Organisation declared the COVID-19 outbreak a World pandemic. The COVID-19 pandemic has not had a significant, immediate impact on the authority's operations but the board is aware that if the current situation becomes prolonged then this may change. The primary impact of the pandemic on the authority is the potential impact on cash flow. However, after reviewing the budget of the authority, the board have a reasonable expectation that the authority has adequate resources to continue in operational existence for the foreseeable future. Therefore, these financial statements have been prepared on a going concern basis.

As of 1 April 2020 the Committee was dissolved under the provisions of the Southern Sheltered Housing Joint Board Order 2020. As of that date all assets, liabilities, rights and obligations of the Board have vested in the Southern Sheltered Housing Joint Board. These financial statements have therefore been prepared on a basis other than going concern, however no adjustment has been considered necessary as per the terms of the Southern Sheltered Housing Joint Board Order 2020.

3. Income

(a) Rentals

Rent revenue is measured at fair value of the consideration 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 Board 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.

Castletown and Malew Elderly Persons Housing Board

Statement of Accounting Policies (continued)

for the year ended 31 March 2020

6. Tangible fixed assets

Tangible fixed assets have physical substance and are held by the Board 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 Board, 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 Board.

Castletown and Malew Elderly Persons Housing Board

Statement of Accounting Policies (Continued)

for the year ended 31 March 2020

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.

Castletown and Malew Elderly Persons Housing Board

Statement of Accounting Policies (Continued)

for the year ended 31 March 2020

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:

Freehold buildings	50 years
Property improvements	10-15 years
Computer equipment	3 years
Plant, furniture and equipment	5-20 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 Board's cash management.

Castletown and Malew Elderly Persons Housing Board

Statement of Accounting Policies (Continued)

for the year ended 31 March 2020

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) Revenue Grants

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

(b) 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.

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 Board 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 Board 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.

Castletown and Malew Elderly Persons Housing Board

Statement of Accounting Policies (Continued) *for the year ended 31 March 2020*

11. Employee benefits – continued

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

The defined benefit obligation is calculated using the projected unit credit method. Annually the administering Board engages independent actuaries to calculate the obligation of the Board. 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 'Re-measurement of net pension liability'.

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

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

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in 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.

Castletown and Malew Elderly Persons Housing Board

Statement of Accounting Policies (Continued)

for the year ended 31 March 2020

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 Board 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.

Capital Receipts Reserve: these are amounts of capital receipts received to be used to finance future capital expenditure.

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

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

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

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

Castletown and Malew Elderly Persons Housing Board

Significant Judgements and Estimates

for the year ended 31 March 2020

(a) Judgements

In applying the accounting policies set out above the Board 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 judgments made in the Statement of Accounts are as follows:

- The Board operates a rolling 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 Board 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 Board 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 Board 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.

Castletown and Malew Elderly Persons Housing Board

Notes to the financial statements for the year ended 31 March 2020

1. Tangible fixed assets

<i>Operational assets</i>	Property	Furniture & Equipment	Computer equipment	Total
	£	£	£	£
Cost or valuation				
At 31 March 2019	3,332,282	92,404	693	3,425,379
Additions in the year	20,272	-	-	20,272
Revaluation	134,113	-	-	134,113
At 31 March 2020	3,486,667	92,404	693	3,579,764
Depreciation				
At 31 March 2019	173,081	67,721	693	241,495
Charge for the year	48,349	2,591	-	50,940
Revaluation	(221,430)	-	-	(221,430)
At 31 March 2020	-	70,312	693	71,005
Net book value				
At 31 March 2020	3,486,667	22,092	-	3,508,759
At 31 March 2019	3,159,201	24,683	-	3,183,884

Valuation of fixed assets

The Board revalued its sheltered accommodation at 31 March 2020. Valuations were carried out by Black Grace Cowley Limited, the Board's external valuer.

The sheltered housing units are valued on a basis that reflects their use for social housing (provision of housing at less than open market rents).

Historical cost of revalued fixed assets

Included within the above are assets with a historical cost as follows:

Land and buildings - £3,431,613.

Assets held

	Number at 31 March 2019	Changes In year	Number at 31 March 2020
Operational assets:			
Sheltered accommodation units	42	-	42
Other land and buildings:			
Car parks	2	-	2
Miscellaneous land abutting Sandfield including the site of the Doctors surgery and road leading to Victoria Road	1	-	1

Castletown and Malew Elderly Persons Housing Board

Notes to the financial statements (Continued) for the year ended 31 March 2020

2. Debtors and prepayments

	2020	2019
	£	£
Amounts falling due in one year (net of bad debt provisions):		
Prepayments	1,368	506
Other local authorities	14,711	4,445
Rent arrears	2,501	1,371
VAT	18,723	22,744
	<u>37,303</u>	<u>29,066</u>

3. Creditors

	2020	2019
	£	£
Government departments	24,815	20,429
Other local authorities	3,585	2,415
Trade creditors	8,032	3,122
Accruals and deferred income	22,608	19,395
	<u>59,040</u>	<u>45,361</u>

4. Long term borrowing

Loans outstanding may be analysed as follows:

	2020	2019
	£	£
<i>Falling due within one year:</i>		
Commercial loans	89,423	85,606
<i>Falling due after more than one year:</i>		
Commercial loans	1,852,501	1,941,924
Total loan term borrowing	<u>1,941,924</u>	<u>2,027,530</u>

Previously, the Board has taken out IOM Bank Finance Loans to fund long term capital projects. Each of these loans is unsecured and repayable in installments over a period of between 20 and 30 years. Interest is charged at fixed rates between 5.03% and 5.50%. Such loans have been sanctioned on a loan by loan basis by the Isle of Man Government and are secured by way of a Letter of Comfort issued by Treasury.

In more recent years borrowings were provided by HSBC again sanctioned on a loan by loan basis by the Isle of Man Government and secured by way of a Letter of Comfort issued by Treasury. The loan is unsecured and repayable over 15 years. Interest is charged at a variable rate of 1.2% above LIBOR.

Castletown and Malew Elderly Persons Housing Board

Notes to the financial statements (Continued) for the year ended 31 March 2020

5. Rental income

Rental income is the total rent due for the year after voids, write-offs, refunds etc. Voids represent 2.7% of the rental debit for the year (2019: 5.3%).

6. Rent arrears

	2020	2019
	£	£
Rent arrears	2,501	1,371
Rent arrears as a percentage of gross rent income	1.0%	0.7%

There is no provision for bad and doubtful debts in either the current or prior year.

7. Housing deficiency grant

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

	2020	2019
	£	£
Opening balance payable	(20,429)	(8,733)
Charges to Deficiency Grant	179,386	186,046
Payments received from Department of Infrastructure	(183,772)	(197,742)
Closing balance payable	(24,815)	(20,429)

8. Employee remuneration

During this year or the prior year there were no employees whose remuneration was in excess of £50,000.

Key management personnel received remuneration of £nil during the year (2019: £3,906).

9. Members' allowances

During the year the Board paid £641 to its Members in respect of their attendance at meetings, undertaking duties and responsibilities (2019: £1,155). Members may be remunerated by their individual authorities for their attendance.

10. Related party transactions

The Board 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 Board. Disclosure of these transactions allows readers to assess the extent to which the Board 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 Board.

Castletown and Malew Elderly Persons Housing Board

Notes to the financial statements (Continued) for the year ended 31 March 2020

10. Related party transactions (continued)

Central Government - has a direct influence over the general operations of the Board – it is responsible for providing the statutory framework within which the Board operates. The Board required deficiency funding of £179,386 (2019: £186,046) from Central Government.

Castletown Town Commissioners are related by virtue of common influence and by virtue of the provision of management support during the period April 2018 to September 2018.

During the year, Castletown & Malew Elderly Persons Housing Board was charged £nil by Castletown Town Commissioners (2019: £4,319) in respect of administration charges. There no balance owing to Castletown Town Commissioners in this respect (2019: £Nil).

Port St Mary Village Commissioners are related by virtue of common influence and by virtue of the provision of management support from October 2018 onwards.

During the year, Castletown & Malew Elderly Persons Housing Board was charged £20,290 by Port St Mary Village Commissioners (2019: £10,145) in respect of administration charges and £12,747 in respect of recharged costs (2019: £9,458). As at 31 March 2020, £3,585 was due to Port St Mary Village Commissioners in this respect (2019: £2,415).

As at 31 March 2020, £14,711 was due from Port St Mary Village Commissioners in respect of rents collected on behalf of Castletown & Malew Elderly Persons Housing Board (2019: £4,445).

All Members and officers of the Board 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 Board - no related party disclosures arose in relation to officers.

11. 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:

	2020	2019
	£	£
Depreciation, impairment & revaluation losses for non-current assets	50,940	48,913
Increase in creditors	13,678	15,956
(Increase) / Decrease in debtors	(8,237)	(12,006)
Difference between FRS102 pension cost and contributions paid	-	-
	<u>56,381</u>	<u>52,863</u>

Castletown and Malew Elderly Persons Housing Board

Notes to the financial statements (Continued) for the year ended 31 March 2020

12. Cash flow statement – Investing activities

	2020	2019
	£	£
Purchase of assets (Fixed assets, investment property, intangible assets)	20,272	26,782
	<u>20,272</u>	<u>26,782</u>

13. Cash flow statement – Financing activities

	2020	2019
	£	£
Repayments of short-term and long-term borrowing	85,606	83,361
Loan interest paid	99,096	102,622
	<u>184,702</u>	<u>185,983</u>

14. Assurance review

During the year the Board incurred external examination fees of £2,390 (2019: £2,550).

15. Post-employment benefits

The Board 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 Board. The Board has committed to a funding plan with the Administering Board, whereby ordinary contributions are made into the scheme based on a percentage of active employees' salary. Additional contributions are agreed with the Administering Board 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 2019 by independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions:

	31 March 2020	31 March 2019
Rate of increase in salaries	3.25%	3.25%
Rate of increase in pensions	1.85%	2.35%
Rate for discounting scheme liabilities	2.35%	2.45%

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.

Castletown and Malew Elderly Persons Housing Board

Notes to the financial statements (Continued) for the year ended 31 March 2020

15. Post-employment benefits (continued)

The mortality assumptions used were as follows:

	31 March 2020 Years
Longevity at the age of 65 for current pensioners:	
• Men	21.1
• Women	24.1
Longevity at the age of 65 for future pensioners:	
• Men	22.5
• Women	25.5

Reconciliation of scheme assets and liabilities:

	Assets £	Liabilities £	Total £
At 1 April 2019	59,000	(91,000)	(32,000)
Benefits paid	-	-	-
Employer contributions	-	-	-
Current service cost	-	-	-
Interest cost	1,000	(2,000)	(1,000)
Past service cost	-	-	-
Interest income/(expense)	-	-	-
Re-measurement gains/(losses)	-	-	-
• Actuarial losses	(27,000)	49,000	22,000
• Return on plan assets excluding interest income	(4,000)	-	(4,000)
At 31 March 2020	29,000	(44,000)	(15,000)

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

	2020 £	2019 £
Current service cost		
Interest cost	1,000	2,000
	<u>1,000</u>	<u>2,000</u>

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

	2020	2019
Equity instruments	46%	50%
Bonds	37%	32%
Property	16%	15%
Cash	1%	3%

Castletown and Malew Elderly Persons Housing Board

Notes to the financial statements (Continued)
for the year ended 31 March 2020

15. Post-employment benefits (continued)

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

	2020	2019
	£	£
Interest income	1,000	2,000
Return on plan assets less interest income	(4,000)	-
Total return on plan assets	<u>(3,000)</u>	<u>2,000</u>