

**Marashen Crescent Housing Committee  
Financial Statements**

**For the year ended 31 March 2020**

# Marashen Crescent Housing Committee

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# Marashen Crescent Housing Committee

## Members, Officers and Advisers

*for the year ended 31 March 2020*

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 2019 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 to May 2018 was Mr Alastair Hamilton. Since May 2018, Ms Hayley Fargher was Acting Clerk until July 2018 when she was formally appointed by the Board. This was ratified by the Isle of Man Government in August 2018.

The Committee's internal auditor is Alexander Elliott and the external auditor is Baker Tilly Isle of Man LLC.

Their Registered Addresses are as follows:

Alexander Elliott  
Sovereign House  
Douglas  
Isle of Man  
IM4 4SB

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

# Marashen Crescent Housing Committee

## Explanatory Foreword

*for the year ended 31 March 2020*

### **Committee's objectives**

The Committee provides Sheltered housing on three sites for Island residents aged 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 £538,085, which was in line with Government deficiency estimates (£543,112 as at 31 March 2019). As at 31 March 2020, Heating Reserves stand at a surplus of £26,322 (£42,010 as at 31 March 2019). 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 £42,463 (£18,210 as at 31 March 2019). The Comforts Fund balance is £11,131 (£10,301 as at 31 March 2019) and the Housing Maintenance Reserves balance stands at £33,813 (£8,011 as at 31 March 2019).

### **Significant achievements**

Over £56,000 of additions were undertaken in the financial year. This included replacement bathrooms and showers costing £21,997, stair lift repairs and modifications of £11,980, kitchen replacements and improvements of £8,500, lighting repairs of £4,269, key pads of £4,482 and hot water tanks costing £7,712.

### **Issues likely to affect future performance**

On 1 April 2020, the Board undertook a full merger with Castletown & Malew Elderly Persons Housing Board to form a unified Southern Sheltered Housing Joint Board.

# Marashen Crescent Housing Committee

## Statement of Responsibilities for the Statement of Accounts

*for the year ended 31 March 2020*

### **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

## Report of the Independent Auditor to the Members of Marashen Crescent Housing Committee for the year ended 31 March 2020

### Opinion

We have audited the Statement of Accounts of Marashen Crescent Housing Committee for the year ended 31 March 2020 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 committee's affairs as at 31 March 2020 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.

### *Emphasis of matter in the financial statements*

We draw attention to note 2 in the Statement of Accounting Policies to the financial statements which explains that as of 1 April 2020 the Committee was dissolved under the provisions of the Southern Sheltered Housing Joint Board Order 2020. Accordingly, the financial statements have been prepared on a basis other than going concern as described in note 2. Our opinion is not modified in this respect of this matter.

# Marashen Crescent Housing Committee

## Report of the Independent Auditor to the Members of Marashen Crescent Housing Committee for the year ended 31 March 2020 - continued

### **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 28 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 Statement of Accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

### ***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.

# Marashen Crescent Housing Committee

## Report of the Independent Auditor to the Members of Marashen Crescent Housing Committee for the year ended 31 March 2020 - continued

### *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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Responsible Financial Officer.
- Conclude on the appropriateness of the Responsible Financial Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Statement of Accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Statement of Accounts, including the disclosures, and whether the Statement of Accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



# Marashen Crescent Housing Committee

Report of the Independent Auditor to the Members of Marashen Crescent Housing Committee for the year ended 31 March 2020 - continued

## Use of our report

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 and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Baker Tilly Isle of Man LLC*

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

Date: *8 February 2021*

# Marashen Crescent Housing Committee

## Statement of Internal Control

for the year ended 31 March 2020

### 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 2020

### 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 operated effectively during the period ended 31 March 2020.

No high risk observations were made for the year ended 31 March 2020.

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 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

# Marashen Crescent Housing Committee

## Comprehensive Income and Expenditure Statement for the year ended 31 March 2020

	<i>Notes</i>	2020 £	2019 £
Dwelling rents		761,948	747,190
Charges for services and facilities		170	540
Contributions towards expenditure including Housing Deficiency Receipts		538,085	543,112
Other income		4,089	4,830
<b>Total income</b>		<b>1,304,292</b>	<b>1,295,672</b>
Repairs and maintenance		(63,505)	(69,993)
Supervision and management		(553,097)	(543,933)
Rent, rates, taxes and other charges		(74,150)	(72,648)
Net current service cost of pensions	14	(10,000)	(9,000)
<b>Total expenditure</b>		<b>(700,752)</b>	<b>(695,574)</b>
<b>Net income from services</b>		<b>603,540</b>	<b>600,098</b>
Interest receivable and other income		504	245
Interest payable and similar charges		(362,382)	(373,518)
Net pension interest cost	14	(6,000)	(5,000)
<b>Surplus on provision of services</b>		<b>235,662</b>	<b>221,825</b>
<b>Other Comprehensive Income and Expenditure</b>			
Re-measurement of net pension liability	14	18,000	6,000
Surplus on revaluations of fixed assets		-	781,902
<b>Total comprehensive income and expenditure</b>		<b>253,662</b>	<b>1,009,727</b>

The notes on pages 14 to 28 form part of the audited financial statements.

# Marashen Crescent Housing Committee

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

	Notes	Housing revenue reserve £	Capital adjustment account £	Revaluation reserve £	Pensions reserve £	Heating reserve £	Community reserve £	Comforts fund £	Housing maintenance reserve £
<b>Total comprehensive income and expenditure</b>		<b>235,662</b>	-	-	<b>18,000</b>	-	-	-	-
Depreciation and impairment of fixed assets	1	165,271	(144,923)	(20,348)	-	-	-	-	-
Net charges made for retirement benefits	14	16,000	-	-	(16,000)	-	-	-	-
Loan fund principal repayments		(346,987)	346,987	-	-	-	-	-	-
Fixed assets financed from General Fund		(34,749)	34,749	-	-	-	-	-	-
Transfer to/from Heating Reserve Account		15,688	-	-	-	(15,688)	-	-	-
Transfer to/from Community Reserve Account		(24,253)	-	-	-	-	24,253	-	-
Transfer to/from Housing Maintenance Reserve Account		(25,802)	-	-	-	-	-	-	25,802
Transfer to/from Comfort Reserve Account		(830)	-	-	-	-	-	830	-
Transfer between reserves		-	236,813	(20,348)	2,000	(15,688)	24,253	830	25,802
Balance brought forward		-	298,072	1,271,780	(229,000)	42,010	18,210	10,301	8,011
<b>Balance carried forward</b>		-	<b>534,885</b>	<b>1,251,432</b>	<b>(227,000)</b>	<b>26,322</b>	<b>42,463</b>	<b>11,131</b>	<b>33,813</b>

# Marashen Crescent Housing Committee

## Statement of Movement on Reserves

for the year ended 31 March 2019

	Housing revenue reserve £	Capital adjustment account £	Revaluation reserve £	Pensions reserve £	Heating reserve £	Community reserve £	Comforts fund £	Housing maintenance reserve £
<b>Total comprehensive income and expenditure</b>	221,825	-	781,902	6,000	-	-	-	-
Depreciation and impairment of fixed assets	169,451							
Net charges made for retirement benefits	14,000	(147,957)	(21,494)	(14,000)				
Loan fund principal repayments	(340,516)	340,516						
Fixed assets financed from General Fund	(56,201)	56,201						
Transfer to/from Heating Reserve Account	(6,519)				6,519			
Transfer to/from Community Reserve Account	(11,323)					11,323		
Transfer to/from Housing Maintenance Reserve Account	10,641							(10,641)
Transfer to/from Comfort Reserve Account	(1,358)						1,358	
Transfer between reserves	-	835,688	(835,688)					
<b>Balance brought forward</b>	-	1,084,448	(75,280)	(8,000)	6,519	11,323	1,358	(10,641)
	-	(786,376)	1,347,060	(221,000)	35,491	6,887	8,943	18,652
<b>Balance carried forward</b>	-	298,072	1,271,780	(229,000)	42,010	18,210	10,301	8,011

# Marashen Crescent Housing Committee

## Balance Sheet

as at 31 March 2020

	Notes	£	2020 £	£	2019 £
<b>Fixed assets</b>					
Tangible fixed assets	1		10,068,065		10,198,588
<b>Current assets</b>					
Debtors	2	18,881		64,109	
Cash at bank		191,268		89,355	
			<u>210,149</u>	<u>153,464</u>	
<b>Current liabilities</b>					
Short-term borrowing	4	357,425		346,988	
Creditors	3	135,398		113,910	
			<u>492,823</u>	<u>460,898</u>	
			(282,674)		(307,434)
			<u>9,785,391</u>		<u>9,891,154</u>
<b>Long-term liabilities</b>					
Long-term borrowing	4	7,885,345		8,242,770	
Net Pension liabilities	14	227,000		229,000	
			<u>(8,112,345)</u>	<u></u>	<u>(8,471,770)</u>
<b>Total assets less liabilities</b>			<u>1,673,046</u>		<u>1,419,384</u>
<b>Reserves:</b>					
Capital adjustment account			534,885		298,072
Revaluation reserve			1,251,432		1,271,780
Pension reserve			(227,000)		(229,000)
Heating reserve			26,322		42,010
Community reserve			42,463		18,210
Housing maintenance reserve			33,813		8,011
Comforts fund			11,131		10,301
			<u>1,673,046</u>		<u>1,419,384</u>

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

Chairman



RFO



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.

The notes on pages 14 to 28 form part of the audited financial statements.

# Marashen Crescent Housing Committee

## Cash Flow Statement

for the year ended 31 March 2020

	<i>Notes</i>	<b>2020</b> £	<b>2020</b> £	2019 £
Net surplus on provision of services		<b>235,662</b>		221,825
Adjustments to net surplus on provision of services for non-cash movements	10	<b>247,987</b>		162,299
Adjustments for items included in net surplus on provision of services that are investing and financing activities		<b>363,485</b>		373,273
Net cash flows from Operating Activities		<hr/>	<b>847,134</b>	<hr/> 757,397
Net cash flows from Investing Activities	11	<b>(34,748)</b>		(56,201)
Net cash flows from Financing Activities	12	<b>(710,473)</b>		(713,789)
		<hr/>	<b>(745,221)</b>	<hr/> 769,990
Net increase/(decrease) in cash and cash equivalents			<hr/> <b>101,913</b>	<hr/> (12,593)
Cash & cash equivalents at the beginning of the reporting period			<b>89,355</b>	101,948
Cash & cash equivalents at the end of the reporting period			<hr/> <b>191,268</b> <hr/>	<hr/> 89,355 <hr/>



# Marashen Crescent Housing Committee

## 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**

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.

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 Committee 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 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 2020

### 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 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.

# Marashen Crescent Housing Committee

## 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:

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 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) 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 2020*

### **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 expenditure 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 expenditure 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 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 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.

**Comforts Fund:** amounts set aside from sundry receipts to be spent on welfare items for residents of the complex.

# Marashen Crescent Housing Committee

## Significant Judgements and Estimates

*for the year ended 31 March 2020*

### **(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 the year for similar assets. As a result it is judged that the potential difference in value that would result from formal revaluation is not material in the context of the overall carrying value of the assets, and therefore the risk of material misstatement to the Balance Sheet is low.
- 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 2020

### 1. Tangible fixed assets

<i>Operational assets</i>	<b>Land and Dwellings</b>	<b>Computer Equipment</b>	<b>Total</b>
	£	£	£
<b>Cost or valuation</b>			
At 31 March 2019	10,198,588	-	10,198,588
Additions in the year	33,308	1,440	34,748
Disposals	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>At 31 March 2020</b>	<b>10,231,896</b>	<b>1,440</b>	<b>10,233,336</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Depreciation</b>			
At 31 March 2019	-	-	-
Charge for the year	164,983	288	165,271
Disposals	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>At 31 March 2020</b>	<b>164,983</b>	<b>288</b>	<b>165,271</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Net book value</b>			
<b>At 31 March 2020</b>	<b>10,066,913</b>	<b>1,152</b>	<b>10,068,065</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
At 31 March 2019	<u>10,198,588</u>	<u>-</u>	<u>10,198,588</u>

### Valuation of fixed assets

The Committee plans to revalue its fixed assets every five years. Valuations have been carried out at 31 March 2019 by Black Grace Cowley, chartered surveyors. The valuation was carried out in accordance with RICS valuation standards. 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 £11,666,251 (2019: £11,632,943).

### Assets held

Operational assets	Number at 31 March 2019	Changes In year	Number at 31 March 2020
Sheltered accommodation units	136	-	136

### 2. Debtors and prepayments

	2020 £	2019 £
Amounts falling due in one year (net of bad debt provisions):		
Government departments	8,485	54,029
Other local authorities	-	187
Housing rents	8,745	7,291
Prepayments	1,651	2,602
	<u>                    </u>	<u>                    </u>
	<b>18,881</b>	<b>64,109</b>
	<u>                    </u>	<u>                    </u>

# Marashen Crescent Housing Committee

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

### 3. Creditors

	2020 £	2019 £
Housing rents	25,088	14,621
Government departments	11,135	7,040
Other local authorities	1,363	2,107
Sundry creditors	97,812	90,142
	<u>135,398</u>	<u>113,910</u>

### 4. Long term borrowing

Loans outstanding may be analysed as follows:

	2020 £	2019 £
Falling due within one year:		
Bank loans	<u>357,425</u>	<u>346,988</u>
Falling due after more than one year:		
Bank loans	<u>7,885,345</u>	<u>8,242,770</u>
Total loan term borrowing	<u>8,242,770</u>	<u>8,589,758</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 loans 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 with interest charged at 0.95% above LIBOR.

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 2.9% of the rental debit for the year (2019: 3.5%).

# Marashen Crescent Housing Committee

## Notes to the financial statements (continued)

for the year ended 31 March 2020

### 5. Dwelling rent income (continued)

#### Rent arrears

	2020	2019
	£	£
Rent arrears	8,745	7,291
Rent arrears as a percentage of gross rent income	1.1%	1.0%

Arrears written off during the year amounted to £Nil (2019: £Nil) and no increase/decrease (2019: £Nil) was made in the provision for bad and doubtful rental debts. As at 31 March 2020 the provision stood at £Nil (2019: £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:

	2020	2019
	£	£
Opening balance due	43,250	30,517
Charges to Deficiency Grant	538,085	543,112
Payments received from Department of Infrastructure	(592,470)	(530,379)
Closing balance payable	(11,135)	43,250

### 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 2018/19 and 2019/20 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 2020*

### **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 £538,085 (2019: £543,112) 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, the Southern Civic Amenity Site Board and Castletown and Malew Elderly Persons Housing Board are related by virtue of common influence.

During the year, Marashen Crescent was charged £80,888 (2019: £60,070) by Port St Mary Village Commissioners in respect of administration charges and repairs. There is a balance owing of £540 (2019: £2,106) to Port St Mary Village Commissioners in this respect. At 31 March 2020, £1,362 (2019: £98) 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 £51,165 (2019: £49,930) by Port St Mary Village Commissioners and £22,985 (2019: £22,718) by Port Erin Village Commissioners in respect of rates. No balance was due to either party at 31 March 2020 in this respect (2019: £Nil).

During the year, Marashen Crescent was charged £Nil (2019: £134) by the Southern Civic Amenity Site Board in respect of waste disposal and other costs. There is a balance owing of £Nil (2019: £32) to the Southern Civic Amenity Site Board in this respect.

At 31 March 2020, £Nil was due from Castletown and Malew Elderly Persons Housing Board in respect of recharged costs (2019: £88).

During the year, Marashen Crescent paid £17,492 (2019: £22,281) to Manx Utilities Authorities in respect of light and heat costs. At the year end £Nil (2019: £21) was owing in this regard.

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.

# Marashen Crescent Housing Committee

## Notes to the financial statements (continued)

for the year ended 31 March 2020

### 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:

	2020	2019
	£	£
Depreciation, impairment & revaluation losses for non-current assets	165,271	169,451
Increase/(decrease) in creditors	21,488	(20,406)
Decrease/(increase) in debtors	45,228	(746)
Difference between FRS102 pension cost and contributions paid	16,000	14,000
	<u>247,987</u>	<u>162,299</u>

### 11. Cash flow statement – Investing activities

	2020	2019
	£	£
Purchase of assets (Fixed assets, investment property, intangible assets)	34,748	56,201
	<u>34,748</u>	<u>56,201</u>

### 12. Cash flow statement – Financing activities

	2020	2019
	£	£
Repayments of short-term and long-term borrowing	346,988	340,516
Loan interest paid	363,989	373,518
Bank interest received	(504)	(245)
	<u>710,473</u>	<u>713,789</u>

### 13. Audit fees

During the year the Committee incurred external audit fees of £5,458 (2019: £5,663).

### 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.

# Marashen Crescent Housing Committee

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

### 14. Post-employment benefits (continued)

A comprehensive actuarial valuation of the Local Government Superannuation Scheme, using the projected unit credit method, was carried out at 31 March 2020 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	2.75%	3.2%
Rate of increase in pensions	1.95%	2.4%
Rate for discounting scheme liabilities	2.35%	2.4%

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.

The mortality assumptions used were as follows:

	31 March 2020 Years	31 March 2019 Years
Longevity at the age of 65 for current pensioners		
• Men	21.1	20.5
• Women	24.1	23.1
Longevity at the age of 65 for future pensioners		
• Men	22.5	22.2
• Women	25.5	25.7

Reconciliation of scheme assets and liabilities:

	Assets £	Liabilities £	Total £
Restated at 1 April 2019	544,000	(773,000)	(229,000)
Benefits paid	(6,000)	6,000	-
Employer contributions	30,000	-	30,000
Plan participants contributions	7,000	(7,000)	-
Current service cost	(2,000)	(38,000)	(40,000)
Past service cost	-	-	-
Interest income/(expense)	13,000	(19,000)	(6,000)
Remeasurement gains/(losses)			
• Actuarial losses	30,000	27,000	57,000
• Return on plan assets excluding interest income	(39,000)	-	(39,000)
At 31 March 2020	<u>577,000</u>	<u>(804,000)</u>	<u>(227,000)</u>

# Marashen Crescent Housing Committee

## Notes to the financial statements (continued)

for the year ended 31 March 2020

### 14. Post-employment benefits (continued)

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

	2020	2019
	£	£
Current service cost	10,000	9,000
Interest cost	6,000	5,000
	<u>16,000</u>	<u>14,000</u>

The local committee'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%

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

	2020	2019
	£	£
Interest income	13,000	14,000
Return on plan assets less interest income	(39,000)	14,000
	<u>(26,000)</u>	<u>28,000</u>

### 15. Capital commitments

There were no commitments for capital expenditure in either the current or prior year

# Marashen Crescent Housing Committee

## Detailed Expenditure Account

for the year ended 31 March 2020

	2020 £	2019 £
<b>Repairs and maintenance</b>		
Repairs and renewals	63,505	69,972
Maintenance of grassed/landscaped areas	-	21
	<u>63,505</u>	<u>69,993</u>
<b>Supervision and management</b>		
Wages	145,673	141,188
Carephone charges	12,289	10,671
Insurance	12,614	11,841
Depreciation	165,271	169,451
Printing, stationery, professional fees and miscellaneous	379	-
Heat and light	128,976	109,309
Audit fee	5,458	5,663
Accountancy	4,480	9,655
Internal audit	1,300	800
Telephone charges	5,467	5,781
TV Licence	523	698
Administration charge	32,807	31,527
Bank charges	1,579	1,817
Community reserve expenses	28,951	40,310
Miscellaneous, IT, legal	7,330	5,222
	<u>553,097</u>	<u>543,933</u>
<b>Rates</b>		
Rates paid	<u>74,150</u>	<u>72,648</u>

This page does not form part of the audited financial statements