

# **STATEMENT OF ACCOUNTS 2012/13**

**For the year ended 31<sup>st</sup> March 2013**



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# Explanatory Foreword

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## 1. INTRODUCTION

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The financial performance for 2012/13 for the activities undertaken by the council is set out in the Financial Statements as reported in the Statement of Accounts. The Statement of Accounts contains the following:

### a. Accounting Policies

Details the legislation and principles against which the Statement of Accounts has been prepared;

### b. Financial Statements

- The Movement in Reserves Statement, incorporating the movement in year on all the different reserves held by the council;
- The council's Comprehensive Income and Expenditure Statement which summarises resources which have been applied and generated in providing services and managing the council during the last year;
- The Balance Sheet which sets out the assets and liabilities recognised by the council as at 31<sup>st</sup> March 2013, and;
- The Cash Flow Statement, which summarises the changes in cash and cash equivalents of the council during the reporting period.

### c. Notes to the Financial Statements

The notes to support the financial statements have three main purposes:

- To present information about the basis of preparation of the financial statements and the specific accounting policies used;
- To disclose the information required by the International Financial Reporting Standards Code of Practice that is not presented elsewhere in the financial statements, and;
- To provide information that is not presented elsewhere in the financial statements, but is relevant to the understanding of them.

### d. Supplementary Financial Statements

The Housing Revenue Account Income and Expenditure Statement and Collection Fund Statement showing the economic costs in the year of providing housing services in accordance with generally accepted accounting practices and the transactions of the billing authority respectively.

### e. Group Accounts

The financial statements and notes to support the activity of the two council-owned Limited Liability Partnerships.

# Explanatory Foreword

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## 2. SERVICE EXPENDITURE

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The service expenditure comprises the day-to-day service running expenses and general income of the council and includes expenses such as salaries, heating, lighting, rent, rates, stationery and depreciation, plus income relating to the services provided.

For 2012/13 the council developed its budget options, within the resources available, by reference to its Corporate Plan and strategic objectives. It also drew on information from formal budget consultations with the public and other interested parties.

The council approved a net budget of £200,112,000 for 2012/13 on 21<sup>st</sup> February 2012.

### a. General Fund Revenue Outturn

The General Fund revenue outturn is an underspend of (£0.961m). Service Groups are overspent by £0.306m and there is an underspend on Debt Financing (£1.275m).

This shows the council has addressed the savings requirement and delivered a small underspend, with some opportunity to replenish some reserves for specific future financial issues and as expected in the 2012/13 Budget process to create some additional reserves to mitigate specific issues arising. This creates a solid basis for the delivery of the 2013/14 budget and the continued challenge of addressing the future year's budget pressures.

The overall impact of this outturn position produces a closing position of £9.757m on General Fund Balance as at 31<sup>st</sup> March 2013.

The Housing Revenue Account is reporting an outturn in year of £0.943m. This results in a HRA reserve balance at the end of March 2013 of £4.568m.

The outturn position for the Dedicated Schools Grant is an underspend of (£0.018m).

The Capital outturn is (£5.996m) against the latest spend approval of £102.556m. The work to confirm project rephasing is still underway, but it is expected the majority of the variance will be due to delays to expenditure, requiring funding to be rephased into 2013/14, rather than actual underspends which could be reallocated.

The table overleaf details the over and under spends by Service Group:

# Explanatory Foreword

	Revised Budget £'000	Outturn £'000	(Under)\Overspends £'000	%
Resources: Finance, HR & Governance	10,318	11,000	682	6.6%
Resources: Public Access	303	32	(271)	(89.4%)
Adult Social Care and Health	63,308	62,020	(1,288)	(2.0%)
Housing and Community	2,290	2,734	444	19.4%
Community Facilities Unit	12,151	12,320	169	1.4%
Integrated Support and Social Care	38,861	38,352	(509)	(1.3%)
Education, Effectiveness and Participation	26,089	25,936	(153)	(0.6%)
Planning, Economy and Development	1,895	1,679	(216)	(11.4%)
Highways and Transportation	18,191	18,520	329	1.8%
Environment & Waste	17,528	17,877	349	2.0%
Neighbourhood Services	8,389	9,908	1,519	18.1%
Regulatory Unit	3,777	3,410	(367)	(9.7%)
Corporate Core	1,454	1,072	(382)	(26.3%)
<b>Net Operating Expenditure</b>	<b>204,554</b>	<b>204,860</b>	<b>306</b>	
<b>Corporate Items</b>				
Debt Financing and Interest Charges	21,307	20,032	(1,275)	(6.0%)
Levies	444	444	0	0.0%
Sustainability Items	4,660	4,660	0	0.0%
Corporate Savings & One Off Pressures	4,069	4,135	66	1.6%
Asset Rental	(34,922)	(34,922)	0	0.0%
<b>Outturn Position</b>	<b>200,112</b>	<b>199,209</b>	<b>(903)</b>	
<b>Resources</b>				
Formula Grant	(81,612)	(81,612)	0	0.0%
Early Intervention Grant	(11,168)	(11,168)	0	0.0%
Council Tax (Including Freeze Grant)	(98,684)	(98,742)	(58)	0.1%
Learning Disability Reform Grant	(3,631)	(3,631)	0	0.0%
Other Reserves	(5,017)	(5,017)	0	0.0%
<b>Total Resources Available</b>	<b>(200,112)</b>	<b>(200,170)</b>	<b>(58)</b>	
<b>(Addition)/Reduction in General Fund</b>	<b>0</b>	<b>(961)</b>	<b>(961)</b>	
<b>General Fund Balance 1st April 2012</b>			<b>(8,796)</b>	
General Fund (Under)/Overspend 2012/13			(961)	
<b>General Fund Balance 31st March 2013</b>			<b>(9,757)</b>	

Significant variations for each Service Group are detailed in the paragraphs that follow.

## Resources – Finance, HR & Governance

The significant variations in Resources – Finance, HR & Governance are due to an overspend on Insurance reflecting the net impact of reduced payments and income in relation to schools insurance, largely as a result of non provision of insurance services to academies £486,000. A contribution to the Insurance Reserve of £200,000 was offset by external audit fee savings of (£150,000). Project costs for procurement advice and analysis of £165,000 and job evaluation £178,000 were incurred along with redundancy



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costs of £170,000. These additional costs were offset by Housing Benefit overpayments collected of (£325,000).

In addition, the recovery of Housing Benefit Subsidy was better than anticipated (£970,000) which enabled an additional contribution to a reserve to manage the arising risks around Welfare Reform and the potential future claims in respect of historical changes to Council Tax benefit, which will need to be met by the council.

### **Resources - Public Access**

The purchase of the Saxon Court freehold gives a net saving on rent payments after being offset by prudential borrowing costs (£559,000). The Office Rationalisation Project resulted in costs of £383,000 (including a £200,000 project management carry forward). There was also a reduction in costs for equipment operating leases (£149,000).

### **Adult Social Care and Health**

Commissioning and Contracts salaries underspent by (£282,000) due to staffing vacancies and Adult Social Care Training underspent by (£261,000) due to a delay in the review of training requirements, causing recruitment delays. In addition, there were (£135,000) savings in Carers due to a reduction in grants and funding requirements in domiciliary care.

Across Social Care services, £290,000 was built into budgets to accommodate the possible effects of the Sefton MBC Judgement on Residential and Nursing care fees. It is estimated that much of this effect has not materialised and the amount is therefore regarded as an underspend. In order to mitigate against the continued risks in these demand led budgets, it has been agreed that an additional contribution should be made to the Adult Social Care Demand Led reserve. In total the reserve was increased by £834,000 in line with the risk assessment for these services.

Elderly Mental Health is £277,000 overspent with significant variations including Nursing/Residential Care £445,000 resulting from continuing pressures from placements and an underspend in Direct Payments of (£98,000).

Residential Care has benefited from Continuing Health Care decisions (£142,000) - in some cases through additional income, in others through reduced expenditure.

Staffing budgets across Older People and Physical Disability Integrated Services are reporting a (£177,000) favourable variance as a result of a delay in filling vacancies. There was a higher staff turnover in 2012/13 attributable in part to the effects of the restructure of the service area. Direct Payments has underspent by (£293,000) mainly due to the ongoing uncertainty with the de-registration of Fletcher Mews.

In the Frail Elderly Residential and Nursing Service, block contracts account for a (£358,000) underspend and this is largely attributable to additional income from more self-funding clients. Spot Residential/Nursing has underspent by (£234,000) and reflects a continued reduction in placements over the last three years.

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Internal Homecare includes the now closed St Giles Residential home as well as Flowers House. The Internal Homecare income shortfall is £170,000 and the combined St Giles / Flowers House income shortfall is £124,000. Finally, Sheltered Schemes within Community Alarm and Sheltered Housing underspent by (£143,000).

### **Housing and Community**

The significant variances are from continued pressures from provision of temporary housing through Bed & Breakfast and Private Sector Leasing £2,080,000.

Part of this placement pressure is offset through increased contributions from clients of (£1.525m), resulting in a total net pressure for Homelessness of £555,000. This pressure was further offset through the use of unspent grants amounting to (£185,000).

### **Regulatory Unit**

A Health and Safety prosecution has resulted in net costs awarded to Milton Keynes Council of (£80,000), and there has been additional costs incurred on another case of £10,000.

In the Environment Team, the utility management fee recovery shows an additional (£71,000) and general efficiencies on centralised budgets such as Training resulted in a saving of (£95,000).

### **Community Facilities Unit**

In Leisure and Community, the Windmill Hill Golf Course Management Company was declared insolvent. This resulted in an overspend of £117,000 representing some irrecoverable debt, loss of income and costs associated with reopening the course.

In Sports Development, the resurfacing of the two artificial pitches at Woughton on the Green resulted in an overspend of £57,000. It was envisaged that this work would be completed by the end of December 2012 and that the pitches would be operational for a three month period (January to March 2013). However, adverse weather delayed the completion of one of the artificial pitches and prevented use of the completed pitch. The weather conditions also led to the cancellation of bookings for the grass pitches.

### **Integrated Support and Social Care**

Significant variations include a £228,000 overspend against the legal budget and agency social work time to deliver the substantial additional work required to discharge historical freeing orders and placement orders for children in care whose care plan is no longer adoption. This is in line with the 2012 letter of instruction from the Minister of State to Local Authorities and actions required as a result of the Ofsted inspection of Milton Keynes Council's Safeguarding and Looked After Children Services.

The Unaccompanied Asylum Seeking Children (UASC) Grant underspent by (£100,000). Local Authorities are permitted to retain any underspend arising from grant income exceeding allowable expenditure.

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There is a further underspend of (£297,000) across the three Localities. This predominantly relates to the Children and Family Practices (£158,000) due to later than anticipated recruitment to the vacant posts.

The Commissioned Services budget is underspent by (£140,000) due to lower than budgeted use of advocacy services and a contingency budget no longer required in 2012/13.

### **Education, Effectiveness and Participation**

In Capital and Infrastructure, the schools meals contracts overspent by £85,000, due to unexpected expenditure of £55,000 to compensate the contractor for losses and also a reduction in income of £30,000.

Asset Management Plan Surveys underspent by (£40,000) which combined with the closure of the Property Support Service led to an overall overspend of £90,000. This was offset by a saving on Temporary Classrooms of (£60,000) as the provision was not required in year.

Setting and School Effectiveness reported an overall under spend of (£147,000) made up of a large number of smaller savings including EMASS (£54,000), and Governors Support (£68,000).

Setting and School Sufficiency and Access have an overall saving of (£89,000) due to the delayed recruitment to a Head of Delivery post (£54,000), and (£41,000) from reduced spend on childcare support.

A contribution of £500,000 has been made to the Children Demand Led Reserve to mitigate against future risks from demand increases for Home to School Transport.

### **Planning, Economy and Development**

Significant variations in this service group include Development Management salary savings of (£94,000), together with additional income and savings of (£79,000).

Spatial Planning has achieved savings of (£64,000) due to vacancies, computer cost savings and savings on printing.

### **Highways and Transportation**

The overall variance in the service group is an overspend of £329,000 of which £97,000 was recognised by Cabinet as a consequence of switching Street Lighting back on.

In Passenger Transport (£88,000) of savings have been achieved as a result of the retendering of the subsidies on local bus contracts (prices lower than previously estimated).

In Parking, additional costs of £95,000 were incurred for the management of on-street parking, however this generated an additional (£348,000) income, which meant the balance of the income £236,000 was transferred to the parking reserve.

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The recent cold weather has resulted in additional costs for salt and staff required for winter maintenance, resulting in an overspend of £260,000 and New Roads and Street Works Act income achieved £70,000 less than the budget.

Energy costs in Street Lighting are £224,000 over budget. This is largely due to a higher than anticipated price increase last year together with switching back on the grid road lighting. £97,000 of this overspend was agreed by Cabinet as part of the switch on.

### Neighbourhood Services

In Commercial Development there was an overspend of £144,000 in Landscape due to increased costs for grass cutting and the impact of the adverse weather conditions that affected grass growth, shrub growth and the ability to apply weed killer.

Highways trading had already reported an £806,000 shortfall against budget following a decision that Highways should not be charging a surplus on internal works. However at year end following the charging out of jobs there was a realisation that Highways had not fully charged out its costs to relevant schemes, resulting in an overspend of £374,000. The reporting and management arrangements for this service have now been changed and these issues are fully addressed for 2013/14.

The Transport Workshop had an £85,000 income shortfall from the decision to limit third party works and increased agency and overtime of £102,000 for covering posts in the service whilst Human Resources processes were undertaken.

Savings on planned Neighbourhood Services projects, overtime, agency costs and office expenses as well as vacancies have resulted in a (£237,000) under spend in Neighbourhood Services Management.

Neighbourhood Management has a shortfall in Adoptions income of £118,000, which is income previously achieved from Residual Land Transfer from the Homes and Community Agency. Street Cleansing and Dayworks costs were £148,000 higher than expected and this is offset with (£90,000) additional income.

### Environment & Waste

Waste Disposal identified an overspend in Material Recycling Facility profit share income of £552,000 due to the fall in material prices, increased shipping prices and the contractor losing contracts.

Disposal of Residual Waste finished (£93,000) under spent due to the implementation of the new contractual arrangements.

Tonnages in the Carbon Reduction Commitment and Hazardous Waste contracts have meant a decrease in costs of (£198,000). An under spend created from accommodating Serco on the Colossus site also reduced Security Costs and enabled additional rent (£75,000).

A review of prudential borrowing identified that the repayment of the loan for the purchase of the Colossus site needed to be extended by one year as a cost of £184,000.

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And finally, Emberton Country Park has reflected a poor summer and an early spring achieving income £57,000 less than budgeted.

### Corporate Core

Salary savings across the service group of (£160,000) have arisen from vacancies and delays in recruitment and restructuring activity.

In Policy and Performance savings of (£101,000) have been achieved in insurance costs, computer costs, supplies and services, professional services and other general costs.

A saving of (£127,000) has been achieved in Communications through the centralisation of the local communications teams' supplies and services budgets which has led to a more efficient use of resources.

### Debt Financing

The movement in debt financing reflected greater rephasing in the capital programme. This resulted in higher levels of balances being held in the latter part of the year, and resulted in higher investment income, than had been anticipated when the budget was being reviewed. £10m of debt was also repaid in the year and the low interest rates resulted in the decision not to re-finance at this time, reducing interest costs.

### b. Housing Revenue Account Outturn

The in year budget was overspent by £897,000, largely offset by a favourable position of (£966,000) on the HRA reserve balance brought forward from 2011/12.

Main variances during 2012/13 were from the one-off costs of £683,000 linked to the Mouchel contract renegotiation which will result in significant HRA savings in future years, and net £1.3m changes in depreciation charges and revenue contributions to the Capital Programme.

Further pressures in 2012/13 came from high level of social housing rental debts (requiring an increase of £85,000 in bad debt write-off provisions).

These pressures were offset by (£157,000) additional service charge income from the implementation of a revised management fee methodology and inflationary updates, (£199,000) savings from staff vacancies, (£252,000) savings from lower utilities costs on blocks and (£69,000) increase in building services capitalisation. In addition there were net savings of (£292,000) in repairs & maintenance and a (£397,000) reduction in Leasehold Major Works write-off provision due to a reduction in the level of leasehold capital works to be recharged this year.

A transfer of £400,000 was made to HRA Regeneration Reserve following a review of reserves, which identified future potential risks in relation to the regeneration programme in Housing

Overall, the HRA was underspent by (£69,000) and the level of the reserve carry forward was (£4,568,000) compared to budget of (£4,499,000)

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### c. Income from Grants, Local Tax Payers and Other Sources

The net budget requirement was financed from three main sources:

- Redistributed Non-Domestic Rates (£80.016m)  
NNDR is the amount raised from businesses collected locally but re-distributed nationally;
- Early Intervention Grant (EIG) (£11.168m)  
EIG is the other main non-specific grant from Central Government;
- Council Tax (£100.426m)  
This is the means of raising money locally, based upon the value of domestic property and is adjusted for the previous year's surplus or deficit on collection.

In addition, some services receive specific grants, which are included in their separate budgets. There are conditions attached to many of these grants, which set out how, when and on what service or activity the grant may be spent.

Since 1<sup>st</sup> April 2007 Schools services have been funded through the Dedicated Schools Grant (DSG). For 2012/13 the council received £148.575m in DSG funding. This funding was previously provided through the RSG and NNDR.

A list of the grants received by the council in 2012/13 can be found at note 17 to the Financial Statements.

### 3. PENSION LIABILITY

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The council is a member of the Local Government Pension Scheme administered by Buckinghamshire County Council.

The council's financial statements in accordance with the proper accounting practice show a pension liability at 31<sup>st</sup> March 2013 of (£235.742m), which is a decrease of £28.191m since 2011/12.

In practice, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit will be funded through reassessment of employer's contributions as a result of the three-yearly fund valuations by the actuary. This is done in accordance with the appropriate International Financial Reporting Standard (IAS) 19.

Full details of the Local Government Pension Scheme can be found in note 41 to the Financial Statements.

## Explanatory Foreword

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### 4. MATERIAL OR UNUSUAL CHARGES OR CREDITS TO THE ACCOUNTS, ASSETS ACQUIRED OR LIABILITIES INCURRED

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The following transactions are considered to be material or unusual charges or credits within the 2012/13 Statement of Accounts:

- a) The council's pension liability has decreased by £28.191m. Further details can be found in the Local Government Pension Scheme note 41 to the Financial Statements;
- b) Major non-current asset disposals during the year include the transfer of the Olney Middle, New Chapter and Heronsgate Schools to Foundation Status £8.874m and Rickley Park, Simpson, Shepherds Well, Gatehouse and Orchard Schools converted to Academies £11.088m. Details of major non-current asset disposals can be found in note 3 to the Financial Statements;
- c) The council created a Limited Liability Partnership to manage and exploit the commercial assets purchased from the Homes and Communities Agency, known as the Milton Keynes Development Partnership (MKDP). The council funded the purchase of the assets through prudential borrowing and this is reflected in the council's Balance Sheet as Long Term Borrowing. This debt has been passed on to MKDP along with the assets. The council therefore holds a long term debtor of £32m on its Balance Sheet to reflect the amount owed by the MKDP which will reduce as the assets are developed and sold by the MKDP or as the economic benefit is used (in the case of operational assets).
- d) In December 2012, the council renegotiated the long term contract with Mouchel Business Services Ltd. This renegotiation resulted in a significant change to the contract with Mouchel Business Services Ltd and the creation of a Limited Liability Partnership – the Milton Keynes Service Partnership (MKSP) – which is wholly owned by Milton Keynes Council. The MKSP now provides services to the council. In December 2012, Milton Keynes Council paid Mouchel Business Services Ltd the sum of £6.15m as settlement for the significant variation to the 12 year contract.

### 5. SIGNIFICANT CHANGE IN ACCOUNTING POLICY

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There are no significant changes in Accounting Policies in 2012/13.

### 6. BORROWING FACILITIES

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During 2012/13 no new loans to fund expenditure on capital projects were taken. One existing long term loan (£10.0m) was repaid upon maturity to the Public Works Loan Board during the year.

## Explanatory Foreword

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During 2012/13 Milton Keynes Council and the Department for Communities and Local Government agreed the planning powers for the expansion areas in Milton Keynes and the associated Milton Keynes Tariff would transfer to the council. This transfer took place on 14<sup>th</sup> January 2013. As part of the forward funding arrangements set out in the Tariff Business Plan, the Homes and Community Agency provided a cash flow loan to the council without interest or fees.

In accordance with accounting practice the cash sum received so far at the Balance Sheet date (£5.600m) has been discounted to fair value (£4.807m) and included within long term borrowing on the Balance Sheet. The difference (£0.793m) has been charged to the Financial Instruments Adjustment Account and adjustments will take place over the life of the loan to reinstate the cash sum by the time of maturity.

At the end of the financial year the council had outstanding borrowing totalling (£452.146m) in respect of the funding of capital projects of (£447.339m) including accrued interest and (£4.807m) other loans mentioned above. Further details of the composition of this sum can be found in the note 28 to the Financial Statements.

It was not necessary during the year for the council to borrow temporary funds for cash flow purposes. Consequently, there were no temporary loans outstanding at 31<sup>st</sup> March 2013.

At the 31<sup>st</sup> March 2013, the council had £75.231m invested with various financial institutions, of this amount £14.897m has been classified as cash equivalents as per the Accounting Policy note 6.

### **7. INTERNAL AND EXTERNAL SOURCES OF FINANCE TO FUND CAPITAL EXPENDITURE PLANS AND FINANCIAL COMMITMENTS**

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The council's total capital expenditure for 2012/13 including amounts accrued for works completed but not paid for at 31<sup>st</sup> March 2013 was £103,256,000 (£35,056,000 in 2011/12).

The sources of finance to fund this expenditure included government grants and contributions of (£47,174,000) ((£27,210,000) in 2011/12) which includes (£8,383,000) ((£8,092,000) in 2011/12) Major Repairs Reserve and (£38,791,000) ((£19,118,000) in 2011/12) Other Government Grants and Contributions.

Prudential Borrowing amounted to (£44,721,000) (£4,941,000 in 2011/12). The balance of (£11,361,000) ((£12,787,000) in 2011/12) came from capital receipts, supported borrowing, finance leases, and revenue contributions.

Full details of capital expenditure and financing can be found in note 22 to the Financial Statements.

Capital Commitments total £10,300,000 and include new school extensions, and new Wayfinding and Interchange Bus Improvements. Full details of the council's capital commitments can be found in note 19 to the Financial Statements.



## Explanatory Foreword

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### 8. SIGNIFICANT PROVISIONS, CONTINGENCIES AND WRITE-OFFS

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The council has two significant provisions held on the Balance Sheet as at 31<sup>st</sup> March 2013:

- Heating and Utilities Provision – This provision has been set aside to cover the cost of potential refunds to sheltered area tenants and leaseholders in respect of over recovered utility costs;
- Overpaid Benefit Provision – The council has created this provision for loss of on-going benefits representing the potential loss on subsidy arising from non-recovery (write off) of on-going benefit debt.

Further details of the provisions can be found in note 29 to the financial statements.

The council discloses a number of contingent gains and losses in note 40 to the financial statements. The most significant disclosures relates to:

- The liability for any Tariff deficit in excess of the council's risk share in regards to management of the Local and Strategic Infrastructure;
- The overage due to the council as and when properties built on the Radcliffe School land are sold.

There has been one significant write off during 2012/13 relating to Woughton Leisure Trust for £178,185. These debts were outstanding from 2008 until 2011 and were written off following the insolvency of the Leisure Trust.

### 9. IMPACT OF CURRENT ECONOMIC CLIMATE

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The two key areas affected by the economic downturn are Housing Asset Valuations and a decline in the rate of growth of the Council Tax base.

The reduction in Housing Asset Valuations was recognised in an 18.9% deflation adjustment to 2008/09 based upon Housing Price Index data for Milton Keynes. A review of the same data indicates that land values have stabilised and that no further adjustment is necessary for 2012/13.

The process for calculating the tax base for forthcoming years has been revised since 2009 to take prudent account of the decline in the level of house-building.

In addition, the level of balances held in both the General Fund and Housing Revenue Account are reviewed annually as part of the budget setting process to ensure that they are adequate to meet possible fluctuations in income and expenditure during the forthcoming year.

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Reserves have been created to mitigate the possible impact of change programmes agreed by the council to meet shortfalls in funding or changes in government funding streams.

### **10. PROCUREMENT OF SERVICES**

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The council entered into a long term (twelve year) contract with Hyder Business Services (HBS), now trading as Mouchel Business Services, with effect from 1<sup>st</sup> January 2004 to provide a wide range of functions across eighteen service streams including Finance, Human Resources, IT, Revenues and Benefits.

On 31<sup>st</sup> December 2012, the contract was renegotiated and the services transferred into a Limited Liability Partnership – the Milton Keynes Service Partnership.

Full details of the Milton Keynes Service Partnership can be found in the Group Accounts and notes starting on page 163.

# Statement of Auditors Opinion

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILTON KEYNES COUNCIL**

### **Opinion on the Authority's financial statements**

We have audited the financial statements of Milton Keynes Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund; and the related Core Financial Statements notes 1 to 42, the Housing Revenue Account related Supplementary Financial Statements notes 3 to 16; the Collection Fund related Supplementary Financial Statements notes 18 to 22 and the Group related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Milton Keynes Council as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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.

### **Respective responsibilities of the Chief Finance Officer and auditor**

As explained more fully in the Responsibilities of the Chief Finance Officer set out on page 17, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2012/13 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. ]

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Milton Keynes Council as at 31 March 2013 and of its expenditure and income for the year then ended;

# Statement of Auditors Opinion

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- give a true and fair view of the financial position of the Group as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

## Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2012/13 for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

## Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

### Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Basis of conclusion

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

## Statement of Auditors Opinion

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The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Milton Keynes Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

### **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

*Mick West*  
*Audit Director*  
*for and on behalf of Ernst & Young LLP, Appointed Auditor*  
*Luton*  
*27 September 2013*

# Statement of Responsibilities

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## THE COUNCIL'S RESPONSIBILITIES

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The council is required:

- a) to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council, that officer is the Chief Finance Officer;
- b) to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- c) to approve a Statement of Accounts.

On behalf of the council:

  
Councillor Ric Brackenbury  
Chair of the Audit Committee  
Date: 24/09/13

## 2. THE RESPONSIBILITIES OF THE CHIEF FINANCE OFFICER

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The Chief Finance Officer is responsible for the preparation of the council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code").


In preparing this Statement of Accounts, the Chief Finance Officer has:

- a) selected suitable accounting policies and then applied them consistently;
- b) made judgements and estimates that were reasonable and prudent;
- c) complied with the Local Authority Code.

The Chief Finance Officer has also:

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

The Statement of Accounts provides a true and fair view of the council's financial position of the authority at the reporting date, and of its income and expenditure for the year ended 31<sup>st</sup> March 2013.

  
Tim Hannam  
Corporate Director – Resources  
Date: 24/09/13

# Accounting Policies

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## 1. GENERAL PRINCIPLES

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The Statement of Accounts summarises the council's transactions for the 2012/13 financial year and its position at the year-end of 31<sup>st</sup> March 2013. The authority is required to prepare an annual Statement of Accounts in accordance with the Accounts and Audit Regulations 2011 which require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice (SeRCOP) 2012/13 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting policies have been applied consistently in dealing with items considered material to present a true and fair view of the financial position and transactions of the council.

## 2. ACCRUALS OF INCOME AND EXPENDITURE

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Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the authority;
- Revenue from the provision of services is recognised when the authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the authority;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet;
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet;
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected;
- Payment of wages to weekly paid employees is included in the accounts on the basis of a 52-week year, except in the case of Homecare staff where wages have been accrued. This accounting treatment, other than in respect of Homecare staff, is not in accordance with the Code of Practice, although any difference is not considered material. Similarly, issues from the council's stores and all other internal recharging systems have been treated in the same way;

# Accounting Policies

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- Annual leave and flexi-time that has not been taken at 31<sup>st</sup> March is accrued and full details can be found in Accounting Policy note 9 – Employee Benefits.

## 3. ACQUIRED AND DISCONTINUED OPERATIONS

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IFRS5 defines a discontinued operation as a component of an entity that either has been disposed of or is classified as held for sale, and:

- represents either a separate major line of business or a geographical area of operations, and;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or;
- is a subsidiary acquired exclusively with a view to resale and the disposal involves loss of control.

The surplus or deficit on discontinuing the operation is presented as a single amount on the face of the Comprehensive Income and Expenditure Statement where applicable.

Detailed disclosure of revenue, expenses, surplus or deficit and related items is presented as a note to the Financial Statements where applicable.

During 2012/13, the council created two Limited Liability Partnerships – The Milton Keynes Service Partnership and the Milton Keynes Development Partnership – and full details of each partnership can be found in the Group Accounts section starting at page 163.

## 4. BACK PAY ARISING FROM UNEQUAL PAY CLAIMS

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The council has no current claims in respect of Equal Pay legislation, and therefore no provision has been made. However, the issue is disclosed as a contingent liability in note 40 to the Financial Statements.

## 5. CAPITAL RECEIPTS

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Receipts from the sale of assets are recorded in the accounts in accordance with normal accounting practice.

Under regulations introduced from April 2004 the council is required to pay a percentage of receipts from the sale of housing assets to the Department for Communities and Local Government (unless capital allowances for regeneration are claimed). The percentage for Non Right To Buy dwellings is 75% and 50% for any other interest in housing land. For Right to Buy dwellings the accounts are prepared in line with the Local Authorities (Capital Finance and Accounting) Regulations 2012.



## Accounting Policies

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Milton Keynes Council has entered into an agreement in accordance with Section 11(6) of the Local Government Act 2003, this enables the Council to retain additional Capital Receipts which must be used towards the provision of new affordable housing. A maximum 30% of the expenditure incurred on new affordable housing can be funded using these receipts.

### 6. CASH AND CASH EQUIVALENTS

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Cash is represented by cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments held for cash flow purposes that mature in three 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.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the council's cash management.

### 7. CHARGES TO REVENUE FOR THE USE OF NON-CURRENT ASSETS

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Service revenue accounts and support services are debited with the following amounts for all non-current assets used in the provision of their services to record the real cost of holding those assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- Amortisation of intangible assets attributable to the service.

The charge made to the Housing Revenue Account is calculated in accordance with the Item 8 Credit and Item 8 Debit (General) Determination from April 2012 (Item 8 Determination). Depreciation is charged in line with the five – year period transitional arrangements specified in the CIPFA Code of Practice on Local Authority Accounting 2012/13.

External interest payable is charged to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

The council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement calculated in accordance with statutory guidance (Minimum Revenue Provision or MRP). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (for MRP and/or loans fund principal) by

## Accounting Policies

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way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two so there is no impact on the level of Council Tax.

### 8. DONATED ASSETS

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Donated assets transferred for nil consideration are recognised immediately at fair value as an asset on the Balance Sheet, unless any conditions of the transfer have not been met and the asset is credited to a Donated Assets Account.

### 9. EMPLOYEE BENEFITS

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#### Short Term Employee Benefits Payable during Employment

Salaries, wages and employee related payments are recognised in the period in which the service is received from employees. The cost of annual leave entitlement earned but not taken by employees at the end of the period is recognised in the Financial Statements to the extent that employees are permitted to carry forward leave into the following period.

Untaken leave is accrued on the basis of actual leave untaken at 31<sup>st</sup> March 2013 for non-school staff and a calculation of the accrued benefit for schools staff based on the number of days in each term.

Employees are also entitled to flexi-time and any accrued hours at 31<sup>st</sup> March have been reflected in the accounts on the basis of actual hours accumulated by each employee.

#### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Benefits are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

#### Post Employment Benefits - Local Government Pension Scheme

Employees of the council are entitled to become members of one of two separate pension schemes according to the terms of their employment:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Local Government (DCLG);
- The Local Government Pension Scheme, administered by Buckinghamshire County Council.

## Accounting Policies

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Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the council. The teachers' scheme is therefore accounted for as if it were a defined contributions scheme; no liability for future payments of benefits is recognised in the Balance Sheet and the Children and Education Services revenue account in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to teachers' pensions in the year.

The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of the Buckinghamshire pension scheme attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees).

Liabilities are discounted to their value at current prices, using a discount rate of 4.7% (1.3% real). The discount rate for pension's liabilities is calculated using the AA Corporate Bond Rate.

The assets of the Local Government Pension Fund attributable to the council are included in the Balance Sheet at their fair value:

- Quoted Securities – Current Bid Price;
- Unquoted Securities – Professional Estimate;
- Unitised Securities – Current Bid Price;
- Property – Market Value.

The change in the net pension liability is analysed into seven components:

- Current Service Cost – the increase in liabilities as result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked;
- Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, charged to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid, charged to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement;
- Expected Return on Assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return, credited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement;
- Gains/Losses on Settlements and Curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees, charged to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

## Accounting Policies

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- Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuary has updated its assumptions, shown as a gain or loss in the Other Comprehensive Income and Expenditure section of the Comprehensive Income and Expenditure Statement;
- Contributions paid to the Buckinghamshire Pension Fund – cash paid as employer's contributions to the pension fund.

The accounting treatment for pensions benefits is in accordance with International Financial Reporting Standard (IAS) 19. This is a complex accounting standard, but it is based on a simple principle – that the council has to account for accumulated retirement benefits earned at the Balance Sheet date, even if the actual benefits are paid out over many years into the future.

These policies reflect the council's commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the council to the pension fund in year, not the amount calculated according to the relevant accounting standards. This means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

Full disclosures in respect of the Local Government Pension Scheme can be found in note 41 to the Financial Statements.

### Discretionary Benefits

The council also has restricted powers to make discretionary awards of retirement benefits in the event of any early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## 10. EVENTS AFTER THE BALANCE SHEET DATE

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Events after the Balance Sheet date are defined as events, which could be favourable or unfavourable, that occur between the end of the reporting period and the date that the Financial Statements are authorised for issue.

Events can be classified as adjusting or non-adjusting, with definitions as follows:

- Adjusting - An event after the reporting period that provides further evidence of conditions that existed at the end of the reporting period, including an event that indicates that the going concern assumption in relation to the whole or part of the council is not appropriate;

## Accounting Policies

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- Non-Adjusting - An event which takes place after the reporting period that is indicative of a condition that arose after the end of the reporting period.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

The council discloses details of any such events at note 4 to the Financial Statements.

### 11. EXCEPTIONAL ITEMS AND PRIOR PERIOD ADJUSTMENTS

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Exceptional items are included in the cost of the service to which they relate or on the face of the Comprehensive Income and Expenditure Statement if such a degree of prominence is required for a fair view of the accounts. A disclosure note is provided where the authority has any exceptional items in the Accounts.

Prior period adjustments that are the result of corrections and adjustments arising from the use of estimates inherent in the accounting process are adjusted in the accounts in the year that they are identified. However, prior period adjustments arising from changes in accounting policies or from the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period in the Statement of Accounts and notes and by adjusting the opening balance of reserves for the cumulative effect. Details of any Prior Period Adjustments are fully explained as a note to the accounts where applicable.

### 12. FINANCIAL INSTRUMENTS

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#### Financial Liabilities:

Financial liabilities are initially measured at fair value and carried at amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and any accrued interest and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement. Where a repurchase has taken place as part of the restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan, and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

## Accounting Policies

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Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Movement in Reserves Statement, taken to or from the Financial Instrument Adjustment Account.

### **Soft Loan:**

A soft loan is a loan which carries a favourable rate of interest compared to market rates. The council has received a soft loan in this financial year from the Homes and Communities Agency (which carries a nil interest rate) as a result of the council taking on the management of the Milton Keynes Tariff. The fair value of the loan shall be determined as the net present value of the future cash payments discounted using the prevailing market rate of interest at which the council could borrow for a loan with similar terms – the PWLB rate is considered appropriate. Subsequent accounting will require the loan's effective interest rate to be used which is then reversed to the Financial Instruments Adjustment Account.

### **Debt Redemption:**

The council sets aside a statutory amount each year from its General Fund revenue account for debt redemption, in the form of a Minimum Revenue Provision, as required by the Local Authority (Capital Finance and Accounting) regulations.

### **Minimum Revenue Provision**

The council has charged 2012/13 statutory General Fund Minimum Revenue Provision (MRP) at 4% of the opening Capital Financing Requirement for all capital expenditure financed by borrowing incurred before 2008/09 and for all subsequent capital expenditure financed by supported borrowing. This is in line with Regulations implemented under the Local Government Act 2003.

These Regulations have been supplemented by statutory guidance issued alongside the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008. The Regulations place a duty on local authorities to make a prudent provision for debt redemption. The guidance sets out four options for the calculation of a prudent provision, with the first two being available only for supported expenditure. The other two options set out the methods for accounting for self-financed borrowing. The MRP for self-financed capital expenditure incurred in 2008/09 and beyond is calculated in accordance with Option 3 under which MRP is made in equal instalments over the expected life of the asset.

The MRP calculation also provides for:

- the repayment of capitalisation directions issued by the Secretary of State in respect of expenditure incurred at Local Government Reorganisation; and

## Accounting Policies

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- an adjustment in respect of commuted payments made to or for the benefit of the council in 1992-1993.

The one exception to this is that where assets are purchased for confirmed future development and it is anticipated that future sale proceeds will offset the cost, the repayment of debt will be funded from future capital receipts. In such cases MRP will not be applied. This approach will be reviewed on an annual basis to ensure that anticipated sales proceeds continue to offset the cost of debt.

### **Additional Debt Redemption:**

In accordance with the Local Government Act 2003, the council may also choose to further redeem its outstanding loan debt by means of:

- additional revenue contributions;
- use of capital receipts;

### **Debt Restructuring:**

The council has, on occasions when satisfactory market conditions prevail, restructured certain long term loans with the Public Works Loan Board. This results in either a premium being paid or a discount received and these are written down in accordance with current legislation (currently the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007 (Statutory Instrument 2007 No. 573) as amended by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (Statutory Instrument 2008 No. 414)).

### **Financial Assets:**

Financial Assets are classified into three types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market;
- Available for Sale Assets – assets that have a quoted market price and/or do not have fixed or determinable payments;
- Financial assets at fair value through profit or loss – assets classed as derivatives.

### **Loans and Receivables:**

Loans and receivables are initially measured at fair value and carried at amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all of the loans the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and any accrued interest and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. Where interest relates to 2012/13 which has not been paid by the 31<sup>st</sup> March 2013 this amount has been accrued and can be seen as part of the borrowing repayment on demand or within excess of 12 months.

# Accounting Policies

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## Available for sale assets:

The council does not hold any available for sale financial assets.

## Impairment of Financial Assets:

Where assets are identified as being impaired because of a likelihood arising from a past event then the payment due under contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. Any gains or losses that arise on the derecognising of the asset are credited or debited to the Comprehensive Income and Expenditure Statement.

## 13. FOREIGN CURRENCY TRANSLATION

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Where the authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where material amounts in foreign currency are outstanding at the year-end, they would be reconverted at the spot exchange rate at 31<sup>st</sup> March. Resulting gains or losses would be recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

However, in 2012/13 foreign currency transactions of the council are not considered to be material.

## 14. GOVERNMENT GRANTS AND OTHER CONTRIBUTIONS

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Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, when there is reasonable assurance that:

- The authority will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as short term or long term receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (for attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income



## Accounting Policies

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line (for non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grant Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### 15. HERITAGE AND COMMUNITY ASSETS

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The council's collection of Heritage Assets is identified under the following categories:

- Historical Buildings & Archaeological Sites
- Museum & Archive Collections
- Arts Collection
- Civic Insignia

These are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the council. Therefore, Heritage Assets acquired or constructed from 2011/12 onwards are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the council's accounting policy on Property, Plant and Equipment.

However, the measurement bases in relation to each category of Heritage Assets held prior to 2011/12 are detailed below.

The accounting policies for Heritage Assets that are deemed to include elements of intangible heritage assets are also presented below.

The council's collection of Heritage Assets is accounted for as follows:

#### **Historical Buildings & Archaeological Sites**

The council owns a variety of Historical Buildings and Archaeological Sites. Many of these are 'designated heritage assets' e.g. scheduled ancient monuments, listed buildings or assets within conservation areas and are of national significance. In addition to this, there are others that are 'non-designated heritage assets', i.e. those which have a degree of significance meriting consideration in planning decisions but are of local significance rather than national.

# Accounting Policies

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The nature, scale and significance of these assets is not confined to a particular type or size and incorporates a range of listed buildings. Scheduled ancient monuments also involve a similarly broad range, including public infrastructure such as road bridges.

Historical Buildings and Archaeological Sites are assessed by the Property Services Department with regards to meeting the CIPFA Code of Practice definition of Heritage Assets and donated assets.

Insurance valuations are considered to establish whether their application would be appropriate and also whether a market value exists for each asset.

The council undertakes a valuation where the information is available and appropriate.

In most cases the council does not consider that comparable market value information can be obtained for its historical buildings and archaeological sites or that insurance valuations can be used in order for values to be established. This is because of the nature of the assets held.

## **Museum & Archive Collections**

The Museum collection consists of just less than 5,000 collection items and relates to the significant history of Milton Keynes from pre-historic to present day. The Museum collection is held at Buckinghamshire's County Museum.

The Archive collection consists of deposited council and predecessor collections which constitutes a rich archival history of the area. The archives are held at the Centre for Buckinghamshire Studies, Aylesbury.

The council currently adheres to the collecting policies of Buckinghamshire County Museum and the Centre for Buckinghamshire Studies (County Archives) who collect on the council's behalf.

The council does not consider that reliable cost or valuation information can be obtained for its museum and archive collections and would involve a disproportionate cost in comparison to the benefits to the users of the council's financial statements. This is because of the diverse nature of the assets held and lack of comparable market values. Consequently the council does not recognise the assets on the Balance Sheet.

Museum objects are usually donated and information is held at the Buckinghamshire County Museum. Archive material is generally deposited, not donated and relevant data is held on accession registers.

## **Arts Collection**

The council's public art collection is made up of in the region of 100 items of works of art. The collection includes sculptures, paintings, prints and artists designs integrated in public spaces and buildings.

## Accounting Policies

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Valuations are undertaken by an appropriately qualified external valuer and are reviewed with sufficient frequency to ensure the valuations remain current. The arts collection is recognised at market value.

The council does not have any items in its arts collection which it can verify as being donated.

### Civic Insignia

The council's Mayoral Insignia comprises assets which are pertinent to the council's position as a borough i.e. chains of office for the Mayor, Deputy Mayor and respective consorts.

Valuations are undertaken by an appropriately qualified external valuer and are reviewed with sufficient frequency to ensure the valuations remain current. The civic insignia is recognised at market value.

The council does not have any items in its civic Insignia collection which it can verify as being donated.

## 16. INSURANCE

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To obtain insurance cover in the most cost effective manner the council arranges its insurance with a system of internal financing of claims (a substantial policy excess applies) and external cover with a recognised insurance market. Internal funds have been maintained to cover those claims that fall below the policy excess. These funds are based on the total potential liability that could accrue up to 31<sup>st</sup> March 2013. Some risks carry a lower policy excess and claims that fall below this amount are met from revenue as they arise.

External cover is provided by way of premiums paid to the council's Insurers. The nature of risks covered by the internal arrangements is shown below.

Risk	Maximum Cover per Claim
Employers Liability	£50,000 - Amounts in excess of this are covered externally.
Third Party	£50,000 - Amounts in excess of this are covered externally.
Fire Damage	£50,000 - Amounts in excess of this are covered externally.
Loss of School Contents	£50,000 - Amounts in excess of this are covered externally.
Cash Loss	The first £100 is met by the service concerned - amounts in excess of this are covered externally.
Loss of Computers	The first £100 is met by the service concerned - amounts in excess of this are covered externally.

# Accounting Policies

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## 17. INTANGIBLE ASSETS

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Expenditure on assets that do not have physical substance but are identifiable and controlled by the council (e.g. software licences) is capitalised when it will bring benefits to the council for more than one financial year.

All intangible assets are recognised if it is probable that the expected future benefits attributable to the asset will flow to the council. Internally generated assets are recognised where the required criteria are met in line with the International Financial Reporting Standards (IFRS) Code of Practice.

All Intangible Fixed Assets are included at historic cost and amortised on a straight line basis, over their economic lives from the year following acquisition. The economic lives are reviewed at the end of each reporting period and revised if necessary.

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## 18. INTEREST IN COMPANIES

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The Comprehensive Income and Expenditure Statement reflect all of the council's revenue activities. The Balance Sheet has been prepared by aggregating the account balances of all of the council's services and funds.

The council is invited to appoint Members to many entities of local, regional and national significance. These appointments have been examined; together with Members own declarations of interest, along with those of the Corporate Leadership Team. No material reportable interests were identified. Minority interests in companies are detailed in note 37 to the Financial Statements.

Significant contractual relationships are disclosed in note 36 to the Financial Statements.

Group Accounts have been prepared to reflect the council's ownership of two Limited Liability Partnerships which were incorporated during 2012/13, and can be found on page 163.

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## 19. INVENTORIES, WORK IN PROGRESS AND LONG TERM CONTRACTS

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Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO (First In, First Out/Weighted Average) costing formula.

Long term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the value of works and services received under the contract during the financial year.

Certain repair works undertaken by the council are chargeable to private concerns and individuals. Incomplete works and works not yet charged are accounted for at cost.

# Accounting Policies

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## 20. INVESTMENT PROPERTY

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Investment property is property (land or a building, or part of a building, or both) that is held solely to earn rentals or for capital appreciation or both.

An investment property is recognised as an asset when and only when:

- It is probable that the future economic benefits that are associated with the investment property will flow to the entity, and;
- The cost or fair value of the investment property can be measured reliably.

Investment properties are measured at cost initially. The cost of an investment property includes its purchase price, transaction costs and directly attributable expenditure. After initial recognition, investment properties are measured at fair value. The fair value of an investment property reflects market conditions at the Balance Sheet date. Investment properties are not depreciated but are revalued annually according to market conditions at the end of each year.

## 21. LANDFILL ALLOWANCE SCHEMES

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The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. In April 2005 it introduced a trading scheme, which allocates tradable landfill allowances.

The Landfill Allowances Trading Scheme gives rise to an asset for allowances held; grant income and a liability for actual BMW landfill usage.

Full details of the Landfill Allowances Trading Scheme can be found in note 18 to the Financial Statements.

## 22. LEASES

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Leases are classified as finance leases where the terms of the lease transfer substantially all of the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependant on the use of specific assets.

# Accounting Policies

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## **The Authority as Lessee**

### Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents (where applicable) are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and;
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The authority is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefiting from use of the leased property, plant and equipment. Charges are made on a straight line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent free period at the commencement of the lease).

## **The Authority as Lessor**

### Finance Leases

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant, equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in

## Accounting Policies

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the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of the disposal), matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and;
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement.

The written off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### Operating Leases

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

# Accounting Policies

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## 23. NON-CURRENT ASSETS HELD FOR SALE

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### Recognition and measurement:

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale.

For council assets to be classified as 'held for sale' strict criteria are met in line with the International Financial Reporting Standards (IFRS) Code of Practice:

- the asset is available for sale in its present condition;
- the sale is highly probable;
- the asset is being actively marketed for a sale price that is reasonable in relation to its current fair value;
- the sale is expected to qualify for recognition as a completed sale within one year of classification as held for sale and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Assets held for sale are measured at the lower of their carrying amount and fair value (market value) less costs to sell at initial reclassification and at the end of each reporting date. Depreciation is not charged on assets held for sale.

Where the definition of assets held for sale or investment property is not met by assets that are surplus to the service needs, the assets will be held as a 'surplus assets' under Property, Plant and Equipment.



# Accounting Policies

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## 24. OVERHEADS

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The costs of both centrally and departmentally provided overheads (i.e. management and administration costs) and support services are fully recharged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012/13 (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core is defined in the Service Reporting Code of Practice and consists of Democratic Representation and Management costs and Corporate Management costs;
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable to Assets Held for Sale.

The basis of allocations and apportionment of Support Services are as detailed below. The remaining areas were calculated on a time recording basis.

<b>Support service</b>	<b>Allocation method</b>
Audit	Gross income plus gross expenditure
Communications	80% internal: MKC Full Time Equivalents 20% external: Direct charge to Corporate and Democratic Core
Customer Service	MKC head count
Facilities	Floor space allocated across central buildings
Finance – Corporate Director	80% Corporate Democratic Core, 20% general finance
Finance - General	Time allocations
Health and Safety	MKC head count
Human Resources - Corporate	20% corporate democratic core, 80% general HR
Human Resources - General	MKC head count
IT general	Adjusted Headcount
Procurement	Budgeted non-payroll expenditure for the year
Partnership	Public, Private & Partnership plus agreed/expected changes
Property	Time Allocations
Policy and Performance	20% Corporate and Democratic Core, 80% MKC head count

# Accounting Policies

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## 25. PROPERTY, PLANT AND EQUIPMENT

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Property, Plant and Equipment (PPE) are assets that have physical substance and are held for use in the provision of services, or for administrative purposes, and are expected to be used for more than one financial year.

### **Recognition:**

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it yields benefits to the council and the services that it provides last for more than one financial year. Expenditure that secures but does not extend the previously assessed standard of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

### **Measurement:**

Assets are carried in the Balance Sheet using the following measurement bases and with a guideline de minimis level of £10,000.

Infrastructure, community assets and assets under construction (excluding investment property) are measured at historical cost. All other classes of asset, including surplus assets, are measured at fair value. Specialist properties are valued using depreciated replacement cost. The fair value of council dwellings are measured using existing use value – social housing.

Assets included in the Balance Sheet at carrying amount are revalued where there have been material changes in the value, but as a minimum every five years.

### **Estimation Techniques:**

The accounting policy specifies the basis on which an item is measured. However, where there is uncertainty over the monetary amounts corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves the amount is arrived at using an estimation technique that most closely reflects the economic reality of the transaction.

### **Disposals:**

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying amount of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for disposals are categorised as capital receipts. The usable proportion of Housing capital receipts is net of amounts subject to the pooling arrangements under the Local Government Act 2003. The balance of receipts is required to be credited to the

# Accounting Policies

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Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The net cost of disposals is not a charge against Council Tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## **Impairment:**

At the end of each reporting period an assessment is undertaken to determine whether there is any indication that assets may be impaired.

If any indication exists, the recoverable amount is estimated having regard to the concept of materiality in identifying whether the recoverable amount of any specific asset needs to be estimated.

All impairment losses on re-valued assets are recognised in the Revaluation Reserve up to the amount in the Revaluation Reserve for each respective asset. Any excess is charged to the relevant service revenue account in the Comprehensive Income and Expenditure Statement.

## **Impairment Losses and Revaluation Losses:**

A clear distinction is made between impairment losses and revaluation losses. Impairment losses are losses attributable to consumption of economic benefit or a fall in prices that are specific to an asset.

Revaluation losses are any related losses attributable to a general fall in prices that are not specific to an asset.

As with impairment losses, the relevant service revenue account will be charged when the balance on the Revaluation Reserve for any specific asset has been used in full against the relevant revaluation loss.

## **Depreciation:**

Depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is provided in accordance with the following policy on all assets (except for investment properties) where, at the time of acquisition or revaluation, a finite useful life can be determined:

- a. Newly acquired assets are depreciated from the year following acquisition. Assets in the course of construction are not depreciated until they are brought into use;

## Accounting Policies

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- b. Depreciation is calculated by allocating the costs (or re-valued amounts), less the estimated residual value of the relevant assets, on a straight line basis over their useful economic lives. This is deemed to be the most appropriate method given the nature of the assets held by the Council;
- c. Depreciation is calculated on the opening balances. Transactions in year including additions and revaluations are not charged depreciation until the following year.
- d. The bases for calculating the lives of different classes of assets at acquisition are as follows:

Property, Plant & Equipment: Other Buildings, Community Assets and Surplus Assets	60 years life from the completion date.
Property, Plant & Equipment: Council Dwellings	Actual life of Right To Buy council dwelling. Shared Ownership Dwellings not depreciated
Property, Plant & Equipment: Vehicles, Plant and Equipment	Varies from 3 to 40 years according to the estimated life of each asset.
Property, Plant & Equipment: Infrastructure	40 years in respect of highways, 20 years for other assets.
Investment Properties	Not depreciated.
Assets Held for Sale	Not depreciated.
Land	Not depreciated.

- The useful lives of assets are reviewed regularly. Where necessary, the life of an asset is revised and the carrying amount of the asset is then depreciated over the remaining useful life;
- Council dwellings – for Right to Buy council dwellings depreciation is calculated on an actual life basis. No depreciation is charged on shared ownership dwellings.
- Revaluation gains are also depreciated. An amount equal to the difference between current value depreciation actually charged on assets and the depreciation that would have been charged based on their historical cost is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation on HRA properties is charged in accordance with the five-year period transitional arrangements specified in the Item 8 Determination from April 2012. The Determination permits the council to charge the difference between a notional Major Repairs Allowance (MRA) and depreciation (where depreciation is greater than the MRA) to the Major Repairs Reserve (MRR), such that the notional MRA becomes the effective charge against the HRA balance. The notional MRA is intended to reflect the cost of maintaining housing stock in its current condition.

## Accounting Policies

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The council can use the notional MRA as a proxy for depreciation on HRA dwellings where the actual depreciation based on asset lives does not materially differ from the notional MRA calculated for the financial year. Other operational HRA assets are depreciated on a straight-line basis over the remaining expected life of the asset. The council is also assessing component based depreciation for HRA properties in line with the Determination five-year period transitional arrangements.

### Revaluation Reserve:

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation when it was created with a zero balance. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### Componentisation:

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

Asset groups have been identified for property (building) assets which categorise assets with similar characteristics into relevant groups for their potential impact on depreciation calculations.

The average net book value (NBV) of each property (building) asset group has been used to set the de minimis threshold level as the Materiality Table for Componentisation below illustrates.

<b>Average NBV of Asset Group</b>	<b>De-minimis Threshold</b>
Under £500,000	£500,000
Between £500,000 - £1.0m	£1.0m
Between £1.0M - £1.5m	£1.5m
Between £1.5M - £2.0m	£2.0m

The average NBV of each asset group has been compared with the materiality table to identify the relevant de-minimis level. The de-minimis level of each asset group will be reviewed annually.

Some specialist property sites have been assessed by using their individual net book values as their materiality level.

Property assets which are identified for review by the valuer are assessed in relation to three types of component with useful lives as follows:

<b>Type of Property Component</b>	<b>Component Useful Life</b>
Structure of Building	Normally 60 years
Mechanical and Electrical	25 years
Externals	Normally 60 years

## Accounting Policies

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A component is considered to be significant if it is more than 10% of the total cost of the property asset (building).

### 26. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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Provisions are made where an event has taken place that gives the authority 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. For instance, the authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

#### **The Carbon Reduction Commitment Scheme**

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

#### **Landfill Allowances Scheme**

Landfill Allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant. After initial recognition, allowances are measured at the lower of cost and net realisable value.

# Accounting Policies

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As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

## Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## 27. RESERVES

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The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets (Revaluation Reserve and Capital Adjustment Account) and retirement benefits and do not represent usable resources for the council – these reserves are explained in the relevant policies below and note 30 to the Financial Statements.

# Accounting Policies

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## 28. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non current asset is charged as expenditure to the relevant service revenue account in the Comprehensive Income and Expenditure Statement in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of council tax. Types of expenditure in this category include improvement grants to owner-occupiers to improve the quality of the housing stock in the area.

## 29. VAT

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Income and expenditure excludes any amounts related to Value Added Tax (VAT), as all VAT collected is payable to Her Majesty's Revenue and Customs (HMRC) and all VAT paid is recoverable from it.

Where VAT is not recoverable, it is charged to the appropriate service within the Cost of Services in the Comprehensive Income and Expenditure Statement.

## 30. ACCOUNTING FOR SCHOOLS

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Schools that are maintained by Milton Keynes Council are treated as follows:

- Income and Expenditure is taken through the Comprehensive Income and Expenditure Statement, and is reported against the Children and Education line within Cost of Services;
- Maintained school non-current assets are reported as such on the council's Balance Sheet;
- Current assets and Liabilities are reported as part of the council's Balance Sheet;
- Reserves held by the maintained schools are included in the Net Worth on the Balance Sheet within the Local Management of School (LMS) Reserve.



## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

2012/13	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Schools Balances Reserve £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	<b>Total Usable Reserves £'000</b>	Unusable Reserves £'000	<b>Total Authority Reserves £'000</b>
<b>Balance at 31 March 2012</b>	<b>(8,796)</b>	<b>(26,412)</b>	<b>(10,755)</b>	<b>(5,511)</b>	<b>(4,568)</b>	<b>0</b>	<b>(32,493)</b>	<b>(4,881)</b>	<b>(93,416)</b>	(217,706)	<b>(311,122)</b>
Surplus or (Deficit) on Provision of Services (Accounting Basis)	22,332	0	0	(6,465)	0	0	0	0	<b>15,867</b>	0	<b>15,867</b>
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	0	<b>0</b>	(45,477)	<b>(45,477)</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>22,332</b>	<b>0</b>	<b>0</b>	<b>(6,465)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,867</b>	<b>(45,477)</b>	<b>(29,610)</b>
Adjustments between Accounting Basis & Funding Basis under Regulations (Note 5)	(32,002)	0	0	6,177	0	(4,614)	1,897	(1,918)	<b>(30,460)</b>	32,418	<b>1,959</b>
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>(9,670)</b>	<b>0</b>	<b>0</b>	<b>(288)</b>	<b>0</b>	<b>(4,614)</b>	<b>1,897</b>	<b>(1,918)</b>	<b>(14,593)</b>	<b>(13,059)</b>	<b>(27,652)</b>
Transfers (to) / from Earmarked Reserves (Note 6)	9,524	(10,431)	907	1,231	(1,231)	0	0	0	<b>0</b>	0	<b>0</b>
Transfers (to) / from Other Reserves	(815)	0	0	0	0	0	0	815	<b>0</b>	0	<b>0</b>
<b>(Increase) / Decrease in Year</b>	<b>(961)</b>	<b>(10,431)</b>	<b>907</b>	<b>943</b>	<b>(1,231)</b>	<b>(4,614)</b>	<b>1,897</b>	<b>(1,103)</b>	<b>(14,593)</b>	<b>(13,059)</b>	<b>(27,652)</b>
<b>Balance at 31 March 2013</b>	<b>(9,757)</b>	<b>(36,843)</b>	<b>(9,848)</b>	<b>(4,568)</b>	<b>(5,799)</b>	<b>(4,614)</b>	<b>(30,596)</b>	<b>(5,984)</b>	<b>(108,009)</b>	<b>(230,765)</b>	<b>(338,774)</b>

## Movement in Reserves Statement

2011/12	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Schools Balances Reserve £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2011</b>	<b>(7,014)</b>	<b>(18,095)</b>	<b>(9,152)</b>	<b>(3,566)</b>	<b>(4,528)</b>	<b>(20,233)</b>	<b>(4,728)</b>	<b>(67,316)</b>	(523,567)	<b>(590,883)</b>
Surplus or (Deficit) on Provision of Services (Accounting Basis)	(12,983)	0	0	184,423	0	0	0	171,440	0	171,440
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	0	106,362	106,362
<b>Total Comprehensive Expenditure and Income</b>	<b>(12,983)</b>	<b>0</b>	<b>0</b>	<b>184,423</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>171,440</b>	<b>106,362</b>	<b>277,802</b>
Adjustments between Accounting Basis & Funding Basis under Regulations (Note 5)	1,151	0	0	(186,408)	0	(12,260)	(23)	(197,540)	199,499	1,959
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>(11,832)</b>	<b>0</b>	<b>0</b>	<b>(1,985)</b>	<b>0</b>	<b>(12,260)</b>	<b>(23)</b>	<b>(26,100)</b>	<b>305,861</b>	<b>279,761</b>
Transfers (to) / from Earmarked Reserves (Note 6)	9,920	(8,317)	(1,603)	40	(40)	0	0	0	0	0
Transfers (to) / from Other Reserves	130	0	0	0	0	0	(130)	0	0	0
<b>(Increase) / Decrease in Year</b>	<b>(1,782)</b>	<b>(8,317)</b>	<b>(1,603)</b>	<b>(1,945)</b>	<b>(40)</b>	<b>(12,260)</b>	<b>(153)</b>	<b>(26,100)</b>	<b>305,861</b>	<b>279,761</b>
<b>Balance at 31 March 2012</b>	<b>(8,796)</b>	<b>(26,412)</b>	<b>(10,755)</b>	<b>(5,511)</b>	<b>(4,568)</b>	<b>(32,493)</b>	<b>(4,881)</b>	<b>(93,416)</b>	<b>(217,706)</b>	<b>(311,122)</b>

# Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

31 March 2012			31 March 2013				
Gross Exp £'000	Gross Income £'000	Net Exp £'000		Gross Exp £'000	Gross Income £'000	Net Exp £'000	Note
74,609	(19,968)	54,641	Adult Social Care	78,030	(20,652)	57,378	
26,103	(20,139)	5,964	Central Services to the Public	26,033	(19,951)	6,082	
263,892	(198,397)	65,495	Children & Education Services	256,611	(185,346)	71,265	
18,262	(2,305)	15,957	Culture & Related Services	21,343	(1,564)	19,779	
29,225	(4,141)	25,084	Environmental & Regulatory Unit	27,399	(4,247)	23,152	
30,446	(16,180)	14,266	Highways and Transport Services	28,838	(14,375)	14,463	
112,133	(101,582)	10,551	Housing Services	117,559	(106,572)	10,987	
61,286	(51,467)	9,819	Housing Revenue Account	36,966	(54,001)	(17,035)	
8,895	(7,686)	1,209	Planning Services	7,330	(7,858)	(528)	
0	0	0	Exceptional Item - Contract Renegotiation	6,150	0	6,150	7
170,360	0	170,360	Exceptional Item - HRA Self Financing	0	0	0	
<b>795,211</b>	<b>(421,865)</b>	<b>373,346</b>	<b>Cost of Services</b>	<b>606,259</b>	<b>(414,566)</b>	<b>191,693</b>	
			<b>Other Operating Expenditure</b>				
		4,997	Parish Precepts			5,243	
		439	Levies			445	
			Payment to the Government Housing Capital Receipt				
		458	Pool			587	
		7,426	(Gain)/Loss on Disposal of Non-Current Assets			22,699	3
		<b>13,320</b>	<b>Total Other Operating Expenditure</b>			<b>28,974</b>	
			<b>Financing and Investment Income and Expenditure</b>				
		15,477	Interest Payable and Similar Charges			19,775	
		(1,797)	Interest Receivable and Similar Income			(2,075)	
		(568)	(Surplus)/Deficit on Trading Operations			1,334	8
			Income and Expenditure in relation to Investment				
		(211)	Properties and Changes in their Fair Value			(57)	
		2,739	Pension Interest Cost and Expected Return on Pension Assets			7,399	41
		<b>15,640</b>	<b>Total Financing and Investment Income and Expenditure</b>			<b>26,376</b>	
			<b>Taxation and Non-Specific Grant Income</b>				
		(98,599)	Council Tax Income			(100,426)	17
		(67,596)	Non-Domestic Rate Income			(80,016)	17
		(27,166)	Capital Grants & Contributions			(28,965)	17
		(37,505)	Non-Ringfenced Government Grants			(21,769)	17
		<b>(230,866)</b>	<b>Total Taxation and Non-Specific Grant Income</b>			<b>(231,176)</b>	
		<b>171,440</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>15,867</b>	
			(Surplus) or Deficit on Revaluation of Property, Plant & Equipment			(3,346)	
		117,600	Actuarial (Gains) / Losses on Pension Assets / Liabilities			(42,131)	41
		<b>106,362</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(45,477)</b>	
		<b>277,802</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(29,610)</b>	

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2012 £'000		Note	31 March 2013 £'000
954,586	Property, Plant & Equipment	19	941,539
12	Heritage Assets	20	610
20,283	Investment Property	21	20,283
2,385	Intangible Assets	23	931
10,000	Long Term Investments	34	0
897	Long Term Debtors	25	31,916
<b>988,163</b>	<b>Long Term Assets</b>		<b>995,279</b>
89,647	Short Term Investments	34	60,334
733	Assets Held for Sale	24	1,563
347	Inventories and Work in Progress	26	267
60,101	Short Term Debtors	25	63,313
2,872	Cash and Cash Equivalents	31	15,090
<b>153,700</b>	<b>Current Assets</b>		<b>140,567</b>
(10,853)	Bank Overdraft	31	(12,847)
(18,823)	Short Term Borrowing	28	(26,775)
(54,046)	Short Term Creditors	27	(53,155)
(870)	Short Term Provisions	29	(649)
(6,499)	Short Term Capital Grants & Contributions Receipts in Advance	17	(3,415)
(10,683)	Short Term Revenue & Contributions Receipts in Advance	17	(10,182)
<b>(101,774)</b>	<b>Current Liabilities</b>		<b>(107,023)</b>
(1,379)	Long Term Provisions	29	(1,246)
(438,564)	Long Term Borrowing	28	(425,371)
(2,899)	Other Long Term Liabilities	35	(1,137)
(263,933)	Liability Related to Defined Benefit Pension Scheme	41	(235,742)
(695)	Long Term Capital Grants & Contributions Receipts in Advance	17	(817)
(21,497)	Long Term Revenue Grants & Contributions Receipts in Advance	17	(25,736)
<b>(728,967)</b>	<b>Long Term Liabilities</b>		<b>(690,049)</b>
<b>311,122</b>	<b>Net Assets</b>		<b>338,774</b>
93,416	Usable Reserves	30	108,009
217,706	Unusable Reserves	30	230,765
<b>311,122</b>	<b>Total Reserves</b>		<b>338,774</b>

## Cashflow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2011/12 £'000		2012/13 £'000
<b>(171,440)</b>	<b>Net surplus or (deficit) on the provision of services</b>	<b>(15,867)</b>
25,151	Adjustments to net surplus or deficit on the provision of services for non cash movements	39,635
453	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(957)
<b>(145,836)</b>	<b>Net Cash flow from Operating Activities (Note 32)</b>	<b>22,811</b>
	<b><u>Investing Activities</u></b>	
(29,171)	Purchase of Property, Plant & Equipment, Investing Properties and Intangible Fixed Assets	(93,856)
(171,760)	Purchase of short-term and long-term investments	(284,665)
(458)	Other payments for investing activities	(587)
1,484	Proceeds of Property, Plant & Equipment, Investing Properties and Intangible Fixed Assets	3,733
144,760	Proceeds of short-term and long-term investments	324,312
48,331	Other receipts from investing activities	47,578
<b>(6,814)</b>	<b>Net cash flows from investing activities</b>	<b>(3,485)</b>
	<b><u>Financing Activities</u></b>	
170,360	Cash receipts of short and long-term borrowing	4,807
348	Other receipts from financing activities	(1,646)
0	Cash payments for the reduction of the outstanding liability relating to finance leases and on Balance Sheet PFI Contracts	0
(15,000)	Repayment of short and long-term borrowing	(10,000)
(2,258)	Other payments for financing activities	(2,263)
<b>153,450</b>	<b>Net cash flows from financing activities</b>	<b>(9,102)</b>
<b>800</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>10,224</b>
(8,781)	Cash and cash equivalents at the beginning of the reporting period	(7,981)
<b>(7,981)</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 31)</b>	<b>2,243</b>

## Notes to the Accounts

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### 1. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

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The Code of Practice requires authorities to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code.

1. IAS19 Employee Benefits was revised in June 2011 with changes applicable from 1<sup>st</sup> January 2013. The main changes are as follows:

- Removal of the expected return on assets to be replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate;
- Some labelling changes to the profit and loss charge e.g. “service cost” now includes what was previously described as the “Current Service Cost” plus any “Curtailments” plus any “Settlements”.

Administration expenses are now accounted for within the Profit and Loss charge; previously the Actuary made a deduction to the actual and expected returns on assets.

2. IFRS 7 – Financial Instruments Disclosures was updated in December 2011. The amendments require Financial Instruments disclosures to include information that will enable users of the council’s financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the council’s recognised financial assets and recognised financial liabilities, on the council’s financial position.

Both changes set out above are effective for accounting periods beginning on or after 1<sup>st</sup> January 2013, and therefore do not affect the disclosures for 2012/13.

## Notes to the Accounts

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### 2. ASSUMPTIONS ABOUT THE FUTURE, OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are listed below.

#### **Critical Judgements**

There is a high degree of uncertainty about future levels of funding for local government. However, the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

#### **Estimation Uncertainty**

The authority is required to disclose details of all key estimations and assumptions made within the accounts that could result in an uncertainty and could have a risk of causing an adjustment to the carrying amount of assets and liabilities within the next financial year.

#### **Identification of items likely to be compiled using estimates**

The accounts are compiled in accordance with statutory guidance for both revenue and capital, and this directs attention to those items that require estimation.

In addition, there are a number of controls in place which ensure that accounting estimates are identified and applied where necessary.

The Financial Procedure Rules underpin the Financial Regulations and both documents provide the framework for the financial administration of the council and set out the processes that need to be followed to ensure that sound financial management is maintained, expenditure and income are properly accounted for during the year and that where necessary, estimations are applied.

During the course of the financial year, no circumstances have given rise to the need for the authority to review or compile new accounting estimates of a significant nature, although new provisions for liabilities have been created and these are discussed in greater detail below.

The main accounting estimates in application along with the degree of associated estimation uncertainty are as follows:

# Notes to the Accounts

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## **Contingent Assets and Liabilities**

A contingent asset or liability arises where an event has taken place that gives the authority a possible asset or liability whose existence can only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets and liabilities do not result in a carrying value on the Balance Sheet and for this reason, there is no possibility of a material mis-statement within the accounts as a result of a change in circumstances.

Details of each contingent asset or liability is provided in note 40 to the Financial Statements.

## **Defined Benefit Pension Scheme**

The council participates in the Local Government Pension Scheme (LGPS) which is administered by Buckinghamshire County Council.

The disclosures provided within the Statement of Accounts are taken from the annual Actuary report, provided by Barnett Waddingham and full details of the scheme can be found in note 41 to the Financial Statements.

## **Long Term Obligations under a Public Private Partnership**

On 1<sup>st</sup> January 2004, the council entered into a twelve year contract with HBS, now trading as Mouchel Business Services Ltd. This contract was renegotiated and on 31<sup>st</sup> December 2012 the services transferred into a new Limited Liability Partnership - the Milton Keynes Service Partnership. Full details of this Partnership can be found in the Group Accounts on page 163.

## **Landfill Allowance Liability**

The estimated liability is based upon actual tonnages used in Performance Indicator data for the period of April to December 2012 and multiplied against a profile to calculate the estimate for the year. From this, the liability in tonnage for the year is calculated.

This liability is then valued using the average price of a Landfill Allowance Trading Scheme (LATS) permit based upon the valuation provided by DEFRA. Each year the liability is recalculated using the same process. This is always discharged once the final tonnage figures are confirmed in September of each following financial year.

Full details of the scheme can be found in note 18 to the Financial Statements.

## **Annual Leave and Flexi time Accrual**

The cost of annual leave and flexi-time entitlement earned but not taken by employees at the end of the reporting period is recognised in the Financial Statements based on actual leave and flexi-time balances at the 31<sup>st</sup> March 2013.



## Notes to the Accounts

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In respect of schools staff, who do not receive an annual leave or flexi-time allowance, the calculation of benefits due in 2012/13 is based on the number of days in each term.

The Accumulated Absence Account can be found in note 30 to the Financial Statements.

### Provisions

A provision is created or maintained where an event has taken place that gives the authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits, and where a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed on an annual basis, using a best estimate of expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

Full details of each provision including the basis of estimation applied are provided in note 29 to the Financial Statements.

### Allowance for Non-Payment of Debt

The council maintains an allowance for the non-payment of debts in order to ensure that there are sufficient funds available to meet the future cost of any debt that is uncollectable.

The value of the allowance is calculated based on a review of all debts and a judgement of the probability of collection for each. Most categories of Local Authority debt are not subject to substantial fluctuation and past experience can be used within material limits to judge the percentage of debt that may not be recovered.

The council evaluates each debt or category of debt by considering any significant financial difficulty for the debtor, any breach of contract or default, any concessions granted by the authority based on difficulty for the debtor, the likelihood of the debtor entering bankruptcy and any observable data indicating a measurable decrease in future estimated cash flows.

### Property, Plant and Equipment and Investment Properties

The basis of Property, Plant and Equipment valuation is determined according to the guidance within the International Financial Reporting Standards Code of Practice and also guidance set out in the Royal Institution of Chartered Surveyors Red Book.

The Statement of Accounts contains comprehensive disclosures in respect of Property Plant and Equipment. Full details of the basis of valuation can be found in Accounting Policy note 25, and non-current asset values are provided in note 19 to the Financial Statements.

### Finance lease liabilities

The key judgement involved in the calculation of the liability resulting from finance leases is that of the useful life of each leased asset. In order to establish the useful life, service

## Notes to the Accounts

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users are asked to confirm the useful life remaining and where any uncertainty exists, leasing advisors are consulted.

Full details of the council's lease arrangements can be found in note 35 to the Financial Statements.

### Measurement of Financial Instrument Fair Values

Borrowing and investments are estimated based on fair value. The calculation is based on net present value which is an estimate of the value of payments due in the future in today's terms.

Balances for borrowings and investments are carried on the Balance Sheet at amortised cost. Fair values are supplied as a note to the Financial Instrument disclosures.

Financial Instrument disclosures can be found in note 34 to the Financial Statements.

### 3. MATERIAL ITEMS OF INCOME AND EXPENSE

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The following significant gains and losses are reflected within the 2012/13 accounts:

	Total (Gain)/Loss £'000	Note
<b>Disposals of Items of Property, Plant &amp; Equipment:</b>		
Schools that have gained Foundation School status in year	8,874	i
Schools that have converted to Academy Schools in year	11,088	ii
Council Dwellings sales to tenants	(1,399)	
Relocatable School was demolished and the land transferred to Oakgrove Academy	1,087	
Other Minor Disposals	3,049	
<b>Total (Gain)/Loss on Disposal of Non-Current Assets</b>	<b>22,699</b>	

Notes:

- i. Olney Middle, New Chapter and Heronsgate Schools gained foundation status in year;
- ii. Rickley Park, Simpson, Sheperdswell, Gatehouse and Orchard Schools converted to Academies in 2012/13.

There has been (£113,000) reversal of unused provisions in 2012/13 which is mainly due to an IT & Transport Equipment lease provision no longer required due to the expiry of the lease.

## Notes to the Accounts

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### 4. MATERIAL EVENTS AFTER THE BALANCE SHEET DATE

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The Statement of Accounts was authorised for issue by the Corporate Director Resources on 24<sup>th</sup> September 2013. Events taking place after this date are not reflected in the Financial Statements or notes. Where events taking place before this date provided information about conditions existing at 31<sup>st</sup> March 2013, the figures in the Financial Statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Financial Statements and notes have not been adjusted for the following events which took place after 31<sup>st</sup> March 2013 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date:

#### **Allocation of a Public Health Grant**

Responsibility for certain Public Health functions transferred to local authorities on 1<sup>st</sup> April 2013. Milton Keynes Council was allocated a ring-fenced grant of £7,989,000 by the Department of Health under Section 31 of the Local Government Act to finance those responsibilities.

An associated transfer of Health Promotion stock valued at approximately £56,000 is to be transferred to Milton Keynes Council. There are no contingent gains or losses.

#### **Business Rate Appeals**

On 1<sup>st</sup> April 2013 Central Government introduced the Business Rates Retention Scheme which affects all Local Authorities in England. From this date, Milton Keynes Council bears a portion, subject to the tariff and levy system, of the risks associated with backdated Rating Appeals. This gross estimated cost of backdated appeals is £7,316,000.

These anticipated costs have been incorporated into the calculation of the Council's retained business rate funding forecast for 2013/14 and will be closely monitored throughout the year.

## Notes to the Accounts

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### 5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

#### **General Fund Balance**

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid, out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year. The balance is not available to be applied to funding HRA services.

#### **Housing Revenue Account Balance**

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

#### **Major Repairs Reserve**

The authority is required to maintain the Major Repairs Reserve, which controlled the application of the Major Repairs Allowance (MRA) until it ceased in 2011. The reserve is held to fund asset management needs but with flexibility for revenue and capital uses depending on requirement.

## Notes to the Accounts

### Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

The Capital Receipts Reserve balance is broken down as follows:

2011/12 £'000		2012/13 £'000
<b>(4,728)</b>	<b>Balance at 1 April</b>	<b>(4,881)</b>
(1,326)	Capital Receipts in year from Sale of Assets	(4,534)
(28)	Capital Receipts in year from Repayments of Advances	0
(102)	Other Capital Receipts in year	815
(6,184)		(8,600)
	<u>Less:</u>	
6,683	Capital Receipts applied to finance capital expenditure	2,044
(5,838)	Deferred Capital Receipts in year from Sale of Assets	(15)
458	Statutory Pooling	587
1,303		2,616
<b>(4,881)</b>	<b>Balance at 31 March</b>	<b>(5,984)</b>

### Capital Grants Unapplied Reserve

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet capital expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place. The balance can be analysed as follows:

	General Fund £'000	HRA £'000	Total £'000
<b>Balance at 1 April 2012*</b>	<b>(31,293)</b>	<b>(1,200)</b>	<b>(32,493)</b>
<b>Capital Grants and Contributions credited to the Comprehensive Income &amp; Expenditure Statement</b>			<b>0</b>
Government Grants	(19,466)	0	<b>(19,466)</b>
Third Party Contributions	(7,419)	(2,080)	<b>(9,499)</b>
<b>Applied Capital Grants and Contributions</b>			
Government Grants	21,320	3	<b>21,323</b>
Third Party Contributions	7,459	2,080	<b>9,539</b>
<b>Balance at 31 March 2013</b>	<b>(29,399)</b>	<b>(1,197)</b>	<b>(30,596)</b>

\* An adjustment has been made to the balance at the 1<sup>st</sup> April 2012 to reflect the Travellers Site Grant Funding of £1,200,000 which has moved from the General Fund to HRA.

## Notes to the Accounts

2012/13	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Usable Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement</b>						
Charges for depreciation and impairment of non-current assets	(36,468)	(14,323)	0	0	0	50,791
Revaluation Losses on Property, Plant and Equipment	876	0	0	0	0	(876)
Movements in the market value of Investment Properties	0	0	0	0	0	0
Amortisation of intangible fixed assets	(671)	0	0	0	0	671
Capital grants and contributions applied	0	0	0	0	30,862	(30,862)
Revenue Expenditure Funded from Capital Under Statute	(616)	(3)	0	0	0	619
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(24,553)	(2,680)	0	0	0	27,233
Use of the Major Repairs Reserve to finance new capital expenditure	0	8,383	0	0	0	(8,383)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	10,435	96	0	0	0	(10,531)
Capital expenditure charged against the General Fund and HRA balance	675	6,967	0	0	0	(7,642)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	28,965	0	0	0	(28,965)	0

## Notes to the Accounts

2012/13	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Usable Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	990	3,544	(4,534)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	2,029	0	0	(2,029)
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	(587)	0	587	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	0	0
<b>Adjustments primarily involving the Major Repairs Reserve:</b>	0	4,614	0	(4,614)	0	0
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	786	20	0	0	0	(806)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 41)	(27,300)	(894)	0	0	0	28,194
Employers pensions contributions and direct payments to pensioners payable in year	13,802	452	0	0	0	(14,254)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(302)	0	0	0	0	302

## Notes to the Accounts

2012/13	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Usable Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
<p><b>Adjustment primarily involving the Accumulated Absences Account:</b> Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements</p>	9	1	0	0	0	(10)
<p><b>Adjustments in respect of Local Government Reorganisation:</b> Voluntary additional payment of LGR Debt</p>	1,959	0	0	0	0	0
<b>Total Adjustments</b>	<b>(32,002)</b>	<b>6,177</b>	<b>(1,918)</b>	<b>(4,614)</b>	<b>1,897</b>	<b>32,418</b>



## Notes to the Accounts

2011/12 Comparators	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Usable Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	(18,999)	(23,949)	0	0	0	42,948
Revaluation Losses on Property, Plant and Equipment	(6,698)	(1,160)	0	0	0	7,858
Movements in the market value of Investments	150	0	0	0	0	(150)
Amortisation of intangible fixed assets	(695)	(22)	0	0	0	717
Capital grants and contributions applied	0	0	0	0	14,906	(14,906)
Revenue Expenditure Funded from Capital Under Statute	(1,611)	7	0	0	0	1,604
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(7,438)	(1,313)	0	0	0	8,751
Use of the Major Repairs Reserve to finance new capital expenditure	0	8,092	0	0	0	(8,092)
HRA Self Financing	0	(170,360)	0	0	0	170,360
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	10,848	96	0	0	0	(10,944)
Capital expenditure charged against the General Fund and HRA balance	499	1,176	0	0	0	(1,675)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	27,166	0	0	0	(27,166)	0

## Notes to the Accounts

2011/12	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Usable Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	124	1,202	(1,326)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	6,683	0	0	(6,683)
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	(458)	0	458	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(5,838)	0	0	5,838
<b>Adjustments Primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	0	(8,092)	0	8,092	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	8,092	0	(8,092)	0	0
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(7)	(16)	0	0	0	23
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(18,308)	(579)	0	0	0	18,887
Employers pensions contributions and direct payments to pensioners payable in year	14,268	451	0	0	0	(14,719)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	335	0	0	0	0	(335)

## Notes to the Accounts

### 2011/12 Comparators

**Adjustment primarily involving the Accumulated Absences Account:**

Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements

**Adjustments in respect of Local Government Reorganisation:**

Voluntary additional payment of LGR Debt

**Total Adjustments**

	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Usable Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
	16	(33)	0	0	0	17
	1,959	0	0	0	0	0
	<b>1,151</b>	<b>(186,408)</b>	<b>(23)</b>	<b>0</b>	<b>(12,260)</b>	<b>199,499</b>

## Notes to the Accounts

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### 6. TRANSFERS TO/ FROM EARMARKED RESERVES

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The table and notes which follow set out the amounts set aside from the General Fund and Housing Revenue Account balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts transferred from Earmarked Reserves to meet General Fund and Housing Revenue Account expenditure in 2012/13.

## Notes to the Accounts

	Balance at 31 March 2011 £'000	Transfers Out 2011/12 £'000	Transfers In 2011/12 £'000	Balance at 31 March 2012 £'000	Transfers Out 2012/13 £'000	Transfers In 2012/13 £'000	Balance at 31 March 2013 £'000
<b>General Fund</b>							
<i>Adult Social Care Reserve</i>							
Adult Social Care Demand Led Reserve	(400)	0	0	(400)	200	(834)	(1,034)
Adult Transformation Reserves	(50)	0	(200)	(250)	100	0	(150)
Ordinary Residency Reserve	(200)	0	0	(200)	0	0	(200)
Allow for Non-Payment of Debt Reserve	(225)	170	(171)	(226)	15	(126)	(337)
Benefit Subsidy Reserve	(362)	429	(525)	(458)	0	(517)	(975)
Budget Rollovers Reserve	(1,617)	804	(1,356)	(2,169)	768	(1,938)	(3,339)
Building Asset Renewal Reserve	(1,250)	0	(21)	(1,271)	600	0	(671)
Capital Reserve - General Fund	(145)	6	0	(139)	675	(799)	(263)
Car Parking Surplus Reserve	(455)	143	(478)	(790)	122	(236)	(904)
Casino Forward Funding Reserve	0	0	0	0	0	(1,500)	(1,500)
CCTV Reserve	(101)	0	(54)	(155)	0	(137)	(292)
Children Demand Reserve	(462)	17	(200)	(645)	0	(600)	(1,245)
Corporate Property Reserve	0	0	(500)	(500)	0	0	(500)
Debt Financing Reserve	(548)	0	0	(548)	0	0	(548)
Economic Development Reserve	0	0	(400)	(400)	0	0	(400)
Insurance Reserve	(2,347)	1,069	(398)	(1,676)	526	(200)	(1,350)
Landfill Allowances Reserve	(189)	66	(46)	(169)	46	(42)	(165)
Lease Rental Equalisation Reserve	(49)	0	0	(49)	0	(40)	(89)
Legal Fees Reserve	0	0	(700)	(700)	131	(200)	(769)
LLP Cashflow and Risk Reserve	0	0	0	0	0	(650)	(650)
Money Market Reserve	0	0	0	0	0	(600)	(600)
New Homes Bonus Reserve	0	0	(2,873)	(2,873)	3,560	(4,067)	(3,380)
NHS Support Reserve	0	0	0	0	0	(1,011)	(1,011)
NNDR Funding Volatility Reserve	0	0	(748)	(748)	308	(529)	(969)
One-Off Expenditure Reserve	(1,944)	1,783	(1,763)	(1,924)	3,903	(4,741)	(2,762)
Other Earmarked Reserves	(572)	730	(1,583)	(1,425)	919	(1,363)	(1,869)
Pay and Reward Reserve	0	0	0	0	0	(1,350)	(1,350)
Planning Gains Reserve	(1,803)	614	(933)	(2,122)	1,630	(901)	(1,393)
Radcliffe Reserve	(1,575)	1,063	0	(512)	0	0	(512)
Redundancy & Reorganisation Reserve	(588)	390	(1,006)	(1,204)	899	(866)	(1,171)
Repairs & Renewals Reserve	(347)	0	0	(347)	13	0	(334)
Revenue Financing Reserve	(501)	0	(1)	(502)	322	(55)	(235)
SALIX Reserve	(426)	426	(500)	(500)	250	0	(250)
Saxon Court Dilapidation Reserve	(400)	0	(300)	(700)	0	(200)	(900)
Schools Balances	(9,152)	0	(1,603)	(10,755)	907	0	(9,848)
Strategic Restructuring Reserve	0	222	(984)	(762)	446	(12)	(328)
Tariff Risk Reserve	0	0	(530)	(530)	0	(580)	(1,110)
Value for Money Reserve	(1,539)	19	0	(1,520)	127	0	(1,393)
Waste Project Risk Reserve	0	0	0	0	0	(948)	(948)
Welfare Reform & CTB Reserve	0	0	0	0	26	(975)	(949)
<b>Total General Fund Earmarked Reserves</b>	<b>(27,247)</b>	<b>7,951</b>	<b>(17,873)</b>	<b>(37,169)</b>	<b>16,493</b>	<b>(26,017)</b>	<b>(46,693)</b>
Allow for Non-Payment of Debt Reserve	(747)	186	0	(561)	0	0	(561)
Capital Reserve - HRA	(3,681)	184	0	(3,497)	6,967	(7,353)	(3,883)
Other Earmarked Reserves	(100)	0	(410)	(510)	9	(854)	(1,355)
<b>Total HRA Earmarked Reserves</b>	<b>(4,528)</b>	<b>370</b>	<b>(410)</b>	<b>(4,568)</b>	<b>6,976</b>	<b>(8,207)</b>	<b>(5,799)</b>
<b>Total Earmarked Reserves</b>	<b>(31,775)</b>	<b>8,321</b>	<b>(18,283)</b>	<b>(41,737)</b>	<b>23,469</b>	<b>(34,224)</b>	<b>(52,492)</b>

## Notes to the Accounts

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The nature and purpose of these reserves is as follows:

### **Adult Social Care Reserves**

The Adult Social reserves have the following purposes:

- To fund future demand led pressures across Adult Social Care of (£1,034,000).
- To support and facilitate the closure of St Giles Care home and to set up a new extra care scheme (£150,000).
- The risk of claims arising from other Local Authorities, in respect of Ordinary Residency decisions, affecting Milton Keynes Council's responsibility to pay for clients' Social Care (£200,000).

### **Allowance for Non-Payment of Debt Reserve**

Local Authorities are required to calculate an allowance for impairment on loans and receivables in place of the Bad Debt Provision used in previous years.

The allowance is calculated on an incurred losses basis, and this has resulted in a lower sum than was previously recognised in the Balance Sheet.

The Code of Practice states that authorities are able to create an Earmarked Reserve where material differences exist between the Bad Debt Provision and the new Allowance for Non-Payment of debt.

A project is ongoing to review all aged debt, and this reserve will be used to offset the cost to the council of any resulting write-offs.

### **Benefit Subsidy Reserve**

This reserve was set up to cover potential liabilities resulting from possible over-claimed benefit subsidies identified in the audit of such claims. The reserve covers the potential of having the 100% subsidy incentive on LA error overpayments above the lower threshold raised in the 2011/12 claim being clawed back.

### **Budget Rollovers Reserve**

This reserve represents monies which are rolled forward and set aside to fund specific projects in future years. They are assessed each year to ensure that the funding is necessary and that the relevant project is still required.

### **Building Asset Renewal Reserve**

The purpose of this reserve is to recognise that there are a number of Building Assets held by Milton Keynes Council which require funds for their upkeep. The reserve recognises that to fulfil responsibilities as a property owner, funds need to be set aside to avoid adverse impact on the General Fund.

## Notes to the Accounts

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### **Car Parking Surplus Reserve**

The Parking Surplus Reserve was set up under the terms of Section 55 of the Road Traffic Regulation Act 1984. The reserve holds any surplus achieved through the provision of on-street parking (known as the Road Charging Scheme under the Transport Act 2000) to be spent in accordance with the Act. This reserve was previously called Special Parking Reserve.

### **Casino Forward Funding Reserve**

The purpose of this reserve is to hold the prepayment of £1.5m from the Casino operator to reflect the first 3 years of operation with £500,000 per year thereafter. The reserve will be used to fund the delivery of regeneration projects for the next three years.

### **CCTV Reserve**

This reserve is for the funding for the partnership project between Milton Keynes Council and Thames Valley Police. The funds will be used for system upgrades for the CCTV control room at Thames Valley Police station.

### **Children's Demand Reserve**

This reserve is to fund potential additional costs arising from an increase in demand for children's services, including home to school transport services.

### **Corporate Property Reserve**

This reserve will be used to fund revenue costs arising from the ongoing delivery of the Accommodation Strategy.

### **Debt Financing Reserve**

This reserve was established to fund debt financing budget shortfalls that may arise due to factors beyond the control of the council

### **Economic Development Reserve**

The council's Corporate Plan outlines a commitment to Economic Development. Some funding has been included in Budget Proposals to support this work, but it is likely that as the Marketing Strategy and Inward Investment work progresses, some in year projects may be identified.

### **Insurance Reserve**

The council's insurance arrangements involve both internal and external cover. Internal cover is provided by way of an earmarked reserve for all claims notified to the council by 31<sup>st</sup> March each year (the amount provided for those claims being based on advice from the council's Insurers). Some risks are not fully funded, with losses up to a specified amount being met from revenue as they arise. To obtain insurance cover in the most cost effective manner, the council has chosen to carry excesses in respect of claims made

## Notes to the Accounts

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under liability and material damage insurances. A reserve has been set up from the council's internal funds to cover self-insured risks. This reserve is based on the total potential liability that could accrue up to 31<sup>st</sup> March each year.

Details of the internal insurance arrangements are provided in the Accounting Policy note 16.

### **Landfill Allowance Reserve**

This reserve was established during 2005/06 to comply with statutory requirements. The reserve can be used when the amount of biodegradable municipal waste (BMW) land-filled exceeds that permitted in any year.

### **Lease Rental Equalisation Reserve**

This reserve was established to manage the budget implications of the change in accounting treatment of lease rentals from cash to an accruals basis.

### **Legal Fees Reserve**

The Organisational Transformation Programme includes some significant plans for outsourcing activity, which may require appropriate support and legal advice to deliver. In addition, the size of the council means there are often legal claims in progress.

### **LLP Cashflow and Risk Reserve**

This reserve has been set aside to fund any unexpected costs arising from the two new Limited Liability Partnerships. This includes the ability to manage potential ongoing cash flow issues.

### **Money Market Reserves**

This reserve has been setup to guard against money market fluctuations and the capital risk involved in investing in these instruments, and also to give some protection from proposed regulatory changes being discussed.

### **New Homes Bonus Reserve**

This reserve was set up in 2011/12 to hold the New Homes Bonus paid to the council. Cabinet agreed this funding would be used in a strategic manner to support growth in the borough. Use of this funding is agreed as part of the budget process.

### **NHS Support Reserve**

This reserve is for the purpose of investing in social care services to benefit health and improve overall health gain. This reserve was created from unspent resources from the NHS Support for Social Care Grant, which is allocated by the Health and Wellbeing Board.



# Notes to the Accounts

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## **NNDR Funding Volatility Reserve**

Government proposals may result in the council's funding from April 2013 being based on actual Business Rate income. While a safety net will operate for losses in income above 7.5%, this still creates a significant increase in the potential volatility in this funding stream. This reserve has been created to mitigate the increased risk.

## **One Off Expenditure Reserve**

This reserve was set up to finance One-off expenditure items in future years. This reserve will hold funding for the One-off expenditure items agreed in the budget. Surplus reserves from previous years are used to contribute to the funding available for one-off costs in the budget.

## **Other Reserves – General Fund**

These reserves comprise the Compulsory Purchase Order Waterside Peartree Reserve (£200,000); Demand Led Pressures in Housing Reserve (£330,000); Lakes Regeneration Reserve (£500,000); HRA Waterside Demolition Reserve (£301,000); and a new reserve for Gambling Support (£249,000).

There are also a number of smaller reserves such as the Access MK Reserve, HR Training Reserve, IT Reserve, Building Control Reserve, Broadband Trading Service Reserve, Music Service Reserve, Pensions Year 1 Reserve, Meeting Place Reserve, Ouse Valley Link Reserve, CEC Property Maintenance, Energy Efficiency Fund Reserve, Parking Facilities Reserve, Events Reserve and the Public Health Transition Reserve.

## **Pay and Reward Reserve**

The purpose of this reserve is to fund transitional and one-off costs relating to changes to pay structure and staff terms and conditions.

## **Planning Gains Reserve**

The purpose of a planning obligation is to address the impact arising from a proposed development and to require the landowner to undertake measures to make the planning application acceptable to the local planning authority. The council can negotiate planning gains from developers where a need is identified for infrastructure and facilities, which arises from the new development. Therefore, there is a direct relationship between the impact on the local infrastructure created by the new development and what the council should be seeking.

The planning gains identified are, in almost every case, linked to a specific parish or area within the council where a main development has taken place. The purposes stated for the use of such gains range from general use (e.g. improvements to physical or social infrastructure) to somewhat more specific requirements such as provision of public artwork. In a few instances, the use can cover a wide area for example public access or transport initiatives.

# Notes to the Accounts

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## **Radcliffe Reserve**

This reserve was set up in 2010/11 as part of the sale of land at Radcliffe School to David Wilson Homes. There are various future commitments under the deal and the funds held in this reserve are held to ensure that funds are available to meet the next tranche of payments in 2012/13. The reserve will be assessed on a regular basis as property values move and any overage under the deal can be better evaluated.

## **Redundancy and Reorganisation Reserve**

This reserve was created to meet the forecast costs of redundancies and pension strain costs arising from reductions and restructuring of services in response to the financial pressure the council is facing.

## **Repairs and Renewals Reserve**

This reserve contains funds for two purposes. The Bradwell Abbey Reserve is held to ensure, firstly, that the council's obligations in respect of Bradwell Abbey are appropriately funded and, secondly, that a contingency fund is built to fund anticipated periodic major expenditure on the fabric of this historic building. The reserve is accessed by the budget holder in response to approved requests from the City Discovery Centre for payment of necessary repairs/improvements.

The Footpaths reserve holds monies received from developers for improvements on footpaths within Fishermead.

## **Revenue Financing Reserve**

This reserve includes monies for arts and sports endowments to cover the cost of maintaining and repairing works of art within the borough and also smaller sums for the costs of construction and traffic calming of planned events.

## **SALIX Reserve**

The SALIX Reserve holds funding for carbon management schemes. The council has agreed to establish and operate a local fund to assist in reducing energy use within its boundary through the uptake of energy saving and renewable energy technologies. The reserve holds the funding received from SALIX and the match funding put into the local fund by the council as outlined in the terms of the funding agreement.

## **Saxon Court Dilapidation Reserve**

This reserve was established in 2009/10 in recognition of the council's commitment that on relinquishment of its lease it would return the Saxon Court premises to the standard of the building at the commencement of the contract, or to pay an agreed equivalent cash sum to the landlord. Since that time the Freehold on the building has been purchased but the reserve is still required to fund the maintenance of the building and building works required in order to deliver the Accommodation Strategy.

## Notes to the Accounts

### Schools Balances

The sums in the table below represent the reserves built up by schools from their delegated budgets. They are ring fenced for use by schools and are not therefore available to the council for general use.

31 Mar 2012 Net £'000		Surplus £'000	31 March 2013 Deficit £'000	Net £'000
(172)	Nursery	(211)	0	(211)
(8,119)	Primary	(7,506)	0	(7,506)
(120)	Secondary	109	0	109
(683)	Special	(934)	24	(910)
<u>(9,094)</u>		<u>(8,542)</u>	<u>24</u>	<u>(8,518)</u>
(1,661)	Foundation	(1,330)	0	(1,330)
<u><u>(10,755)</u></u>	<b>Total Schools Balance</b>	<u><u>(9,872)</u></u>	<u><u>24</u></u>	<u><u>(9,848)</u></u>

### Strategic Restructuring Reserve

This reserve was set up in 2011/12 for the front-loading effects of cuts to the voluntary sector and to develop key front-line services in innovative and sustainable ways to reduce future costs.

### Tariff Risk Share Reserve

This reserve was created to mitigate against the council's liability under the risk sharing agreement on the Tariff.

### Value for Money Reserve

This reserve was set up to ensure adequate funding for invest to save schemes, which deliver a return on initial investment over a number of years.

### Waste Project Risk Reserve

This reserve has been created to mitigate against potential risks from the Residual Waste Transfer Facility. The main issues relates to changes in the LIBOR and interest rate costs for debt between financial close and the payment due from the council in 2016.

### Welfare Reform and Council Tax Benefit Reserve

This reserve is required to fund the potential impact from Local Council Tax Support and the withdrawal of reimbursement of loss on council tax overpayments from central government, and additional costs and risks as a result of welfare reform.

## Notes to the Accounts

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### Capital Reserve

The General Fund and Housing Revenue Account Capital Reserve holds contributions from the Comprehensive Income and Expenditure Statement and Housing Revenue Account to fund capital expenditure.

The balance at year end represents those amounts unapplied during 2012/13. These will be carried forward to fund capital expenditure in 2013/14 and future years. The balance can be analysed as follows:

	General Fund	Housing Revenue Account	Total
	£'000	£'000	£'000
Balance at 1 April 2012	(139)	(3,497)	(3,636)
Revenue Contributions	(124)	(386)	(510)
Balance at 31 March 2013	<b>(263)</b>	<b>(3,883)</b>	<b>(4,146)</b>

### Other Earmarked Reserves – HRA

The HRA other reserves comprise mainly of the Block Improvements Reserve. This reserve was set up due to a significant underspend in 2011/12 against the funding put aside for block improvements led to the creation of a reserve to fund the works that have been planned in the future and which may exceed the budgets which are allocated for this purpose.

## Notes to the Accounts

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### 7. EXCEPTIONAL ITEMS

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In 2012/13, Milton Keynes Council has disclosed one prominent item as exceptional in the Comprehensive Income and Expenditure Statement in order to provide a fair view of the accounts.

In December 2012, the council renegotiated the long term contract with Mouchel Business Services Ltd, who had been engaged to provide support services for the council including Finance, Human Resources, ICT, Property and Building Services and Revenues and Benefits.

The renegotiation resulted in the transfer of staff into a Limited Liability Partnership – the Milton Keynes Service Partnership – which is wholly owned by Milton Keynes Council, on 1<sup>st</sup> January 2013. Full details of the Milton Keynes Service Partnership can be found in the Groups Accounts section on page 163.

In December 2012, Milton Keynes Council paid Mouchel Business Services the sum of £6.15m as settlement for the significant variation to the 12 year contract.

## Notes to the Accounts

### 8. TRADING OPERATIONS

The authority has established 11 ongoing trading units where the service is required to operate in a commercial environment and balance the budget by generating income from other parts of the authority or other organisations.

2011/12 (Surplus)/ Deficit £'000		2012/13 Expenditure £'000	2012/13 Turnover £'000	2012/13 (Surplus)/ Deficit £'000
(6)	Commercial Properties	1,353	(873)	480
200	Building	1,097	(970)	127
(417)	Transport Fleet and Vehicle Maintenance	2,614	(2,933)	(319)
(23)	Emberton Park	222	(228)	(6)
(33)	Hospitality Services	91	(109)	(18)
(18)	Broadband	381	(410)	(29)
(107)	Stores	0	0	0
(355)	Highways	0	0	0
191	Landscape	0	0	0
0	Woughton Leisure Centre	1,028	(401)	627
0	Woughton on the Green Sports Ground	405	(212)	193
0	Windmill Hill Golf Centre	119	(3)	116
0	Sponsorship	186	(234)	(48)
0	Connect MK	260	(49)	211
<b>(568)</b>	<b>Net (Surplus)/Deficit on Trading Accounts</b>	<b>7,756</b>	<b>(6,422)</b>	<b>1,334</b>

#### Commercial Properties

The council received a number of commercial properties in June 1992, following the wind-up of the Development Corporation. The council receives income from these properties and this income is offset against any expenditure incurred by the service.

#### Buildings

A small unit is maintained by the council to undertake small building maintenance works.

#### Transport Fleet and Vehicle Maintenance

Neighbourhood Services provides a fleet management service for the council and operates vehicle maintenance for the council. It also provides an MOT testing service and operates vehicle checking on behalf of Taxi Licensing.

#### Emberton Park

Neighbourhood Services continued to manage the operation of Emberton Park throughout 2012/13.

#### Hospitality Services

Resources – Public Access carries out a catering hospitality service to officers and members of the council to service meetings and functions.

#### Broadband

This service provides broadband (MKSchools.net) to schools and receives subscription income from them. The capital costs are funded by the schools, and they have the option to use MKSchools.net as their broadband provider.

## Notes to the Accounts

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### **Stores**

The stores area which provided a wide range of materials for all the trading activities within Neighbourhood Services was closed. Services now maintain their own stocks.

### **Highways**

The Highways DSO work group undertook a range of highways maintenance and construction activities for a number of areas of the council, primarily for the Highways and Transport Group, this provision is now at cost and no longer operates as a Trading Operation.

### **Landscape**

Neighbourhood Services carried out landscape maintenance work for the council, as well as schools and public bodies in the area. The Landscape service no longer operates as a Trading Operation.

### **Woughton Leisure Centre**

Woughton Leisure Centre provides Sports and Leisure facilities to the public.

### **Woughton on the Green**

Woughton on the Green Sports Ground provides sports facilities for hire by members of the public.

### **Windmill Hill Golf Centre**

Windmill Hill Golf Centre is an 18 hole golf course with a clubhouse open to centre members and members of the public on a 'pay and play' basis. Milton Keynes Council have been managing the Centre since 28<sup>th</sup> January 2013 after the private company managing the Golf course went into liquidation in December 2012, and pending new management being appointed.

### **Sponsorship**

This service receives income from selling advertising space on roundabouts partially offset against some maintenance costs and employee expenses.

### **Connect MK**

Connect MK provides broadband services to residence and businesses within the borough of Milton Keynes.

## Notes to the Accounts

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### 9. ACQUIRED AND DISCONTINUED OPERATIONS

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The following operations were discontinued in 2012/13:

#### Day Nurseries

The provision for four Day nurseries was transferred from council ownership to the private, voluntary and independent sector. The Day Nurseries were Fledglings and Westcroft, which transferred to Acorn Childcare Ltd and Little Chestnuts and Wolverton, which transferred to Kids Play.

The dates of transfer were 30<sup>th</sup> April 2012 for Westcroft, Little Chestnuts and Wolverton and 31<sup>st</sup> May 2012 for Fledglings.

Day Nursery employees transferred to become employees of the new providers under TUPE employment regulations.

In 2012/13 the deficit on the discontinued Day Nurseries operations totalled £14,000 (£181,000 in 2011/12).

#### Longrigg and Caldecotte Education Centres

On 1<sup>st</sup> April 2012, the services provided at the Longrigg Outdoor Education Centre and the Caldecotte Centre were transferred to Action for Youth.

The assets (property and equipment) were transferred to Action for Youth at a value of £1 following completion of the legal transfer in 2012/13.

In 2012/13 the deficit on the discontinued Longrigg and Caldecotte Education Centres operation totalled £85,000 (£314,000 in 2011/12).

### 10. AGENCY SERVICES

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The council acted as an agent for Homes and Communities Agency until January 2013 and for Milton Keynes Development Partnership from January onwards in providing street lighting. The costs of £39,363 (£28,471 in 2011/12) are fully recovered and the net cost to the council is £nil.

Since 2003, the council has acted as an agent for Milton Keynes Primary Care NHS Trust in respect of the provision of nursing care to residents in care homes and the payment for that care. Expenditure of £1,562,000 (£1,700,000 in 2011/12) was fully recovered during the year.

The council acts as an agent for the Milton Keynes Primary Care NHS Trust in relation to the provision of the Child and Adolescent Mental Health Services. The costs of the service is £109,803 and will be fully recovered. Therefore the net cost to the council is £nil.



# Notes to the Accounts

## 11. MEMBERS ALLOWANCES

The authority paid the following amounts to members of the council during 2012/13:

2011/12 £'000		2012/13 £'000
504	Basic Allowances	504
218	Other Allowances	201
7	Expenses	7
<b>729</b>	<b>TOTAL</b>	<b>712</b>

Details of each Member's individual payments are published annually on the council's website.

## 12. EXTERNAL AUDIT COSTS

The authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the authority's external auditors:

2011/12 £'000		2012/13 £'000
328	Fees payable with regard to external audit services carried out by the appointed Auditor	254
0	Fees payable in respect of statutory inspection	0
56	Fees payable for the certification of grant claims and returns	55
0	Fees payable in respect of other services provided during the year	0
<b>384</b>		<b>309</b>

## Notes to the Accounts

### 13. ROAD CHARGING SCHEMES UNDER THE TRANSPORT ACT 2000

The council was designated a Permitted and Special Parking Area from 25<sup>th</sup> March 2002, and is required under Section 55 of the Road Traffic Regulation Act 1984 and the Traffic Management Act 2004 to keep an account of income and expenditure relating to these responsibilities.

2011/12 £'000		2012/13 £'000
	<b>Expenditure</b>	
1,575	Contractors Management Fee	1,688
80	Pay and Display Installation Costs	80
114	Staffing Cost	115
397	Supplies and Services	340
245	Support Costs	298
14	Surveys and Fees	14
39	Decriminalised Costs	30
32	Signing Costs	6
5	Landscaping	6
165	Street Lighting	86
8	Highway Management	8
12	Gully Emptying	13
<b>2,686</b>	<b>Total Expenditure</b>	<b>2,684</b>
	<b>Income</b>	
(749)	Excess Charge/Penalty Charge Notices	(715)
(873)	Business Permits	(988)
(17)	Suspensions	(20)
(703)	Scratch Cards	(638)
(6,960)	Pay and Display Income	(7,077)
<b>(9,302)</b>	<b>Total Income</b>	<b>(9,438)</b>
<b>(6,616)</b>	<b>Surplus achieved in year</b>	<b>(6,754)</b>
<b>478</b>	<b>Transfer to Special Parking Reserve</b>	<b>236</b>
<b>(6,138)</b>	<b>Surplus for the year</b>	<b>(6,518)</b>

The surplus of (£6,518,000) has been fully spent during the year to fund a variety of traffic and transportation projects. Examples of such projects undertaken include Highway improvement design and project management (£301,000), off-street car parks (£699,000), the passenger transport team, publicity, Routel, studies and project development, promotion, minibus driving testing and bus infrastructure. This surplus has also contributed towards concessionary fares and bus subsidies. In total the council spends £4,124,000 on concessionary fares and £2,701,000 on bus subsidies. In addition to money being expended on these initiatives further investment (£2,022,000) was also provided from council approved budgets.

## Notes to the Accounts

### 14. POOLED BUDGETS

Section 75 of the National Health Act 2006 allows partnership arrangements between NHS bodies, local authorities and other agencies in order to improve and co-ordinate services. A pooled budget is established to which each partner contributes. The aim of the partnership is to provide a service to a target client group and allows the organisations to work in a more unified way.

The council has entered into three such arrangements with the Milton Keynes Primary Care Trust (PCT).

#### Integrated Community Equipment Service (ICES)

The Integrated Community Equipment pooled budget brings together health and social care equipment for disabled people as a single service, with some efficiency of scale and improved delivery.

The council's share of income and expenditure is included within the Comprehensive Income and Expenditure Statement. The table below summarises the financial performance of the scheme:

2011/12 £'000	Integrated Community Equipment Service (ICES)	2012/13 £'000
	<b>Gross Funding</b>	
(181)	Milton Keynes Council	(181)
(252)	Milton Keynes Primary Care Trust	(252)
<b>(433)</b>	<b>Total Funding</b>	<b>(433)</b>
713	Expenditure	672
<b>713</b>	<b>Total Expenditure</b>	<b>672</b>
<b>280</b>	<b>Net (Surplus)/Deficit</b>	<b>239</b>
(117)	MKC share of underspend/ (overspend)	(100)
(163)	PCT share of underspend/ (overspend)	(139)
<b>0</b>	<b>Net (Surplus) / Deficit Carried Forward</b>	<b>0</b>

## Notes to the Accounts

### Mental Health

The Mental Health pooled budget supports the integrated mental health service (council and Primary Care Trust), allowing greater flexibility and economies of scale in funding mental health services.

The council's share of income and expenditure is included within the Comprehensive Income and Expenditure Statement. The table below summarises the financial performance of the scheme:

2011/12 £'000	Mental Health	2012/13 £'000
	<b>Gross Funding</b>	
(3,842)	Milton Keynes Council	(3,706)
(12,449)	Milton Keynes Primary Care Trust	(12,370)
<b>(16,291)</b>	<b>Total Funding</b>	<b>(16,076)</b>
	<b>Expenditure</b>	
16,241	Commissioning	16,072
0	Provider	0
<b>16,241</b>	<b>Total Expenditure</b>	<b>16,072</b>
<b>(50)</b>	<b>Net Deficit/ (Surplus) before additional contributions / distributions</b>	<b>(4)</b>
12	MKC share of underspend/ (overspend)	1
38	PCT share of underspend/ (overspend)	3
<b>0</b>	<b>Net (Surplus) / Deficit Carried Forward</b>	<b>0</b>

## Notes to the Accounts

### Learning Disability

The Learning Disability pooled budget supports the integrated learning disability service (council and Primary Care Trust), allowing greater flexibility and economies of scale in funding mental health services. Milton Keynes Council is the Lead Partner for the Learning Disability Pool.

The council's share of income and expenditure is included within the Comprehensive Income and Expenditure Statement. The table below summarises the financial performance of the scheme:

2011/12 £'000	Learning Disability	2012/13 £'000
	<b>Gross Funding</b>	
(18,915)	Milton Keynes Council	(19,675)
(1,161)	Milton Keynes Primary Care Trust	(1,186)
<b>(20,076)</b>	<b>Total Funding</b>	<b>(20,861)</b>
	<b>Expenditure</b>	
132	Senior Management	133
426	Team A / Intake and Assessment	406
549	T & D, QA & Policy / Training Quality & Review	696
248	Team B / Mental Health & Learning Disability	279
5,135	External Residential Care	5,239
509	Fremantle	492
1,073	Mathieson Road	1,216
2,329	Internal Day Care	2,277
639	External Day Care	857
113	Thrift Farm	0
197	Home Care	223
382	Direct Payments	399
648	Peripatetic	1,211
535	Supporting People	0
4,730	External Supported Living	5,017
290	Psychology	295
254	Medical Services	234
247	Supported Employment	265
1,640	Grants to Voluntary Organisations	1,622
<b>20,076</b>	<b>Total Expenditure</b>	<b>20,861</b>
<b>0</b>	<b>Net (Surplus)/Deficit</b>	<b>0</b>

## Notes to the Accounts

### 15. OFFICERS REMUNERATION

The remuneration paid to the council's senior employees during 2012/13 whose salary was between £100,000 and £149,999 was as follows:

Total 2011/12 £		Salary £	Expense Allowances £	Pension Contribution £	Total 2012/13 £
160,742	Corporate Director, Children & Families	134,091	525	25,611	160,227
149,309	Corporate Director, Community Wellbeing	125,152	0	23,904	149,056
125,235	Director of Strategy	105,000	228	20,055	125,283
155,653	Corporate Director, Resources	130,118	648	24,852	155,618

The remuneration paid to the council's senior employees during 2012/13 whose salary is more than £150,000 was as follows:

Total 2011/12 £		Salary £	Expense Allowances £	Pension Contribution £	Total 2012/13 £
184,018	Chief Executive - D Hill	153,957	346	29,406	183,709

The council's other employees (excluding those listed individually as senior employees) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

£ Band	2011/12 Number of Employees	2012/13 Number of Employees
£50,000 - £54,999	52	43
£55,000 - £59,999	50	48
£60,000 - £64,999	29	30
£65,000 - £69,999	17	15
£70,000 - £74,999	9	9
£75,000 - £79,999	11	9
£80,000 - £84,999	5	4
£85,000 - £89,999	4	5
£90,000 - £94,999	0	0
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	0	0
£125,000 - £129,999	0	0
	<b>177</b>	<b>163</b>

\* Due to problems in obtaining 2012/13 data for schools who receive payroll services through Mouchel Business Services, it has been necessary to use 2012/13 School data, updated for known changes during 2012/13 such as transfer to Academy status.

## Notes to the Accounts

The number of exit packages with total costs per band and total costs of the compulsory and other redundancies are set out in the table below:

(a) Exit package cost band (including special payments)	(b) Number of Compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages in each band [(b) + (c)]		(e) Total Cost of exit package in each band	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
							£'000	£'000
£0 - £20,000	19	26	38	21	57	47	583	459
£20,001 - £40,000	1	1	14	6	15	7	467	220
£40,001 - £60,000	2	2	4	1	6	3	271	154
£60,001 - £100,000	2	3	6	3	8	6	569	443
£100,001 - £250,000	0	0	4	0	4	0	553	0
<b>Total Exit packages charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>24</b>	<b>32</b>	<b>66</b>	<b>31</b>	<b>90</b>	<b>63</b>	<b>2,443</b>	<b>1,276</b>

The total cost of £1,276,000 in the table includes exit packages that have been agreed, accrued for and charged to the authority's Comprehensive Income and Expenditure Statement in the current year.

## Notes to the Accounts

### 16. DEDICATED SCHOOLS GRANT

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Education (DfE) and the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2012. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

When a school is granted Academy Status by the DfE, the amount of DSG allocated to the council is reduced by that school's budget share reflecting the period of the financial year remaining. The DfE state that "the overarching principle of academy funding is that academies should be funded on the same basis as local maintained schools. Local Authority Central Spend Equivalent Grant (LACSEG) is paid to academies to cover the costs of services that the local authority provides to maintained schools because academies are expected to secure these services independently".

Details of the deployment of DSG receivable for 2012/13 are as follows:

	Central Expenditure £'000	ISB £'000	Total £'000
Final DSG for 2012/13 before Academy recoupment			200,525
Academy figure recouped for 2012/13			51,950
Total DSG after Academy recoupment for 2012/13			148,575
Brought forward from 2011/12			4,034
Carry forward to 2013/14 agreed in advance			(3,621)
<b>Agreed initial budgeted distribution of DSG in 2012/13</b>	13,178	141,869	<b>155,047</b>
In year adjustments	0	6,059	6,059
Final budgeted distribution for 2012/13	13,178	135,810	148,988
Less Actual central expenditure	9,474		
Less Actual ISB deployed to schools		139,355	
Plus Local Authority contributions for 2012/13	0	0	0
<b>Carry forward to 2013/14</b>	<b>3,704</b>	<b>(3,545)</b>	<b>3,780</b>



## Notes to the Accounts

### 17. GRANT INCOME

The council has been credited with the following grants and contributions in the Comprehensive Income and Expenditure Statements during 2012/13. The council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the awarding body. The balances at the year end are as follows:

2011/12 £'000		2012/13 £'000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
(20,894)	Revenue Support Grant	(3,903)
(10,219)	Early Intervention Grant	(11,168)
(2,313)	Council Tax Freeze Grant	(2,352)
(772)	Local Services Grant	(715)
(3,307)	Learning Disability & Health Reform Grant	(3,631)
<b>(37,505)</b>	<b>Total Non-Ringfenced Government Grants</b>	<b>(21,769)</b>
(98,599)	Council Tax Income	(100,426)
(67,596)	Redistributed National Non-Domestic Rate Income	(80,016)
(27,166)	Capital Grants and Contributions	(28,965)
<b>(230,866)</b>	<b>Total Credited to Taxation and Non Specific Grant Income</b>	<b>(231,176)</b>
	<b>Credited to Services</b>	
	<i>Grants:</i>	
(158,636)	Dedicated Schools Grant	(148,829)
(67,180)	Mandatory Rent Allowance: Subsidy	(69,275)
(26,924)	Mandatory Rent Rebates	(29,408)
(17,089)	Council Tax Benefit	(17,039)
(9,350)	Young People's Learning Agency	(7,087)
(2,873)	New Homes Bonus	(4,067)
(2,385)	NHS Support for Social Care	(3,901)
(2,235)	Pupil Premium Grant	(4,305)
(2,176)	Benefits Administration Grant	(2,273)
(1,328)	Adult and Community Learning	(1,669)
(829)	Devolved Capital Grant	(14)
(715)	Unaccompanied Asylum Seeking Children	(490)
(516)	Exceptional Services Grant	0
(416)	Youth Justice Board	(349)
(400)	CWDC Social Work Programme	(395)
0	Social Care Reform Grant	(370)
0	Housing Planning Delivery Grant	(400)
(372)	NNDR Administration Grant	(377)
(361)	Music Services Grant	0
0	English Partnership	(396)
(2,058)	Other Grant Income	(2,357)
	<i>Contributions:</i>	
(9,050)	Social Care Client Contributions	(9,088)
(3,454)	Primary Care Trust Contributions	(745)
(2,669)	Milton Keynes Hospital NHS Foundation Trust Contributions	(1,969)
(5,540)	Other Contributions	(3,133)
<b>(316,556)</b>	<b>Total Grant &amp; Contribution Income credited to Cost of Services</b>	<b>(307,936)</b>

## Notes to the Accounts

### Current Liabilities

2011/12 £'000		2012/13 £'000
	<b>Grants and Contributions Receipts in Advance (Capital)</b>	
	<i>Grants:</i>	
(1,469)	Low Carbon Infrastructure Grant	(1,461)
(640)	Green Bus Fund Grant	0
(35)	Plugged in Places Funding Grant	0
(31)	IT Infrastructure Grant	0
(39)	English Heritage Lottery Grant	0
(24)	Other Grants	(18)
	<i>Contributions:</i>	
0	Wyvern Additional Pupil Places	(71)
(3,900)	Homes and Community Agency Contributions	(1,819)
(348)	MKC School Journey Premium Income Contributions	0
(13)	Other Contributions	(46)
<b><u>(6,499)</u></b>	<b>Total Grants and contributions Receipts in Advance (Capital)</b>	<b><u>(3,415)</u></b>
	<b>Grants and Contributions Receipts in Advance (Revenue)</b>	
	<i>Grants:</i>	
(4,035)	Dedicated Schools Grant	(3,780)
0	Better Bus Grant	(1,045)
0	Local Welfare Grant	(905)
(1,571)	NHS Support for Social Care	0
(644)	Housing Planning Delivery Grant	(244)
(504)	English Partnership	(108)
(370)	Social Care Reform Grant	0
(328)	CWDC Social Work Programme	0
(183)	Egov4u	(21)
(190)	EEA Public Art	0
(118)	Homelessness Grant	0
(11)	Asylum Seekers Grant	(139)
0	Troubled Families Grant	(429)
(789)	Other Grants	(474)
	<i>Contributions:</i>	
(895)	Developer Contributions	(1,965)
0	Homes and Community Agency Contributions	(595)
(1,045)	Other Contributions	(477)
<b><u>(10,683)</u></b>	<b>Total Grants and Contributions Receipts in Advance (Revenue)</b>	<b><u>(10,182)</u></b>

## Notes to the Accounts

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### Long Term Liabilities:

2011/12 £'000		2012/13 £'000
	<b>Grants and Contributions Receipts in Advance (Capital)</b>	
	<i>Grants:</i>	
(145)	Short Breaks Grant	(291)
(49)	Westcroft District Park	(49)
(20)	Other Grants	(20)
	<i>Contributions:</i>	
(357)	Donated Asset - Materials Recycling Facility	(357)
(124)	Other Contributions	(100)
<b>(695)</b>	<b>Total Grants and Contributions Receipts in Advance (Capital)</b>	<b>(817)</b>
	<b>Grants and Contributions Receipts in Advance (Revenue)</b>	
0	SALIX Contributions	(250)
0	Other Grants & Contributions	(396)
(21,497)	Developer Contributions	(25,090)
<b>(21,497)</b>	<b>Total Grants and Contributions Receipts in Advance (Revenue)</b>	<b>(25,736)</b>

## Notes to the Accounts

### 18. LANDFILL ALLOWANCE TRADING SCHEME

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. From 1<sup>st</sup> April 2005 it introduced a trading scheme, which allocates tradable landfill allowances.

The figures below are shown as current assets and current liabilities in the Balance Sheet. Each year the figures are based on estimated usage for the final quarter of the year. The opening balance has been adjusted to reflect the final position for the previous year.

2011/12		2012/13	
Tonnes	£'000	Tonnes	£'000
(5,294)	(66)	(6,472)	(46)
	Opening Balance at 1st April		
0	0	0	0
	Purchases 10/11 Allowances		
2,253	28	(1,042)	(8)
	Adjustment to opening balance to reflect audited final tonnages and value for previous years		
<u>(3,041)</u>	<u>(38)</u>	<u>(7,514)</u>	<u>(54)</u>
	Adjusted opening balance		
3,041	38	7,514	54
	Revaluation of LATS		
(34,790)	(249)	(29,809)	(161)
	Allowances Received		
0	0	0	0
	Purchases		
0	0	0	0
	Sales		
28,318	203	21,998	119
	Allowances Used		
0	0	0	0
	Allowances written off		
<u><u>(6,472)</u></u>	<u><u>(46)</u></u>	<u><u>(7,811)</u></u>	<u><u>(42)</u></u>
	Balance at 31st March		

### 19. PROPERTY, PLANT AND EQUIPMENT

The tables on the following pages show the movements in year for Property, Plant and Equipment in 2012/13 and the 2011/12 comparative movement.

## Notes to the Accounts

### Movement in 2012/13

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment Finance Lease	Vehicles, Plant & Equipment Other	Infra-structure	Community Assets	Surplus Assets	Assets Under Construction	Total PPE
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2012	430,226	437,389	4,514	16,164	144,943	1,658	7,395	10,419	1,052,708
Additions	19,044	12,968	87	1,251	7,084	28	0	21,318	61,780
Donations	0	0	0	0	0	0	0	0	0
Revaluation recognised in the Revaluation Reserve	(19,019)	(646)	0	0	0	0	351	0	(19,314)
Revaluation recognised in the Surplus/Deficit on the Provision of Services	0	1,422	0	0	0	0	4	0	1,426
Derecognition - disposals	(1,749)	(3,052)	0	(173)	0	0	(237)	0	(5,211)
Derecognition - other	0	(29,423)	(874)	(419)	0	0	(3)	0	(30,719)
Assets Reclassified (to)/from Held for Sale	0	(2,546)	0	0	0	0	(371)	0	(2,917)
Assets Reclassified (to)/from Other asset classes	(201)	18,149	(93)	1,118	3,289	2	(156)	(22,172)	(64)
Other Movements in cost or valuation	0	0	0	0	0	0	0	0	0
<b>At 31 March 2013</b>	<b>428,301</b>	<b>434,261</b>	<b>3,634</b>	<b>17,941</b>	<b>155,316</b>	<b>1,688</b>	<b>6,983</b>	<b>9,565</b>	<b>1,057,689</b>
<b>Accumulated Depreciation and Impairment</b>									
Depreciation value at 1 April 2012	0	(14,943)	(2,550)	(7,763)	(27,893)	0	(151)	0	(53,300)
Impairment value at 1 April 2012	(17,797)	(23,172)	0	(147)	0	0	(3,706)	0	(44,822)
Depreciation charge	(6,186)	(9,641)	(674)	(1,672)	(3,714)	0	(24)	0	(21,911)
Depreciation written out to the Revaluation Reserve	6,162	6,543	0	0	0	0	11	0	12,716
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	12,880	(2,673)	0	0	0	0	26	0	10,233
Impairment losses/(reversals) recognised in the Surplus/Deficit on the provision of Services	(7,603)	(20,907)	0	(6)	0	0	(38)	0	(28,554)
Derecognition - disposals	94	331	0	69	0	0	5	0	499
Derecognition - other	0	7,333	783	400	0	0	3	0	8,519
Assets Reclassified (to)/from Held for Sale	0	380	0	0	0	0	91	0	471
Assets Reclassified (to)/from Other asset classes	13	(53)	93	66	0	0	(120)	0	(1)
Other movements in depreciation and impairment	0	0	0	0	0	0	0	0	0
<b>At 31 March 2013</b>	<b>(12,437)</b>	<b>(56,802)</b>	<b>(2,348)</b>	<b>(9,053)</b>	<b>(31,607)</b>	<b>0</b>	<b>(3,903)</b>	<b>0</b>	<b>(116,150)</b>
<b>Net Book Value</b>									
as at 31 March 2013	<b>415,864</b>	<b>377,459</b>	<b>1,286</b>	<b>8,888</b>	<b>123,709</b>	<b>1,688</b>	<b>3,080</b>	<b>9,565</b>	<b>941,539</b>
as at 31 March 2012	412,429	399,274	1,964	8,254	117,050	1,658	3,538	10,419	954,586

## Notes to the Accounts

### Movement in 2011/12

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment Finance Lease	Vehicles, Plant & Equipment Other	Infra-structure	Community Assets	Surplus Assets	Assets Under Construction	Total PPE
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2011	435,314	450,557	4,649	14,825	136,541	266	8,058	18,079	1,068,289
Additions	9,766	865	23	1,327	8,384	70	0	8,622	29,057
Donations	0	0	0	357	0	0	0	0	357
Revaluation recognised in the Revaluation Reserve	(585)	(10,926)	0	0	0	0	(24)	0	(11,535)
Revaluation recognised in the Surplus/Deficit on the Provision of Services	(14,630)	(6,601)	0	0	0	0	(30)	0	(21,261)
Derecognition - disposals	(790)	(64)	0	0	0	0	(495)	0	(1,349)
Derecognition - other	0	(9,460)	(158)	(1,146)	0	0	0	0	(10,764)
Assets Reclassified (to)/from Held for Sale	0	(26)	0	0	0	0	(55)	0	(81)
Assets Reclassified (to)/from Other asset classes	1,151	13,044	0	801	18	1,322	(59)	(16,282)	(5)
Other Movements in cost or valuation	0	0	0	0	0	0	0	0	0
<b>At 31 March 2012</b>	<b>430,226</b>	<b>437,389</b>	<b>4,514</b>	<b>16,164</b>	<b>144,943</b>	<b>1,658</b>	<b>7,395</b>	<b>10,419</b>	<b>1,052,708</b>
<b>Accumulated Depreciation and Impairment</b>									
Depreciation value at 1 April 2011	0	(23,196)	(1,930)	(7,222)	(24,395)	0	(67)	0	(56,810)
Impairment value at 1 April 2011	(8,703)	(26,519)	0	(117)	0	0	(2,818)	0	(38,157)
Depreciation charge	(6,421)	(9,344)	(778)	(1,720)	(3,498)	0	(92)	0	(21,853)
Depreciation written out to the Revaluation Reserve	0	16,578	0	0	0	0	27	0	16,605
Depreciation written out to the Surplus/Deficit on the Provision of Services	6,459	371	0	0	0	0	0	0	6,830
Impairment losses/(reversals) recognised in the Revaluation Reserve	(79)	6,337	0	0	0	0	(67)	0	6,191
Impairment losses/(reversals) recognised in the Surplus/Deficit on the provision of Services	(9,015)	(4,712)	0	(30)	0	0	(785)	0	(14,542)
Derecognition - disposals	28	8	0	0	0	0	19	0	55
Derecognition - other	0	2,253	158	1,136	0	0	0	0	3,547
Assets Reclassified (to)/from Other asset classes	(66)	109	0	43	0	0	(74)	0	12
Other movements in depreciation and impairment	0	0	0	0	0	0	0	0	0
<b>At 31 March 2012</b>	<b>(17,797)</b>	<b>(38,115)</b>	<b>(2,550)</b>	<b>(7,910)</b>	<b>(27,893)</b>	<b>0</b>	<b>(3,857)</b>	<b>0</b>	<b>(98,122)</b>
<b>Net Book Value</b>									
as at 31 March 2012	<b>412,429</b>	<b>399,274</b>	<b>1,964</b>	<b>8,254</b>	<b>117,050</b>	<b>1,658</b>	<b>3,538</b>	<b>10,419</b>	<b>954,586</b>
as at 31 March 2011	426,611	400,842	2,719	7,486	112,146	266	5,173	18,079	973,322

## Notes to the Accounts

### Depreciation

Depreciation should be provided on all assets with a finite useful life, which can be determined at the time of acquisition or revaluation.

The table below details the different classes of asset held by the council, the useful lives of each class of asset and the total depreciation charged for the year.

2011/12 Depreciation Charge		Potential Useful Life of Asset Years	Actual Useful Life of Asset Years	2012/13 Depreciation Charge		
				General Fund £'000	HRA £'000	Total £'000
6,421	Council Dwellings	10 - 85 *	10 - 85 *	0	6,186	<b>6,186</b>
9,436	Other Properties	20 - 60 **	20 - 60 **	9,176	489	<b>9,665</b>
1,720	Vehicles, Plant and Equipment	3 - 40 ***	3 - 18	1,627	45	<b>1,672</b>
778	Leased VPE	3 - 40 ***	3 - 10	674	0	<b>674</b>
3,498	Infrastructure	40	40	3,714	0	<b>3,714</b>
	Infrastructure - Other	20	20			
<b>21,853</b>				<b>15,191</b>	<b>6,720</b>	<b>21,911</b>

\* The depreciation for Right to Buy Council Dwellings is based on actual useful lives.

\*\* The depreciation calculation for Other Properties is based on a 60 year life from the completion date. Each time an asset is revalued the asset life is revised, but the calculation is based on the date of completion, a life of 60 years and the revaluation date.

\*\*\* The useful life varies from 3 to 40 years depending on the estimated life of each asset.

Please see Accounting Policy note 25 for further details.

### Capital Commitments

The council prepares an annual Capital Programme but a number of schemes take several years to complete thus committing the authority to capital expenditure in future years.

Overall commitments at 31<sup>st</sup> March 2013, including those with a commitment of less than £100,000, totalled £10,300,000.

There are no contractual commitments for the acquisition of purchased intangible assets.

Capital Commitments resulting in expenditure for foundation schools and other non council owned assets will be treated as Revenue Expenditure Funded from Capital under Statute (REFCUS) because it will not result in an asset for the council.

Commitments for the academy relate to costs to be incurred from contracts entered into while the school was a foundation school and will therefore be treated as REFCUS as above.

## Notes to the Accounts

Contractual commitments as at 31<sup>st</sup> March 2013 with a commitment of £100,000 or more are shown in the table below. Similar contracts at 31<sup>st</sup> March 2012 totalled £9,311,000.

Segment: Scheme Name	Scheme Description	2012/13 £'000	Period of Investments Years
<b>Children &amp; Young Peoples Services:</b>			
<b>Community Schools:</b>			
Queen Eleanor Primary School	Roofing Works		
WCP Langlands Primary School	School Extension		
Middleton 1 Form of Entry	School Extension	644	1
White Spires Special School	School Extension	619	1
Brooklands 1 Form of Entry	School Extension	696	1
Queen Eleanor Primary School	Heating System	348	1
Priory Rise 1 Form of Entry	School Extension	2,296	2
Heelands 1 Form of Entry	School Extension	241	1
Loughton Manor Increasing Pupil Places	School Extension	867	1
		<b>5,711</b>	
<b>Highways and Transportation</b>			
Wolverton Station	Railway Station Car Park	189	1
Station Approach	Realm and facility Improvements		
Quality Bus Information	Bus Shelters		
Highway Services	Highway carriageway resurfacing	561	1
Highway Services	Footpath Paving in Central Milton Keynes	103	1
Junction Improvement	Japonica Lane Junction Improvements	111	1
Bridge Enhancement	H6 Childs Way Canal Bridge Enhancement	313	1
Bridge Enhancement	Riverside Meadow Footbridge Enhancement	319	1
Better Bus Area	Bus improvements - Wayfinding and interchange Improvements	609	1
		<b>2,205</b>	
<b>Housing and Community Group</b>			
Major Refurbishments	Upgrade of failing building elements as identified	491	1
Elemental Improvements	Enhancements to dwellings through kitchen and bathroom and electrical upgrades	370	1
Disabled Facility Grants	Grants to individuals to modify dwelling to personal circumstances	131	1
Community Safety	Improving security in council dwellings	131	1
		<b>1,123</b>	
<b>Community Facilities Unit:</b>			
Wolverton Swimming Pool	New swimming pool and facilities.	306	1
		<b>306</b>	
<b>Grand Total</b>		<b>9,345</b>	

### Valuation of Non-Current Assets

The council has a five year rolling programme for undertaking valuations of its property assets. In the 2012 valuations all those properties not valued within the previous five years, excluding Council Dwellings, were valued by Lorna Kempster MRICS, Nathan Andrews MRICS and Richard Jenden MRICS of Mouchel Business Services, the appointed external valuers. The valuation date was 1<sup>st</sup> April 2012.



## Notes to the Accounts

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A property review has also been undertaken of the council's entire property portfolio, excluding Council Dwellings, as at 31<sup>st</sup> March 2013. These valuations were completed by Nathan Andrews MRICS and Rod Aitken MRICS of Milton Keynes Service Partnership LLP.

Following research into levels of land values during 2012/13, the conclusion of this review is that there has been no further decrease in land values since March / April 2012.

An enhancement review has been undertaken and where appropriate, revaluations have been conducted as at 31<sup>st</sup> March 2013. This has also resulted in specific impairment losses being identified on a number of assets as shown in the impairment disclosures later in this section.

The valuations were prepared in accordance with the Practice Statements in the RICS Red Book 2012, published by the Royal Institution of Chartered Surveyors and the valuation procedures agreed between RICS and CIPFA based on the International Financial Reporting Standards referred to in the RICS Red Book 2012. In accordance with the relaxations agreed between the RICS and CIPFA, not all properties were inspected.

The significant assumptions applied in estimating the fair values are:-

- That there are no burdensome incidents of tenure, legal rights, restrictive covenants, charges or outgoings, and no encumbrances on title affecting the properties;
- That the properties are in good structural repair;
- Unless valuers are otherwise aware, that the properties are in a reasonable standard of repair and that all reasonable external and internal repair and maintenance has been carried out;
- That the properties are free from the presence of any deleterious or hazardous material;
- That no contaminative or potentially contaminative uses have ever been carried out on the property and that no radon gas is present at any of the premises.

Council Dwellings have been valued as at 1<sup>st</sup> April 2012 based on a desk top review and a further property review has been undertaken as at 31<sup>st</sup> March 2013. Council dwellings were valued by Peter Riley FRICS of Mouchel Business Services Ltd in accordance with DCLG 2010 Guidance on Stock Valuation and the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards.

A HRA Capital Programme impairment loss has also been incurred at 31<sup>st</sup> March 2013 and some of the previous year's Capital Programme has been reversed. This is following the capital expenditure incurred in year and subsequent 31<sup>st</sup> March revaluations as shown in the impairment disclosure also included in this note.

## Notes to the Accounts

### Revaluation of Non-Current Assets

The following table shows the progress of the council's rolling programme for revaluation of Property, Plant and Equipment:

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infra- structure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Assets held at historical cost	0	0	10,174	123,709	1,688	0	9,565	145,136
Revalued Assets in:								
2012/13	415,864	106,649	0	0	0	3,080	0	525,593
2011/12	0	143,340	0	0	0	0	0	143,340
2010/11	0	28,201	0	0	0	0	0	28,201
2009/10	0	52,438	0	0	0	0	0	52,438
2008/09	0	46,831	0	0	0	0	0	46,831
<b>Total Valuation of Revalued Assets</b>	<b>415,864</b>	<b>377,459</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,080</b>	<b>0</b>	<b>796,403</b>
The Carrying amount for revalued assets had they been carried under the cost model	415,842	280,751	0	0	0	2,454	0	699,047
Revaluation surplus for revalued assets including the charge in year	22	96,708	0	0	0	626	0	97,356

### Foundation School Asset Values

Under the Schools Standards and Framework Act 1998, Foundation Schools Assets are vested in the Governing Bodies of the individual foundation schools. Three schools were transferred to foundation status in year and two foundation schools have now become academies. The values for these assets were not consolidated in the council's Balance Sheet.

At 31<sup>st</sup> March 2013, there were fifteen foundation schools with an estimated asset valuation of £112,442,000 (fourteen schools at £131,359,000 as at 31<sup>st</sup> March 2012).

### Effects of Changes in Estimates

There is no change in estimates for 2012/13.

### Impairment

An impairment loss on a re-valued asset is the amount by which the carrying amount of an asset exceeds its recoverable amount. This can be due to the consumption of economic benefit or due to a fall in prices that is specific to an asset. The loss is recognised in the

## Notes to the Accounts

Revaluation Reserve to the extent that the impairment does not exceed the amount in the Revaluation Reserve for that asset and thereafter in the Surplus or Deficit on the Provision of Services.

An impairment loss on a non re-valued asset (those held at historic cost) is recognised in the Surplus or Deficit on the Provision of Services.

At the end of each reporting period if there is an indication that an impairment loss, previously recognised in the Surplus or Deficit on the Provision of Services, may no longer exist or may have decreased, the reversal of that loss is permitted if there has been a change in the estimates used to determine the asset's recoverable amount since the impairment loss was recognised.

The following table shows the impairment charges for non-current assets in 2012/13:

	Impairment Loss			Reversal of Impairment Loss			Total to Revaluation Reserve	Service Total
	Taken to Revaluation Reserve	Charged to Services		Taken to Revaluation Reserve	Previously Charged to Service			
		General Fund	HRA		General Fund	HRA		
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Property Plant and Equipment</b>								
Council Dwellings	152	0	12,286	(13,032)	0	(4,683)	(12,880)	7,603
Other Land & Buildings	10,764	21,193	106	(8,091)	(390)	(2)	2,673	20,907
Vehicles, Plant & Equipment	0	6	0	0	0	0	0	6
Leased Vehicles, Plant & Equipment	0	0	0	0	0	0	0	0
Infrastructure	0	0	0	0	0	0	0	0
Community Assets	0	0	0	0	0	0	0	0
Surplus Assets	0	45	0	(26)	0	(7)	(26)	38
<b>Total Property Plant and Equipment</b>	<b>10,916</b>	<b>21,244</b>	<b>12,392</b>	<b>(21,149)</b>	<b>(390)</b>	<b>(4,692)</b>	<b>(10,233)</b>	<b>28,554</b>
<b>Investment Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Assets Held for Sale</b>	<b>886</b>	<b>475</b>	<b>0</b>	<b>0</b>	<b>(1,520)</b>	<b>0</b>	<b>886</b>	<b>(1,045)</b>
<b>Total Impairment</b>	<b>11,802</b>	<b>21,719</b>	<b>12,392</b>	<b>(21,149)</b>	<b>(1,910)</b>	<b>(4,692)</b>	<b>(9,347)</b>	<b>27,509</b>

## Notes to the Accounts

### Material Impairment Losses

During 2012/13, the council has recognised material impairment losses totalling £34,793,000 in relation to Council Dwellings and three other Land and Building assets. The council also reversed a material impairment loss of £4,683,000 in relation to the 2012/13 Capital Programme. Further detail can be found in the table below:

Assets	Material Impairment Loss - Recognised in year £'000	Material Impairment Loss - Reversed in year £'000	Events/Circumstances
<b>Housing Revenue Account</b>			
Council Dwellings	12,438		Recognising the works identified for the HRA 2013/14 Capital Programme.
Council Dwellings		(4,683)	Reversing part of the impairment loss recognised in the previous year relating to the 2012/13 Capital Programme following revaluations.
<b>Adult Social Care and Health</b>			
St Giles House	1,354		A change of value specific to this property after transfer to Assets Held for Sale when the value of the buildings were deemed to be nil value. This was based on the information with the highest bid received which proposes to demolish the buildings. Therefore the entire value of the asset is now placed on the land.
Tower Drive Day Centre	2,500		A decline in value specific to the asset due to a different basis of valuation being applied based on the current lease.
<b>Children &amp; Families - Education, Effectiveness &amp; Participation</b>			
Falconhurst School	1,815		Change in value is specific to the asset due to project costs on the construction of an extension being greater than the value of the asset at Depreciated Replacement Cost (DRC).
Rickley Park Primary	1,687		A decline in value specific to the asset following the school becoming an academy in year with an operating lease in place between academy and the council. The lease reduced the land to a nil value.
Orchard Academy	1,067		A decline in value specific to the asset following the school becoming an academy in year with an operating lease in place between academy and the council. The lease reduced the land to a nil value.
Relocatable School, Oakgrove	1,710		The asset was no longer fit for purpose and demolished.

## Notes to the Accounts

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Assets	Material Impairment Loss - Recognised in year £'000	Material Impairment Loss - Reversed in year £'000	Events/Circumstances
<b>Community Facilities Unit</b>			
Wolverton Pool	3,519		Demolition of the old pool and then a decline in value specific to this property due to the project costs to bring the new asset into use being greater than its value (Depreciated Replacement Cost (DRC)).
Manor Fields Sports Ground	2,119		A decline in value specific to the asset due to a different basis of valuation being applied based on the 2 current leases.
Broughton Community Pavilion	1,038		A decline in value specific to the asset due to project costs to bring the asset into use being greater than its value (Depreciated Replacement Cost (DRC)).
<b>Neighbourhood Services</b>			
City Discovery Centre	2,417		A decline in value specific to the asset due to a different basis of valuation being applied based on the current lease.
<b>Resources: Public Access</b>			
Saxon Court	3,129		A decline in value specific to the asset due to the total acquisition costs being greater than the value at Fair Value (Existing Use Value).
<b>Total</b>	<b><u>34,793</u></b>	<b><u>(4,683)</u></b>	

## Notes to the Accounts

### 20. HERITAGE ASSETS

The table below shows the reconciliation of the carrying value of Heritage Assets held by the authority:

	Historical Buildings & Archaeolo- gical Sites £'000	Museum & Archive Collections £'000	Arts Collection £'000	Civic Insignia £'000	Total Assets £'000
<b>Cost or Valuation</b>					
At 1 April 2011	0	0	0	0	0
Additions	12	0	0	0	12
Disposals	0	0	0	0	0
Revaluations	0	0	0	0	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the provision of Services	0	0	0	0	0
Depreciation	0	0	0	0	0
<b>At 31 March 2012</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12</b>
<b>Cost or Valuation</b>					
At 1 April 2012	12	0	0	0	12
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Revaluations	0	0	529	69	598
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the provision of Services	0	0	0	0	0
Depreciation	0	0	0	0	0
<b>At 31 March 2013</b>	<b>12</b>	<b>0</b>	<b>529</b>	<b>69</b>	<b>610</b>

#### Historical Buildings and Archaeological Sites

Heritage assets acquired or constructed in 2012/13 are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the council's accounting policy on Property, Plant and Equipment.

Insurance valuations are considered to establish whether their application would be appropriate and also whether a market value exists for each asset.

The council undertakes a valuation where the information is available and appropriate.

In most cases the council does not consider that comparable market value information can be obtained for historical buildings and archaeological sites or that insurance valuations can be used in order for values to be established. This is because of the nature of the assets held.

## Notes to the Accounts

### Museum and Archive Collections

The council's Museum and Archive collections are not recognised in the Balance Sheet as the council does not consider that reliable cost or valuation information can be obtained and that the cost of obtaining the information outweighs the benefits to the users of the financial statements. This is due to the diverse nature of the assets held and the lack of comparable market values.

### Arts Collection

The council has obtained valuations for the majority of Arts Collection assets. They have been valued mainly on an itemised basis by an appropriately qualified external valuer. The Arts Collection is recognised at market value on the Balance Sheet.

### Civic Insignia

The council has obtained valuations for the Civic Insignia assets. They have been valued by an appropriately qualified external valuer and are recognised at facsimile value on the Balance Sheet.

### **Heritage Assets - Five Year Summary of Transactions**

The Heritage Assets included in the Balance Sheet at 31<sup>st</sup> March 2013 comprise any addition in 2011/12 and revaluations undertaken during 2012/13.

	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
<b>Cost of Acquisition of heritage assets</b>					
Newport Pagnell Clock Tower	0	0	0	12	0
<b>Total Cost of Purchases</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>0</b>
<b>Value of Heritage Assets Revalued</b>					
Arts Collection	0	0	0	0	529
Civic Insignia	0	0	0	0	69
<b>Total Revaluations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>598</b>
Value of Heritage Assets Acquired by Donations	0	0	0	0	0
<b>Total Donations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Disposals	0	0	0	0	0
<b>Carrying Value</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>598</b>
<b>Proceeds</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Impairment recognised in the period	0	0	0	0	0
<b>Total Impairment recognised in the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Notes to the Accounts

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### Heritage Assets – Further Information on Assets Held

#### Historical Buildings & Archaeological Sites

The council owns a variety of Historical Buildings and Archaeological Sites. Many of these are 'Designated Heritage Assets' e.g. scheduled ancient monuments, listed buildings or assets within conservation areas and of national significance. In addition to this, there are others that are 'Non-Designated Heritage Assets', i.e. those which have a degree of significance meriting consideration in planning decisions but are of local significance rather than national.

The nature, scale and significance of these assets is not confined to a particular type or size and incorporates a range of listed buildings. Scheduled ancient monuments also involve a similarly broad range, including public infrastructure such as road bridges.

The council adheres to the generic acquisition and disposal policies contained within section 11 of its Property Strategy and there is no specific policy for the preservation or management of historical buildings and archaeological sites. However, the council's Conservation & Archaeology Team has begun work on its borough wide Heritage at Risk Register. Alongside privately owned buildings, this identifies assets owned by the council. There are currently nine council owned assets identified on this register.

The draft register of council owned buildings has been presented to the Strategic Property Group within the council. It is hoped that as the register is formalised, it will provide a basis for the council to enter into responsible short term management of these assets and to examine how the long term preservation of each building is best secured.

Historical Buildings and Archaeological Sites are assessed by the Property Services Department with regards to meeting the CIPFA Code of Practice definition of Heritage Assets and Donated Assets.

The council does not have any significant historical buildings or archaeological sites which it can verify as being donated.

#### Museum and Archive Collections

The museum collection consists of just less than 5,000 items and relates to the history of Milton Keynes from the pre-historic period to the present day. Within those collections lie significant items of archaeological material (metal, pottery, stone, etc) that form part of the site information record connected to the building and development of the New Town. The collection also includes environmental and natural history, social, industrial and domestic life, and art, particularly art from the artists in residence during the New Town period. The Museum collection is held at Buckinghamshire's County Museum.

The council also administers the Milton Keynes Council and Development Corporation Archives which equate to 140 cubic metres of shelving. The Archive collection consists of deposited council and predecessor collections (borough, district, urban, etc) that inform about the governance of the area, plus historic material relating to land and property, family, estate, ecclesiastical, court, business and charity holdings, and personal deposits.



## Notes to the Accounts

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Together this constitutes a rich archival history of the area. In addition the archive holds the records of the Commission for New Towns/Milton Keynes Development Corporation and its successors which details the planning, building and development of the New Town. This archive is of national if not international significance and includes substantial audio-visual record material. The archives are held at the Centre for Buckinghamshire Studies, Aylesbury, which collects, catalogues and preserves them and provides public access.

The Council currently adheres to the Collecting Policies of Buckinghamshire County Museum and the Centre for Buckinghamshire Studies (County Archives) who collect on the council's behalf.

Museum objects are usually donated and information is held at the Buckinghamshire County Museum. Archive material is generally deposited, not donated and relevant data is held on accession registers. There are no known significant donations of heritage assets in the Museum Collection.

Milton Keynes Council has an arrangement with Bucks County Council for the latter to deliver its heritage (archive and museums) provision. This has been in place since 1997 when Milton Keynes Council attained unitary status and is renewed every 3 – 5 years dependent on the requirements of the service. The last full review was in 2007/08 and the current arrangement is to run until March 2014. Monitoring is undertaken on a quarterly basis to meet the financial performance data needs of Milton Keynes Council and to enable greater flexibility and reactivity as needs arise.

### Arts Collection

The Public Art Collection consists of approximately 100 items of works of art. The collection includes sculptures, paintings, prints and artists designs integrated in public spaces and buildings. The collection has grown with the development of the town and many of the artworks help map the story of Milton Keynes and contribute to its cultural life. There are some important artworks and artists represented in the collection such as the Black Horse by Elisabeth Frink. Also there are some artworks that have emerged through socially engaged practices such as the Tin Man concrete sculpture. In the main, this is a collection that is permanently on display in public places.

The council has a public art policy for commissioning, but does not have a specific public art collections policy. The need for a policy is recognised in the Milton Keynes Public Art Strategy and plans to develop one are in place. The public art collection forms part of the city heritage collection and as such a shared policy should be applied for collections, decommissioning and disposals. The council does not have any items in its collection which it can verify as being donated.

### Civic Insignia

The council's Mayoral Insignia comprises assets which are pertinent to the council's position as a borough, i.e. chains of office for the Mayor, Deputy Mayor Consort and respective consorts.

The council does not have a policy on acquisition and has no plans to dispose of any civic insignia assets.

## Notes to the Accounts

### 21. INVESTMENT PROPERTIES

The council does not have property interests held under operating leases which are classified or accounted for as investment property.

The following items of income have been accounted for in the Comprehensive Income and Expenditure Statement. There are no material direct operating expenses arising from investment property.

<b>31 Mar 2012</b> <b>£'000</b>	<b>31 Mar 2013</b> <b>£'000</b>
60 Rental income from investment property	57
0 Direct operating expenses arising from investment property	0
<b>60 Net gain/(loss)</b>	<b>57</b>

Some investment properties are subject to Government consent for sale and a proportion of the proceeds paid to the Homes and Communities Agency. Other investment properties have restrictions not related to the consent / clawback referred to above and others are free from significant restrictions.

Some investment assets will be subject to contractual obligations in relation to future development. Investment assets leased out on either Full Repairing and Insuring Leases or on Ground Leases will not incur significant contractual expenditure.

The following table summarises the movement in the fair value of investment properties over the year.

<b>31 Mar 2012</b> <b>£'000</b>	<b>31 Mar 2013</b> <b>£'000</b>
20,132 <b>Balance at start of the year</b>	20,283
Additions:	
0 Purchases	0
0 Construction	0
0 Subsequent expenditure	0
0 Disposals	0
151 Net gains/(losses) from fair value adjustments	0
Transfers:	
0 (To)/from Inventories	0
0 (To)/from Property, Plant and Equipment	0
0 Other changes	0
<b>20,283 Balance at the end of the year</b>	<b>20,283</b>

## Notes to the Accounts

### 22. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed. The CFR is analysed in the second part of this note.

31 Mar 2012 £'000		31 Mar 2013 £'000
<b>345,893</b>	<b>Opening Capital Financing Requirement</b>	<b>503,332</b>
	<b>Capital Investment</b>	
29,057	Property, Plant & Equipment	61,780
0	Investment Properties	0
12	Heritage Assets	0
6	Intangible Assets	840
0	Long Term Debtor	31,614
5,981	Revenue Expenditure Funded from Capital under Statute	9,022
<b>35,056</b>	<b>Total</b>	<b>103,256</b>
	<b>Sources of Finance</b>	
(6,683)	Capital Receipts	(2,044)
(4,242)	Supported Borrowing	(501)
4,941	Prudential Borrowing	(44,721)
(23)	Lease Finance	(700)
(8,092)	Major Repairs Reserves	(8,383)
(19,118)	Other Government Grants & Contributions	(38,791)
(1,839)	Revenue Contributions	(8,116)
<b>(35,056)</b>	<b>Total</b>	<b>(103,256)</b>
	<b>Capital Financing Requirement</b>	
249,349	Non-HRA Capital Financing Requirement	281,599
253,983	HRA Capital Financing Requirement	253,886
<b>503,332</b>	<b>Total</b>	<b>535,485</b>
	<b>Explanation of movements in year</b>	
157,742	Increase in underlying need to borrowing (supported by government financial assistance)	(10,030)
(326)	Increase in underlying need to borrowing (unsupported by government financial assistance)	41,483
23	New Assets Acquired under Finance Leases	700
0	New Assets Acquired under PFI/PPP Contracts	0
<b>157,439</b>	<b>Increase/Decrease in Capital Financing Requirement</b>	<b>32,153</b>

## Notes to the Accounts

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### 23. INTANGIBLE ASSETS

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The council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased software licenses and an embedded lease. The council does not hold any internally generated intangible assets.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the council. The useful lives assigned to each class of intangible asset are:

	<b>Internally Generated Assets</b>	<b>Other Assets Purchased</b>	<b>Other Assets Leased</b>
Useful Life	None	3-8 years	3 years

The council uses the carrying amount of intangible assets to amortise on a straight line basis rather than the re-valued amount. The amortisation for 2012/13 was £685,000 which was charged to the Cost of Service in the Comprehensive Income and Expenditure Statement.

The line items of the statement which contain material amounts of amortisation of intangible assets are Resources: Finance & HR Group £579,000 which is mainly due to the amortisation of the Mouchel Embedded Lease and Purchased Licenses in the Children & Families Service £65,000.

The movement on Intangible Asset balances during the year is detailed on the following page.

## Notes to the Accounts

Other Assets Purchased £'000	Other Assets Leased £'000	Total 2011/12 £'000		Other Assets Purchased £'000	Other Assets Leased £'000	Total 2012/13 £'000
<b>Balance at start of year 1 April 2012</b>						
840	6,686	7,526	Gross carrying amounts	851	6,686	7,537
(535)	(3,900)	(4,435)	Accumulated amortisation	(695)	(4,457)	(5,152)
<hr/>						
<b>305</b>	<b>2,786</b>	<b>3,091</b>	<b>Net carrying amount at start of year 1 April 2012</b>	<b>156</b>	<b>2,229</b>	<b>2,385</b>
<i>Additions :</i>						
0	0	0	Internal Development	0	0	0
6	0	6	Purchases	227	0	227
5	0	5	Acquired through business combinations	0	613	613
0	0	0	Assets reclassified as held for sale	0	0	0
0	0	0	Other reclassifications	64	0	64
0	0	0	Other disposals	(2)	(1,672)	(1,673)
0	0	0	Revaluations increases or decreases	0	0	0
0	0	0	Impairment losses recognised or reversed directly in the Revaluation Reserve	0	0	0
0	0	0	Impairment losses recognised in the Surplus/ Defecit on the Provision of Services	0	0	0
0	0	0	Reversals of past impairment losses written back to the Surplus/ Defecit on the Provision of Services	0	0	0
(160)	(557)	(717)	Amortisation for the period	(128)	(557)	(685)
0	0	0	Other changes	0	0	0
<hr/>						
<b>156</b>	<b>2,229</b>	<b>2,385</b>	<b>Net carrying amount at end of year 31 March 2013</b>	<b>317</b>	<b>614</b>	<b>931</b>
<hr/>						
<b>Comprising :</b>						
851	6,686	7,537	Gross carrying amounts	1,125	613	1,738
(695)	(4,457)	(5,152)	Accumulated amortisation	(807)	0	(807)
<hr/>						
<b>156</b>	<b>2,229</b>	<b>2,385</b>	<b>Total</b>	<b>318</b>	<b>613</b>	<b>931</b>
<hr/>						

A de minimus level of £1,000 has been applied to expenditure on intangible assets.

The council holds an embedded lease intangible asset which is material to the Financial Statements. The leased intangible asset is for a SAP Computer System, it has a carrying amount of £613,000 at 31<sup>st</sup> March 2013 and the period of amortisation is three years.

The contract renegotiation with Mouchel Business Services Ltd during 2012/13 resulted in the disposal of some leased intangible assets amounting to £1,671,000.

The council also purchased SAP Licences amounting to £203,000 during 2012/13 which are material to the Financial Statements.

There are no contractual commitments for the acquisition of purchased Intangible Assets as at 31<sup>st</sup> March 2013.

## Notes to the Accounts

### 24. CURRENT ASSETS HELD FOR SALE

The movement of the current assets held for sale in 2012/13 are detailed in the table below:

31 Mar 2012			31 Mar 2013	
Current £'000	Non-current £'000		Current £'000	Non-current £'000
907	0	<b>Balance outstanding at 1st April</b>	733	0
		<i>Assets newly classified as held for sale:</i>		
363	0	Property, Plant and Equipment	2,459	0
0	0	Intangible Assets	0	0
0	0	Other assets/liabilities in disposal groups	0	0
(4)	0	Revaluation losses	0	0
24	0	Revaluation Gains	274	0
(20)	0	Impairment Losses	(1,308)	0
		<i>Asset declassified as held for sale:</i>		
(294)	0	Property, Plant and Equipment	(14)	0
0	0	Intangible Assets	0	0
0	0	Other assets/liabilities in disposal groups	0	0
(241)	0	Assets sold	(581)	0
0	0	Transfers from non- current to current	0	0
(2)	0	Other Movements	0	0
<b>733</b>	<b>0</b>	<b>Balance outstanding at 31st March</b>	<b>1,563</b>	<b>0</b>

### 25. DEBTORS

#### Long Term Debtors

31 Mar 2012			31 Mar 2013	
£'000			£'000	
50	Mortgages		34	
15	Car Loans		0	
1	Home Computer Initiative		1	
0	Milton Keynes Development Partnership Loan*		31,614	
831	Bodies External to Central Government		267	
<b>897</b>	<b>Total</b>		<b>31,916</b>	

\* For full details on the Milton Keynes Development Partnership loan, please see Foreword note 4c.

## Notes to the Accounts

### Short Term Debtors

31 Mar 2012 £'000		31 Mar 2013 £'000
	<b>Short Term Debtors</b>	
7,623	Central Government Bodies	11,385
2,023	Other Local Authorities	1,029
1,014	NHS Bodies	3,172
0	Public Corporations and Trading Funds	2
9,146	Bodies External to Central Government	13,013
3,607	Council Tax Arrears	3,267
33	NNDR Arrears	27
3,814	Housing Rents	3,566
249	Landfill Allowances Asset Account	161
17	Council Staff Debtors	5
<b>27,526</b>	<b>Total Short Term Debtors before Payments in Advance</b>	<b>35,627</b>
32,575	Payments in Advance	27,686
<b>60,101</b>	<b>Total Short Term Debtors</b>	<b>63,313</b>

### 26. WORK IN PROGRESS AND INVENTORIES

Inventories and work in progress comprise:

	Balance outstanding at 1st April 2011	Purchases	Recognised as an expense in year	Written off balances	Reversal of write offs in previous years	Balance outstanding at 31st March 2012	Purchases	Recognised as an expense in year	Written off balances	Reversal of write offs in previous years	Balance outstanding at 31st March 2013
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Postage	29	136	(158)	0	0	7	160	(158)	0	0	9
ICES Pool *	27	12	0	0	0	39	16	0	0	0	55
Fuel	43	354	(371)	0	0	26	289	(297)	0	0	18
Main Stores	226	430	(457)	0	0	199	1,202	(1,250)	0	0	151
Work in Progress	544	79	(547)	0	0	76	34	(76)	0	0	34
<b>Total</b>	<b>869</b>	<b>1,011</b>	<b>(1,533)</b>	<b>0</b>	<b>0</b>	<b>347</b>	<b>1,701</b>	<b>(1,781)</b>	<b>0</b>	<b>0</b>	<b>267</b>

\* Integrated Community Equipment Service pooled budget arrangement. See note 14 for further details.

## Notes to the Accounts

### 27. CREDITORS

The analysis of short term creditors is as follows:

31 Mar 2012 £'000		31 Mar 2013 £'000
(11,698)	Central Government Bodies	(8,209)
(3,477)	Other Local Authorities	(3,995)
(3)	NHS Bodies	(1,881)
(39)	Public Corporations and Trading Funds	(73)
(32,503)	Bodies External to Central Government	(33,000)
(5,231)	Council Staff Creditors	(5,046)
(892)	Housing Rent Prepayments	(801)
0	Council Tax/ NNDR Prepayments	(31)
(203)	Liability for Actual BMW Landfill Usage	(119)
<b><u>(54,046)</u></b>	<b>Total Short Term Creditors</b>	<b><u>(53,155)</u></b>

### 28. BORROWING REPAYABLE

Analysis of Loans by type:

31 Mar 2012 £'000		Range of Interest Rates - 31 March 2013	31 Mar 2013 £'000
	<b>Source of Loan</b>		
(442,127)	Public Works Loan Board	Lowest: 3.37% / Highest: 10.875%	(432,082)
(15,260)	Bonds	Lowest: 3.75% / Highest: 6.62%	(15,258)
0	Other Loans	Zero interest rate	(4,806)
<b><u>(457,387)</u></b>	<b>Total</b>		<b><u>(452,146)</u></b>

Analysis of Loans by maturity:

31 Mar 2012 £'000		31 Mar 2013 £'000
	<b><u>Borrowing repayable on demand or within 12 months</u></b>	
(15,174)	Borrowing repayable on demand or within 12 months	(23,375)
(3,649)	Accrued interest on borrowing repayable within a period in excess of 12 months	(3,400)
<b><u>(18,823)</u></b>	<b>Total Borrowing repayable on demand or within 12 months</b>	<b><u>(26,775)</u></b>
	<b><u>Borrowing repayable within a period in excess of 12 months</u></b>	
(18,000)	Maturing in 1 to 2 years	(20,000)
(41,150)	Maturing in 2 to 5 years	(21,150)
(20,904)	Maturing in 5 to 10 years	(31,711)
(358,510)	Maturing in more than 10 years	(352,510)
<b><u>(438,564)</u></b>	<b>Total Borrowing repayable within a period in excess of 12 months</b>	<b><u>(425,371)</u></b>
<b><u>(457,387)</u></b>	<b>Total</b>	<b><u>(452,146)</u></b>



## Notes to the Accounts

### 29. PROVISIONS

The provisions are summarised in the table below, with further detail on each one provided as a note following the table:

	Balance at 31 March 2012 £'000	Additional provisions made in 2012/13 £'000	Amounts used in 2012/13 £'000	Unused amounts reversed in 2012/13 £'000	Unwinding of Discounting 2012/13 £'000	Balance at 31 March 2013 £'000	Short Term £'000	Long Term £'000
<b><u>Housing Revenue Account</u></b>								
a) Heating and Utilities Provision	(580)	0	0	20	0	(560)	0	(560)
b) Digital TV's Provision	(100)	0	0	0	0	(100)	0	(100)
	<u>(680)</u>	<u>0</u>	<u>0</u>	<u>20</u>	<u>0</u>	<u>(660)</u>	<u>0</u>	<u>(660)</u>
<b><u>General Fund</u></b>								
c) Home Bond Scheme Provision	(42)	0	0	11	0	(31)	0	(31)
d) Legal Provision	(10)	(125)	0	10	0	(125)	(125)	0
e) Overpaid Benefit Provision	(535)	0	0	0	0	(535)	0	(535)
f) IT & Transport Equipment Provision	(135)	(16)	21	80	0	(50)	(30)	(20)
g) Secklow Gate Bridge Provision	(356)	0	356	0	0	0	0	0
h) Environment Searches Provision	(212)	0	0	0	0	(212)	(212)	0
i) Redundancy & Pension Strain Provision	(33)	0	33	0	0	0	0	0
j) Carbon Reduction Provision	(246)	(281)	233	12	0	(282)	(282)	0
	<u>(1,569)</u>	<u>(422)</u>	<u>643</u>	<u>113</u>	<u>0</u>	<u>(1,235)</u>	<u>(649)</u>	<u>(586)</u>
<b>Total</b>	<b><u>(2,249)</u></b>	<b><u>(422)</u></b>	<b><u>643</u></b>	<b><u>133</u></b>	<b><u>0</u></b>	<b><u>(1,895)</u></b>	<b><u>(649)</u></b>	<b><u>(1,246)</u></b>

#### a) Heating and Utilities Provision

This provision has been set aside to cover the costs of potential refunds to sheltered area tenants and leaseholders in respect of over-recovered utility costs. The provision consists of:

- a. Leaseholder utilities and administration overcharge – A £40,000 provision is held in accounts in relation to excessive utilities and management recharges on leasehold stock in prior years. A further £20,000 of the provision was released in 2012/13, based on the management recharge methodology agreed in 2011/12.
- b. Housing Stock Utilities overcharge provision – A £520,000 provision is held in the accounts for potential claims in relation to excessive utilities recharging on Housing stock tenants. The Service plans to assess provision reduction in future years after commencement of recharging restructure on Northgate SX3 rent system. This is due to be prepared during 2013/14 for potential implementation in 2014/15.

## Notes to the Accounts

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### **b) Digital TV's Provision**

A £100,000 provision has been put aside as a general provision for loss relating to the recharge of Digital TV costs to tenants. The £1pw tenant recharge has been demonstrated not to recoup all of Milton Keynes Council's costs and the shortfall has been estimated to be in the region of £100,000. Further work needs to be carried out to determine a breakeven rate and a decision / outcome is expected to be made in 2013/14.

### **c) Home Bond Scheme Provision**

In 2005/06 the council introduced a Home Bond pilot scheme, primarily financed through the Homelessness Grant to develop the availability of private sector accommodation. Instead of a rent deposit the Home Bond scheme provides a bond. This is an undertaking to cover damages or loss of rent up to the value of one months rent. In addition, separate rental arrangements are underwritten against wilful damage.

At the end of 2012/13 there were a total of 250 participants in the Home Bond scheme. The provision has been revised to reflect the reduction in scheme participants.

### **d) Legal Provision**

The council was in dispute with Excel Care concerning the funding of the block bed contract of the various Excel Care homes.

After seeking legal advice it was deemed prudent to create a provision of £10,000 to cover legal costs based on the likelihood of achieving a negotiated settlement.

As no communication has been received for over two years, the provision has been reversed.

This provision also includes an amount of £100,000 for claimant Fees for Wind Turbine. The judge made an order for partial costs of the Claimant against the council for 40% of the Claimant's costs. The council has lodged an appeal against the High Court judgement, therefore in addition to the current costs award for the High Court proceedings, there is the potential for the council to be required to pay the Claimant's costs in the Court of Appeal proceedings. The council will always seek an order of no costs or partial costs where it has grounds to do so.

Also included in the Legal Provision is a sum of £25,000 for vulnerable adults. This provision was created as the council has begun litigation in respect of a vulnerable client. In order for the Court's official solicitor to represent the client, the council were required to make a legal undertaking of £25,000 so as to meet the solicitor's costs. Failure to do so would have meant that the council would be in breach of its duties to act to safeguard.

### **e) Overpaid Benefit Provision**

The provision for loss of on-going benefits represents the potential loss on subsidy arising from non-recovery (write off) of on-going benefit debt.

## Notes to the Accounts

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Due to the way that the subsidy system works, if the authority recovers eligible overpayments (i.e. also gets the money back from Department for Work and Pensions (DWP)) this can lead to an overall increase in the percentage of subsidy recovered. This debt, referred to as the on-going benefit debt (OGB), can become significant as the amount that can be reclaimed is regimented.

The authority has already received the money from DWP if it is an eligible overpayment therefore the threshold rates of 60%; 40% and 0% do not apply - this is all straight 'profit' to the authority.

The authority does not record the subsidy transactions in its books; but rather reflects the end result i.e. the overall cost to the authority of providing benefits to claimants in accordance with the regulations laid out by DWP.

CIPFA neither recommends nor prohibits recording the subsidy transactions; however the authority regards that it would be prudent to recognise a potential decrease in the subsidy percentage in the accounts if a significant amount of on-going benefit debt was written off.

### **f) IT & Transport Equipment Provision**

This provision was created to cover high expiry costs for any IT and transport equipment leased by the council on operating leases.

The balance in the provision is made up of regular monthly entries from additional rental charges made to service users.

Additional provision is made when new operating leases are entered into where the residual values included in the deal by the lessor are much higher than those expected by the service users. The amount in the provision for each lease on its expiry is then used to help cover potentially high expiry costs due to the high residual value.

### **g) Secklow Gate Bridge Provision**

Following a fire under the Secklow Gate Bridge during 2010, a provision was created to account for the possibility that the third party insurance company will not pay the full costs incurred for the associated costs of the repair work. During 2012/13 this amount was used and the provision is no longer required.

### **h) Environment Searches Provision**

Following a legal ruling during 2010/11, the council may need to refund income received for searches undertaken in the last 6 years.

The value of the provision has been calculated based on the number of searches undertaken in this period, reduced by a grant of £34,000 from the Department of Communities and Local Government to reimburse the authority for both potential restitutionary claims and loss of fees forgone during 2010/11.

## Notes to the Accounts

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The extent to which the provision may be required depends on the number of claims made against the council following the ruling. It is not currently possible to estimate the likely number of claims.

### **i) Redundancy & Pension Strain Provision**

A provision has been created to allow for the pension and redundancy costs of staff who were identified as potential redundancies but whose departure date was not confirmed on the 31<sup>st</sup> March 2013. During 2012/13 this amount was used and the provision is no longer required.

### **j) Carbon Reduction Provision**

In accordance with CIPFA LAAP Bulletin 91, issued February 2012, the council is required to create a provision to meet its obligations under the Carbon Reduction Commitment Energy Efficiency Scheme within 2012/13 accounts; This covers all properties including schools and academies within the borough.

## Notes to the Accounts

### 30. RESERVES

The following table provides details of the Reserves held by the council as detailed in the Movement in Reserves Statement.

Balance 31 Mar 2012 £'000		Notes	Balance 31 Mar 2013 £'000
	<b>Usable Reserves</b>		
(8,796)	General Fund Balance		(9,757)
(10,755)	Schools Balances		(9,848)
(5,511)	Housing Revenue Account Balance		(4,568)
<b>(25,062)</b>	<b>Total Fund Balances</b>		<b>(24,173)</b>
<b>(26,412)</b>	<b>Total General Fund Earmarked Reserves</b>		<b>(36,843)</b>
<b>(4,568)</b>	<b>Total HRA Earmarked Reserves</b>		<b>(5,799)</b>
0	Major Repairs Reserves		(4,614)
(4,881)	Capital Receipts Reserve		(5,984)
(32,493)	Capital Grants Unapplied Reserve		(30,596)
<b>(93,416)</b>	<b>Total Usable Reserves*</b>		<b>(108,009)</b>
	<b>Unusable Reserves</b>		
(375,856)	Capital Adjustment Account	a	(364,072)
(102,619)	Revaluation Reserve	b	(98,773)
519	Financial Instruments Adjustment Account	c	(287)
263,933	Pensions Reserve	d	235,742
(2,114)	Collection Fund Adjustment Account	e	(1,812)
(2,496)	Deferred Capital Receipts	f	(2,480)
927	Accumulated Absences Account	g	917
<b>(217,706)</b>	<b>Total Unusable Reserves</b>		<b>(230,765)</b>

\* Full details of the movement on the authority's usable reserves can be found in the Movement in Reserves Statement and note 6, along with a description of the purpose of each reserve.

#### a) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the authority as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the authority.

## Notes to the Accounts

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1<sup>st</sup> April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 22 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

The table below shows the movement in year for the Capital Adjustment Account.

2011/12 £'000		2012/13 £'000	£'000
<b>(561,976)</b>	<b>Balance at 1 April</b>		<b>(375,856)</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
42,948	Charges for depreciation and impairment of non-current assets	50,791	
7,858	Revaluation losses on Property, Plant and Equipment	(876)	
717	Amortisation of Intangible Assets	671	
1,604	Revenue Expenditure Funded from Capital Under Statute	619	
8,751	Amounts on non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	27,233	
<u>61,878</u>			<u>78,438</u>
(3,668)	Adjusting amounts written out of the Revaluation Reserve		(7,192)
<b>(503,766)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(304,610)</b>
	Capital financing applied in the year:		
(6,683)	Use of the Capital Reserve to finance new capital expenditure	(2,044)	
(8,092)	Use of the Major Repairs Reserve to finance new capital expenditure	(8,383)	
(10,645)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(13,468)	
(4,261)	Application of grants to capital financing from the Capital Grants Unapplied Account	(17,394)	
(10,944)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(10,531)	
(1,675)	Capital expenditure charged against the General Fund and HRA balance	(7,642)	
<u>(42,300)</u>			<u>(59,462)</u>
(150)	Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		0
0	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		0
170,360	HRA Self Financing		0
<u><b>(375,856)</b></u>	<b>Balance at 31 March</b>		<u><b>(364,072)</b></u>

## Notes to the Accounts

### b) Revaluation Reserve

The Revaluation Reserve contains the gains made by the authority arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- Re-valued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1<sup>st</sup> April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2011/12 £'000		2012/13 £'000
<b>(95,049)</b>	<b>Balance at 1 April</b>	<b>(102,619)</b>
(19,827)	Upward revaluation of assets	(16,928)
8,589	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	13,582
<u>(11,238)</u>	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<u>(3,346)</u>
1,761	Difference between fair value depreciation and historical cost depreciation	2,163
1,907	Accumulated gains on assets sold or scrapped	5,029
<u>3,668</u>	Amount written off to the Capital Adjustment Account	<u>7,192</u>
<b><u>(102,619)</u></b>	<b>Balance at 31 March</b>	<b><u>(98,773)</u></b>

### c) Financial Instrument Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The authority uses the account to manage premiums paid and discounts received on the early redemption of loans. Premiums and discounts are posted to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to this account in the Movement in Reserves Statement. Over time, the income/expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the impact on Council Tax.

## Notes to the Accounts

In the council's case, for premiums this period is the unexpired term that was outstanding on the loans when they were redeemed or the period to the financial year in which the replacement loan is due to be repaid, whichever is the later, and for discounts is the shorter of the unexpired term of the replacement loan or 10 years.

2011/12 £'000		2012/13 £'000
<b>496</b>	<b>Balance at 1 April</b>	<b>519</b>
0	Premiums and discounts incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(793)
23	Proportion of premiums and discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(13)
<b>23</b>	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	<b>(806)</b>
<b>519</b>	<b>Balance at 31 March</b>	<b>(287)</b>

### d) Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2011/12 £'000		2012/13 £'000
<b>142,165</b>	<b>Balance at 1 April</b>	<b>263,933</b>
117,600	Actuarial gains or losses on pensions assets and liabilities	(42,131)
18,887	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	28,194
(14,719)	Employer's pension contributions and direct payments to pensioners payable in the year	(14,254)
<b>263,933</b>	<b>Balance at 31 March</b>	<b>235,742</b>



## Notes to the Accounts

### e) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2011/12 £'000		2012/13 £'000
(1,779)	<b>Balance at 1 April</b>	(2,114)
(335)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	302
<u>(2,114)</u>	<b>Balance at 31 March</b>	<u>(1,812)</u>

### f) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2011/12 £'000		2012/13 £'000
(8,334)	<b>Balance at 1 April</b>	(2,496)
(99)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
5,937	Transfer to the Capital Receipts Reserve upon receipt of cash	16
<u>(2,496)</u>	<b>Balance at 31 March</b>	<u>(2,480)</u>

## Notes to the Accounts

### g) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31<sup>st</sup> March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

2011/12 £'000		2012/13 £'000
<b>910</b>	<b>Balance at 1 April</b>	<b>927</b>
(910)	Settlement or cancellation of accrual made at the end of the proceeding year	(927)
927	Amounts accrued at the end of the current year	917
<b>17</b>	Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	<b>(10)</b>
<b>927</b>	<b>Balance at 31 March</b>	<b>917</b>

### 31. CASH AND CASH EQUIVALENTS

The table below provides an analysis of the components of cash and cash equivalents.

	Balance 31 Mar 2012 £'000	Balance 31 Mar 2013 £'000	Movement In Year £'000
Cash held by the Authority	639	193	(446)
Short-term deposits with Financial Institutions	2,233	14,897	12,664
Bank Overdraft	(10,853)	(12,847)	(1,994)
<b>Total Cash &amp; Cash Equivalents</b>	<b>(7,981)</b>	<b>2,243</b>	<b>10,224</b>

## Notes to the Accounts

### 32. NET CASH FLOW FROM OPERATING ACTIVITIES

The table below provides an analysis of non cash items and investing and financing activities included in the provision of services as presented in the Cash Flow Statement.

2011/12 £'000		2012/13 £'000
(171,440)	<b>Net Surplus/(Deficit) on the provision of services</b>	(15,867)
	<b><u>Adjustments to net Surplus or deficit on the provision of services for non-cash movements</u></b>	
43,281	Depreciation and Impairment of Non-Current Assets	41,491
(27,166)	Capital Grants and Contributions	(28,965)
1,271	(Increase) / Decrease in Creditors	4,906
2,820	Increase / (Decrease) in Debtors	2,946
522	Increase / (Decrease) in Inventories and Work in Progress	80
318	(Increase) / Decrease in Provisions	(354)
4,168	Movement of pension liabilities	13,940
7,425	Carrying Amount of Non-Current Assets Sold	22,699
0	Financial Instruments	0
458	Housing Capital Receipts Pool	587
0	Amortised Premiums	0
(4,377)	Revenue Expenditure Funded from Capital Under Statute	(8,401)
(1,959)	Local Government Reorganisation Transferred Debt	(1,959)
(1,610)	Other non-cash items charged to the net surplus or deficit on the Provision of Service	(7,335)
<b>25,151</b>	<b>Total Non-Cash Items in the Provision of Services</b>	<b>39,635</b>
<b>0</b>	<b>Total Investing and Financing activities included in the Provision of Services</b>	<b>0</b>
<b>13,680</b>	<b>Reversal of operating activity items included in the net surplus or deficit on the Provision of Services that are shown separately</b>	<b>17,700</b>
	<b><u>Cash flow from interest received and paid</u></b>	
(14,848)	Interest Paid	(20,589)
(77)	Interest element of Finance Leases	(76)
1,698	Interest Received	2,008
<b>(13,227)</b>	<b>Total Cash Flow from Interest Received and Paid</b>	<b>(18,657)</b>
<b>(145,836)</b>	<b>Net Cash flow from Operating Activities</b>	<b>22,811</b>

## Notes to the Accounts

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### 33. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the council's Cabinet on the basis of budget reports analysed across Service Groups. These reports are prepared on a different basis from the accounting policies used in the Financial Statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;
- Expenditure on some support services is budgeted for centrally and not charged to Service Groups.

The table on the following page shows the income and expenditure of the council principle Service Groups recorded in the budget reports for the year:

## Notes to the Accounts

Service Group Income & Expenditure 2012/13	Resources: Finance, HR & Governance £'000	Resources: Public Access £'000	Adult Social Care & Health £'000	Housing & Community £'000	Community Facilities Unit £'000	Integrated Support & Social Care £'000	Education, Effectiveness & Participation £'000	Planning, Economy & Development £'000	Highways & Transportation £'000	Total Carried Forward to Below
Government Grants & Contributions	(120,301)	(46)	(6,664)	(692)	(227)	(1,619)	(18,844)	(5,011)	(1,037)	(154,441)
Fees, Charges & Other Service Income	(1,859)	(1,844)	(14,717)	(1,811)	(1,598)	(1,987)	(3,408)	(1,756)	(11,886)	(40,866)
<b>TOTAL INCOME</b>	<b>(122,160)</b>	<b>(1,890)</b>	<b>(21,381)</b>	<b>(2,503)</b>	<b>(1,825)</b>	<b>(3,606)</b>	<b>(22,252)</b>	<b>(6,767)</b>	<b>(12,923)</b>	<b>(195,307)</b>
Employee Costs	7,084	1,504	21,472	1,264	3,323	20,847	8,254	2,754	2,222	68,724
Other Operating Expenses	151,554	5,530	54,041	3,901	5,165	19,021	21,234	1,111	13,326	274,883
Support Service Recharges	(22,383)	(6,840)	5,984	91	1,854	5,822	4,028	1,683	7,155	(2,606)
<b>TOTAL EXPENDITURE</b>	<b>136,255</b>	<b>194</b>	<b>81,497</b>	<b>5,256</b>	<b>10,342</b>	<b>45,690</b>	<b>33,516</b>	<b>5,548</b>	<b>22,703</b>	<b>341,001</b>
<b>Contributions to/(from) Reserves</b>	<b>(3,410)</b>	<b>541</b>	<b>2,104</b>	<b>(141)</b>	<b>(1,430)</b>	<b>258</b>	<b>(856)</b>	<b>2,909</b>	<b>(526)</b>	<b>(551)</b>
<b>NET EXPENDITURE</b>	<b>10,685</b>	<b>(1,155)</b>	<b>62,220</b>	<b>2,612</b>	<b>7,087</b>	<b>42,342</b>	<b>10,408</b>	<b>1,690</b>	<b>9,254</b>	<b>145,143</b>

Service Group Income & Expenditure 2012/13	Total Brought Forward from Above £'000	Neighbourhood Services £'000	Regulatory Unit £'000	Environment & Waste £'000	Corporate Core £'000	Debt Financing £'000	Housing Revenue Account £'000	Schools £'000	Central Resources £'000	All Service Groups Total
Government Grants & Contributions	(154,441)	(18)	0	(58)	(64)	0	(56)	(150,043)	(103,971)	(408,651)
Fees, Charges & Other Service Income	(40,866)	(669)	(4,225)	(1,212)	(121)	(1,974)	(55,528)	(5,119)	(99,327)	(209,041)
<b>TOTAL INCOME</b>	<b>(195,307)</b>	<b>(687)</b>	<b>(4,225)</b>	<b>(1,270)</b>	<b>(185)</b>	<b>(1,974)</b>	<b>(55,584)</b>	<b>(155,162)</b>	<b>(203,298)</b>	<b>(617,692)</b>
Employee Costs	68,724	4,951	4,163	841	2,264	0	3,779	121,457	0	206,179
Other Operating Expenses	274,883	9,705	1,946	15,277	476	22,617	43,147	35,314	(2,606)	400,759
Support Service Recharges	(2,606)	(4,730)	1,922	1,563	(1,592)	(2,935)	8,132	0	246	0
<b>TOTAL EXPENDITURE</b>	<b>341,001</b>	<b>9,926</b>	<b>8,031</b>	<b>17,681</b>	<b>1,148</b>	<b>19,682</b>	<b>55,058</b>	<b>156,771</b>	<b>(2,360)</b>	<b>606,938</b>
<b>Contributions to/(from) Reserves</b>	<b>(551)</b>	<b>54</b>	<b>(182)</b>	<b>49</b>	<b>(24)</b>	<b>2,420</b>	<b>845</b>	<b>571</b>	<b>6,611</b>	<b>9,793</b>
<b>NET EXPENDITURE</b>	<b>145,143</b>	<b>9,293</b>	<b>3,624</b>	<b>16,460</b>	<b>939</b>	<b>20,128</b>	<b>319</b>	<b>2,180</b>	<b>(199,047)</b>	<b>(961)</b>

## Notes to the Accounts

<b>Service Group Income &amp; Expenditure 2011/12 Comparative Figures</b>	<b>Resources: Finance, HR &amp; Governance £'000</b>	<b>Resources: Public Access £'000</b>	<b>Adult Social Care &amp; Health £'000</b>	<b>Housing &amp; Community £'000</b>	<b>Community Facilities Unit £'000</b>	<b>Integrated Support £'000</b>	<b>Education, Effectiveness &amp; Participation £'000</b>	<b>Planning, Economy &amp; Development £'000</b>	<b>Highways &amp; Transportation £'000</b>	<b>Total Carried Forward to Below</b>
Government Grants & Contributions	(116,909)	(736)	(9,827)	(653)	(469)	(1,999)	(21,038)	(3,594)	(1,140)	(156,365)
Fees, Charges & Other Service Income	(2,228)	(1,466)	(13,469)	(1,170)	(2,223)	(1,193)	(5,640)	(3,635)	(13,628)	(44,652)
<b>TOTAL INCOME</b>	<b>(119,137)</b>	<b>(2,202)</b>	<b>(23,296)</b>	<b>(1,823)</b>	<b>(2,692)</b>	<b>(3,192)</b>	<b>(26,678)</b>	<b>(7,229)</b>	<b>(14,768)</b>	<b>(201,017)</b>
Employee Costs	6,289	548	19,788	1,302	3,563	16,001	12,061	3,299	2,349	65,200
Other Operating Expenses	142,281	5,885	54,908	1,941	4,013	22,737	21,074	2,094	12,353	267,286
Support Service Recharges	(24,185)	(6,760)	3,382	1,185	2,209	5,223	5,659	970	10,488	(1,829)
<b>TOTAL EXPENDITURE</b>	<b>124,385</b>	<b>(327)</b>	<b>78,078</b>	<b>4,428</b>	<b>9,785</b>	<b>43,961</b>	<b>38,794</b>	<b>6,363</b>	<b>25,190</b>	<b>330,657</b>
<b>Contributions to/(from) Reserves</b>	812	669	295	594	(110)	525	(2,185)	3,238	626	4,464
<b>NET EXPENDITURE</b>	<b>6,060</b>	<b>(1,860)</b>	<b>55,077</b>	<b>3,199</b>	<b>6,983</b>	<b>41,294</b>	<b>9,931</b>	<b>2,372</b>	<b>11,048</b>	<b>134,104</b>

<b>Service Group Income &amp; Expenditure 2011/12 Comparative Figures</b>	<b>Total Brought Forward from Above £'000</b>	<b>Neighbourhood Services £'000</b>	<b>Regulatory Unit £'000</b>	<b>Environment &amp; Waste £'000</b>	<b>Corporate Core £'000</b>	<b>Debt Financing £'000</b>	<b>Housing Revenue Account £'000</b>	<b>Schools £'000</b>	<b>Central Resources £'000</b>	<b>All Service Groups Total</b>
Government Grants & Contributions	(156,365)	0	(32)	0	0	0	0	(161,599)	(101,782)	(419,778)
Fees, Charges & Other Service Income	(44,652)	(1,092)	(3,112)	(1,691)	(311)	(1,794)	(49,720)	(5,479)	(97,504)	(205,355)
<b>TOTAL INCOME</b>	<b>(201,017)</b>	<b>(1,092)</b>	<b>(3,144)</b>	<b>(1,691)</b>	<b>(311)</b>	<b>(1,794)</b>	<b>(49,720)</b>	<b>(167,078)</b>	<b>(199,286)</b>	<b>(625,133)</b>
Employee Costs	65,200	5,812	3,284	854	2,918	0	3,265	125,596	0	206,929
Other Operating Expenses	267,286	13,033	1,304	14,713	1,522	24,654	38,798	35,801	9,232	406,343
Support Service Recharges	(1,829)	(7,849)	1,869	1,728	502	(2,039)	7,616	0	0	(2)
<b>TOTAL EXPENDITURE</b>	<b>330,657</b>	<b>10,996</b>	<b>6,457</b>	<b>17,295</b>	<b>4,942</b>	<b>22,615</b>	<b>49,679</b>	<b>161,397</b>	<b>9,232</b>	<b>613,270</b>
<b>Contributions to/(from) Reserves</b>	4,464	57	66	(3)	43	670	224	4,452	108	10,081
<b>NET EXPENDITURE</b>	<b>134,104</b>	<b>9,961</b>	<b>3,379</b>	<b>15,601</b>	<b>4,674</b>	<b>21,491</b>	<b>183</b>	<b>(1,229)</b>	<b>(189,946)</b>	<b>(1,782)</b>

## Notes to the Accounts

### Reconciliation between Amounts Reported for Resource Allocation Decisions and the Comprehensive Income and Expenditure Statement

The table below illustrates how the Amounts Reported for Resource Allocation Decisions (previous disclosure) reconciles to the Cost of Services reported in the Comprehensive Income and Expenditure Statement, by identifying and illustrating amounts not reflected in either the Amounts Reported for Resource Allocation Decisions or the Comprehensive Income and Expenditure Statement.

2011/12 £'000		2012/13 £'000
(1,782)	<b>Net expenditure in the Analysis</b>	(961)
	0 Net expenditure on services and support services not included in the Analysis	0
177,369	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Amount Reported for Resource Allocation Decisions	2,536
197,759	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	190,118
<b>373,346</b>	<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>191,693</b>

## Notes to the Accounts

### Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Service Group income and expenditure relate to a subjective analysis of the Surplus of Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2012/13	Analysis £'000	Services & Support Services not in analysis £'000	Amounts not reported to management in decision making £'000	Amounts not included in I&E £'000	Allocation of recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges & Other Service Income	(106,540)	0	0	80,016	0	(26,524)	(80,016)	(106,540)
Interest and Investment Income	(2,075)	0	0	2,075	0	0	(2,075)	(2,075)
Income from Council Tax	(100,426)	0	0	100,426	0	0	(100,426)	(100,426)
Government Grants	(408,651)	0	0	50,734	0	(357,917)	(50,734)	(408,651)
<b>TOTAL INCOME</b>	<b>(617,692)</b>	<b>0</b>	<b>0</b>	<b>233,251</b>	<b>0</b>	<b>(384,441)</b>	<b>(233,251)</b>	<b>(617,692)</b>
Employee Expenses	206,179	0	13,930	(7,399)		212,710	7,399	220,109
Other Service Expenses	385,089	0	(48,983)	(10,271)		325,835	1,277	327,112
Support Service Recharges	0	0	0	0	0	0	0	0
Depreciation, Amortisation & Impairment	0	0	37,589	0	0	37,589	0	37,589
Interest Payments	19,775	0	0	(19,775)	0	0	19,775	19,775
Precepts and Levies	5,688	0	0	(5,688)	0	0	5,688	5,688
Payments to the Housing Capital Receipts Pool	0	0	0	0	0	0	587	587
Gain/Loss on Disposal of Non-current Assets	0	0	0	0	0	0	22,699	22,699
<b>TOTAL EXPENDITURE</b>	<b>616,731</b>	<b>0</b>	<b>2,536</b>	<b>(43,133)</b>	<b>0</b>	<b>576,134</b>	<b>57,425</b>	<b>633,559</b>
<b>Surplus/Deficit on the Provision of Services</b>	<b>(961)</b>	<b>0</b>	<b>2,536</b>	<b>190,118</b>	<b>0</b>	<b>191,693</b>	<b>(175,826)</b>	<b>15,867</b>



## Notes to the Accounts

2011/12 Comparative Figures	Analysis £'000	Services & Support Services not in analysis £'000	Amounts not reported to management in decision making £'000	Amounts not included in I&E £'000	Allocation of recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges & Other Service Income	(104,960)	0	0	67,596	0	(37,364)	(67,596)	(104,960)
Interest and Investment Income	(1,797)	0	0	1,797	0	0	(1,797)	(1,797)
Income from Council Tax	(98,599)	0	0	98,599	0	0	(98,599)	(98,599)
Government Grants	(419,778)	0	0	64,672	0	(355,106)	(64,672)	(419,778)
<b>TOTAL INCOME</b>	<b>(625,134)</b>	<b>0</b>	<b>0</b>	<b>232,664</b>	<b>0</b>	<b>(392,470)</b>	<b>(232,664)</b>	<b>(625,134)</b>
Employee Expenses	206,927	0	4,185	(2,739)	0	208,373	2,739	211,112
Other Service Expenses	395,512	0	129,905	(11,253)	0	514,164	(778)	513,386
Support Service Recharges	0	0	0	0	0	0	0	0
Depreciation, Amortisation & Impairment	0	0	43,279	0	0	43,279	0	43,279
Interest Payments	15,477	0	0	(15,477)	0	0	15,477	15,477
Precepts and Levies	5,436	0	0	(5,436)	0	0	5,436	5,436
Payments to the Housing Capital Receipts Pool	0	0	0	0	0	0	458	458
Gain/Loss on Disposal of Non-current Assets	0	0	0	0	0	0	7,426	7,426
<b>TOTAL EXPENDITURE</b>	<b>623,352</b>	<b>0</b>	<b>177,369</b>	<b>(34,905)</b>	<b>0</b>	<b>765,816</b>	<b>30,758</b>	<b>796,574</b>
<b>Surplus/Deficit on the Provision of Services</b>	<b>(1,782)</b>	<b>0</b>	<b>177,369</b>	<b>197,759</b>	<b>0</b>	<b>373,346</b>	<b>(201,906)</b>	<b>171,440</b>

## Notes to the Accounts

### 34. FINANCIAL INSTRUMENTS

International Financial Reporting Standard IAS 39 Financial Instruments Recognition and Measurement, IAS 32 Financial Instruments Presentation and IFRS 7 Financial Instruments Disclosures require that all local authorities provide information about the impact of financial instruments on their risk profile, how the risks arising from financial instruments might affect their performance and financial condition, and how these risks are being managed.

#### a. Financial Instrument Balances

The borrowings, investments, trade debtors and creditors disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	31 Mar 2012 £'000	31 Mar 2013 £'000	31 Mar 2012 £'000	31 Mar 2013 £'000
Loans and Receivables	10,000	0	91,880	75,231
Available-for-sale Financial Assets	0	0	0	0
Unquoted Equity Investment at Cost	0	0	0	0
Financial Assets at Fair Value through Profit or Loss	0	0	0	0
<b>Total Investments</b>	<b>10,000</b>	<b>0</b>	<b>91,880</b>	<b>75,231</b>
Loans and Receivables	0	31,881	11,086	14,744
Financial Assets at Fair Value through Profit or Loss	0	0	0	0
<b>Total Debtors</b>	<b>0</b>	<b>31,881</b>	<b>11,086</b>	<b>14,744</b>
Financial Liabilities at Amortised Cost	(438,564)	(425,371)	(18,823)	(26,775)
Financial Liabilities at Fair Value Through Profit and Loss	0	0	0	0
<b>Total Borrowings</b>	<b>(438,564)</b>	<b>(425,371)</b>	<b>(18,823)</b>	<b>(26,775)</b>
PFI and Finance Lease Liabilities	(4,163)	(1,137)	0	(655)
<b>Total Other Long Term Liabilities</b>	<b>(4,163)</b>	<b>(1,137)</b>	<b>0</b>	<b>(655)</b>
Financial Liabilities at Amortised Cost	0	(25,090)	(41,352)	(26,519)
Financial Liabilities carried at Contract Amount	0	0	0	0
<b>Total Creditors</b>	<b>0</b>	<b>(25,090)</b>	<b>(41,352)</b>	<b>(26,519)</b>

At the 31<sup>st</sup> March 2013, The council had £75,231,000 (£91,880,000 in 2011/12) invested with various financial instruments classified as Current Loans and Receivables, of this amount £14,897,000 (£2,233,000 in 2011/12) has been classified as cash equivalent as per Accounting Policy note 6 leaving £60,334,000 (£89,647,000 in 2011/12) on the Balance sheet as Short Term Investments.

## Notes to the Accounts

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### c. Reclassifications of financial instruments

During the financial year there have been no reclassifications between financial assets measured at fair value and those measured at amortised cost.

### d. De-recognition of financial instruments

There have been no financial assets transferred in such a way that the assets did not qualify for de-recognition during the financial year.

### e. Allowance account for credit losses

The council has created an allowance for non-payment of debts. Each class of debt is reviewed and any impairment resulting from issues such as changes in the economic climate or the financial position of the debtor is calculated. This is known as the incurred losses method.

### f. Defaults and Breaches

In respect of loans payable by the council during the year, there have been no breaches or defaults.

### g. Financial Instruments Income, Expenses, Gains and Losses

The income, expenses, gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2011/12 Financial Liabilities Measured at Amortised Cost £'000	2011/12 Financial Assets: Loans and Receivables £'000		2012/13 Financial Liabilities Measured at Amortised Cost £'000	2012/13 Financial Assets: Loans and Receivables £'000
(15,581)	0	Interest Expense	(19,732)	0
0	0	Losses on De-recognition	0	0
0	0	Impairment Losses	0	0
0	0	Fee Expense	0	0
<b>(15,581)</b>	<b>0</b>	<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>(19,732)</b>	<b>0</b>
0	1,844	Interest Income	0	2,025
0	0	Interest Income Accrued on Impaired Financial assets	0	0
0	0	Gains on Derecognition	0	0
0	0	Fee Income	0	0
<b>0</b>	<b>1,844</b>	<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>2,025</b>
<b>(15,581)</b>	<b>1,844</b>	<b>Total Surplus or Deficit on the Provision of Services</b>	<b>(19,732)</b>	<b>2,025</b>

## Notes to the Accounts

### h. Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets are represented by loans and receivables and carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Information supplied by PWLB at 31<sup>st</sup> March 2013 for PWLB loans and by Sector for other loans and receivables;
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to be approximate to fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair value of the liabilities is greater than the carrying amount because the council's portfolio of loans is comprised of fixed rate loans where the interest rate payable is higher than the prevailing rate at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31<sup>st</sup> March 2013) arising from a commitment to pay interest to lenders above current market rates.

The fair value of assets is higher than the carrying amount because the council's portfolio of investment includes a number of fixed rate investments where the interest rate receivable is higher than the rates available for similar investments at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31<sup>st</sup> March 2013) attributable to the commitment to receive interest above current market rates.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

31 Mar 2012			31 Mar 2013	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
442,127	446,414	Public Works Loan Board	432,082	461,057
15,260	16,260	Market Borrowing	15,258	16,663
0	0	Other Loans	4,806	4,807
41,352	41,352	Short Term Trade Creditors	26,519	26,519
<b>498,739</b>	<b>504,026</b>	<b>Financial Liabilities at Amortised Cost</b>	<b>478,665</b>	<b>509,046</b>
101,880	102,413	Investments	75,231	75,516
11,086	11,086	Short Term Trade Debtors	14,744	14,744
<b>112,966</b>	<b>113,499</b>	<b>Loans and Receivables</b>	<b>89,975</b>	<b>90,260</b>

### i. Nature and Extent of Risks Arising from Financial Instruments

The council's activities expose it to a variety of financial risks:

- Credit Risk – the possibility that other parties might fail to pay amounts due to the council;

## Notes to the Accounts

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- Liquidity Risk – the possibility that the council might not have funds available to meet its commitments to make payments;
- Market Risk – the possibility that financial loss might arise for the council as a result of changes in such measures as interest rates and stock market movements.

The council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the council in the annual treasury management strategy. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers. This risk is minimised through the Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet strict assessment criteria, including review of credit ratings from all three major rating agencies - Fitch, Moody's and Standard & Poors, analysis of market data, and is included on a matrix of recommended counterparties compiled by the council's treasury advisors. The Treasury Management Strategy sets out the process of setting maximum amounts and durations that deposits may be invested with a financial institution. The priorities of the council's investment strategy are, strictly in order:

1. security of capital
2. liquidity of cash resources
3. yield return on resources

The council's treasury management risks are kept under constant review and actively managed on a daily basis. Whilst the continued credit crisis in international markets has raised the overall possibility of default, the council's strict assessment criteria for investment counterparties and active management minimises such risk.

The Corporate Director Resources has the delegated authority through the approved Treasury Management Strategy to further restrict or relax the investment names, limits and durations in order to safeguard the council's resources.

During 2012/13 the council took a number of further steps to minimise credit risk. This has ranged from further restricting deposit sums and durations to, where appropriate, removing institutions from the counterparty list and withdrawing deposits.

The investment criteria outlined above ensured that financial assets held by the authority at 31<sup>st</sup> March 2013 were held with institutions that fall into the categories outlined below:

- UK part-nationalised institutions; up to £35 million maximum per institution, deposited for a period up to one year, periods in excess of one year considered on case-by-case basis for longer term resources;

## Notes to the Accounts

- UK-registered institutions eligible for the UK Government's Credit Guarantee Scheme; between £25-30 million maximum per institution, deposited for a period up to three months;
- Highly credit rated institutions of AAA sovereign countries with very strong market datasets; up to £30m maximum per institution, deposited for a period up to three months.

In addition, the council's counterparty list also included:

- Debt Management Office (UK government); unlimited.

Customers for goods and services are assessed taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with perimeters set by the council.

The following analysis summarises the council's potential maximum exposure to credit risk on other financial assets, based on experience of default and un-collectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 Mar 2013 £'000 A	Historical Experience of Default % B	Historical Experience Adjusted for Market Conditions at 31 Mar 2013 % C	Estimated Maximum Exposure to Default and Uncollectability £'000 D
Deposits with Banks and Financial Institutions	75,231	0.00%	0.00%	0
Bonds	0	0.00%	0.00%	0
Customers	10,937	14.47%	14.47%	1,583
<b>Total</b>				<b>1,583</b>

The past due amount which has not been impaired can be analysed by age as follows:

2011/12 £'000		2012/13 £'000
534	Less than three months	4,849
247	Three to six months	203
72	Six months to one year	955
523	More than one year	715
<b>1,376</b>		<b>6,722</b>

## Notes to the Accounts

The past due amount which has been impaired can be analysed as follows:

2011/12 £'000		2012/13 £'000
1	Less than three months	0
79	Three to six months	240
147	Six months to one year	211
917	More than one year	906
<b>1,144</b>		<b>1,357</b>

The factors considered by the council in taking the decision to impair the debt include:

- Any significant financial difficulty for the borrower;
- Any breach of contract or default;
- The council having granted a concession based on difficulty for the borrower;
- The likelihood of the borrower entering bankruptcy;
- Any observable data indicating a measurable decrease in future estimated cash flows.

The council holds no collateral in respect of the outstanding debt detailed above.

### Liquidity Risk

As the council has ready access to borrowing from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the council may have to raise new loans at a time of unfavourable interest rates. In this instance short term loans will be taken until rates become favourable.

The table below sets out the maturity analysis of financial liabilities held by the council.

2011/12 £'000		2012/13 £'000
15,000	Less than one year	23,000
18,000	Between one and two years	20,000
41,150	Between two and five years	21,150
379,414	More than five years	384,221
<b>453,564</b>		<b>448,371</b>

### Market Risk

The council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments and has a number of strategies for managing interest rate risk. These are set out in the annual Treasury Management Strategy which is approved by council in February each year.

## Notes to the Accounts

The table below sets out the financial impact if interest rates had been 1% higher.

2011/12 £'000		2012/13 £'000
0	Increase in interest payable on variable rate borrowings	0
(697)	Increase in interest receivable on variable rate investments	(515)
(2,703)	Increase in government grant receivable for financing costs	(4,714)
<u>(3,400)</u>	Surplus or Deficit on the Provision of Services	<u>(5,229)</u>
<u>(810)</u>	Share of overall impact debited to the HRA	<u>(2,446)</u>
	Decrease in fair value of fixed rate investment assets	
<u>(603)</u>	Impact on Other Comprehensive Income and Expenditure	<u>(202)</u>
<u>51,682</u>	Decrease in fair value of fixed rate borrowings liabilities	<u>50,417</u>

### Price Risk

The council does not invest in equity shares and therefore is not exposed to losses arising from movements in the prices of shares.

### Foreign Exchange Risk

The council has no financial assets or liabilities denominated in foreign currencies and therefore have no exposure to loss arising from movements in exchange rate.



## Notes to the Accounts

### 35. LEASES

#### a. Council as Lessee

##### Finance Lease

The council has acquired IT items, Vehicles, Plant and Equipment under finance leases.

The assets acquired under these leases are carried as Vehicles, Plant and Equipment and Intangibles in the Balance Sheet at the following net amounts:

31 Mar 2012 £'000		31 Mar 2013 £'000
1,964	Vehicles, Plant, Furniture and Equipment	1,286
2,228	Intangibles	613
<b>4,192</b>		<b>1,899</b>

The council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest and finance costs that will be payable by the council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 Mar 2012 £'000		31 Mar 2013 £'000
	Finance lease liabilities (net present value of minimum lease payments):	
1,264	- current	655
2,899	- non-current	1,137
249	Finance costs payable in future years	263
<b>4,412</b>	<b>Minimum Lease Payments</b>	<b>2,055</b>

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 Mar 2012 £'000	31 Mar 2013 £'000	31 Mar 2012 £'000	31 Mar 2013 £'000
Not later than one year	1,389	788	1,264	655
Later than one year and not later than five years	3,023	1,267	2,899	1,137
Later than five years	0	0	0	0
	<b>4,412</b>	<b>2,055</b>	<b>4,163</b>	<b>1,792</b>

## Notes to the Accounts

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2012/13 there were no contingent rents payable by the council (2011/12 £0).

The council does not sub-let any of the assets acquired under these finance leases.

### Operating Lease

The council has acquired some of its Vehicles, Plant and Equipment by entering into operating leases, with typical lives of 5 years. It also leases some of its property.

The future minimum lease payments due under non-cancellable leases in future years are:

31 Mar 2012 £'000		31 Mar 2013 £'000
1,962	Not later than one year	667
5,515	Later than one year and not later than five years	723
3,550	Later than five years	1,431
<u>11,027</u>		<u>2,821</u>

The council has sub-let one of the property assets acquired under these operating leases.

At 31<sup>st</sup> March 2013 the future minimum sub-lease payments expected to be received under non-cancellable sub-leases was £24,100 (£37,100 31<sup>st</sup> March 2012).

The expenditure charged in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

31 Mar 2012 £'000		31 Mar 2013 £'000
2,441	Minimum Lease Payments	1,061
0	Contingent Rents	0
0	Sublease Payments Receivable	(1)
<u>2,441</u>		<u>1,060</u>

### b. Council as Lessor

#### Finance Leases

The council has leased out property on finance leases to six schools which have become academies. These leases have remaining terms of between 120 and 125 years.

The council has no gross investment in these leases. The minimum lease payments expected to be received over the remaining term is nil. There is no residual value anticipated for the property due to the length of the lease and the type of asset.

# Notes to the Accounts

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## Operating Leases

The council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres;
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

31 Mar 2012 £'000		31 Mar 2013 £'000
1,909	Not later than one year	1,972
4,873	Later than one year and not later than five years	5,068
18,318	Later than five years	14,037
<u>25,100</u>		<u>21,077</u>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2012/13 £87,000 contingent rents were receivable by the council (£126,000 in 2011/12).

## 36. LONG TERM CONTRACTS

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### Public Private Partnership - Mouchel Business Services

On 1<sup>st</sup> January 2004 the council entered into a 12 year contract with HBS, now trading as Mouchel Business Services at an approved cost of £207,120,000 excluding inflation, work volume changes or any additional work commissioned. The contract, which was a public private partnership arrangement, covered the provision of administration, facilities management, finance, human resources, ICT, revenues and benefits and management of several other services. On 31<sup>st</sup> December 2012, the contract was renegotiated and the services transferred into a Limited Liability Partnership – the Milton Keynes Service Partnership. Therefore, as at 31<sup>st</sup> March 2013 there was no longer any undischarged obligation under this contract.

### Responsive Repairs and Voids

In April 2006, the council entered into a contract with MITIE Property Services UK Ltd for responsive repairs to council housing stock. The actual level of payments will depend on the council's take up of repairs work but has an estimated value of £25,000,000. The contract has been extended for another four years, and is now due to end in March 2016.

## Notes to the Accounts

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### **Council Housing Stock**

In October 2005, the council entered into a four year contract with Apollo London Ltd to be a strategic partner in major works to council housing stock. In November 2009, the council entered into an additional four year contract with Apollo Group to continue these services. The contract is valued at £16,000,000 and is scheduled to end in November 2013.

In April 2009, the council entered into a contract with Potton Windows Ltd for replacement windows and doors to council housing stock. The contract is valued at £8,000,000 and is scheduled to end in March 2013. A similar contract has been taken out with Potton Windows Ltd in March 2013, but it is not due to start until April 2013.

### **Waste**

In March 2009, the council entered into a contract with Serco Limited for the collection and disposal of waste within the borough. The value of the contract with Serco is £84,000,000 and it is due to end in March 2019. The contract has further extension provision for 4 years.

### **Residual Waste**

In October 2010, the council entered into a contract with Waste Recycling Group (WRG) for Residual Waste (Including Hazardous Waste). The contract value varies each year, dependent on the amount of waste disposed of, but is approximately £4 million.

The contract was due to expire in November 2014. However, the terms and conditions of the contract include a clause which states that after completion of the first year of the contract, the council may, at its sole discretion, seek novation of the contract. The contract may also be terminated to align with the proposed Residual Waste Treatment Facility or in the event that the council decides to proceed with a new joint Residual Waste Disposal and Treatment contract with Bedford Borough and Central Bedfordshire Councils.

### **Construction Related Professional Services**

In January 2009, the council entered into a three year contract with Cyril Sweett, Hewitt Freeborn and Currie and Browne, which was extended for a further year for project management, cost control, construction, design and management consultancy (CDMC). The contract was valued at £6,800,000 and ended in January 2013.

### **Parking Management Services**

In October 2005, the council entered into a contract with NSL Limited for Parking Enforcement Services. The total value for the contract is £10,500,000. This contract ended in March 2013 and has been replaced by a contract with Vinci Park.

## Notes to the Accounts

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### **Provision of Temporary Workers**

This contract was awarded to Manpower UK Ltd in February 2011 for a period of 3 years, with a potential one year extension. All requirements for temporary staff are routed via this contract and the contract guarantees no minimum value or volume. The estimated value of this contract is £18,800,000.

### **Personal Care Services**

The council entered into a contract with Extracare Charitable Trust for homecare services for older people who live in Lovat Fields Retirement Village. The aim of this domiciliary care is to enable people to maintain their safe independence at home as an alternative to going into a nursing care home. The contract commenced in May 2007 and is due to end in April 2027. The total value for the contract is £39,467,880.

### **Residential & Nursing Homes**

The council entered into a contract with Excelcare Holdings in November 2003 to provide residential and nursing care for older people eligible for social care funding. The contract is due to end in January 2033 and the total contract value is £192,610,800.

### **Gas Supply to Council Buildings**

The council procures gas supplies for all buildings using the pre-tendered framework contract offered by Laser Energy Buying Group, a trading arm of Kent County Council. The contract started on 1<sup>st</sup> October 2012 and runs for four years. The annual value of the contract is in the region of £2.3m, depending on gas usage in the period. Total value over the contract period is therefore £9.2m. The contract style is 'Procure In Advance' (PIA) annually, meaning that the gas is procured in the year leading up to the supply period, taking advantage of dips in the market as they occur. The current gas supplier is Total Gas and Power.

### **Electricity Supply to Council Buildings**

The council procures electricity supplies for all buildings using the pre-tendered framework contract offered by Laser Energy Buying Group, a trading arm of Kent County Council. The contract started on 1<sup>st</sup> October 2012 and runs for four years. There are three segments to the electricity supply contract: Half Hourly (HH) supplies, which includes large buildings such as the Civic Offices and secondary schools; Non Half Hourly (NHH) which includes smaller sites such as primary schools, smaller offices, libraries etc; and finally the unmetered supplies (UMS) used for street lighting.

The annual value of the HH contract is in the region of £3m; NHH supplies account for £850,000 annually and finally the UMS supplies, which account for £2.3m. Total value over the contract period is therefore £24.6m. The contract style for all supplies is 'Procure In Advance' (PIA) annually, meaning that the power is procured in the year leading up to the supply period, taking advantage of dips in the market as they occur. The current electricity supplier is Npower.

# Notes to the Accounts

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## 37. RELATED PARTY TRANSACTIONS

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The council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows an assessment of the extent to which the council 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 council.

The council owns two Limited Liability Partnerships – the Milton Keynes Service Partnership and the Milton Keynes Development Partnership. Full details of which can be found in the Group Accounts and notes starting on page 163 and Note 38 to the Financial Statements.

### Central Government

The UK Government has significant influence over the general operations of the authority – it is responsible for providing the statutory framework within which the council must operate, provides the majority of its funding in the forms of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax, housing benefits etc). Grants received from government departments are set out in the Grant Income disclosure at note 17 to the Financial Statements.

### Other Public Bodies (subject to common control by central government)

The council has three pooled budget arrangements with the Milton Keynes Primary Care Trust. Full details of the transactions for each of the pooled arrangements can be found at note 14.

### Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid during 2011/12 is shown in note 11. During 2012/13, works and services to the value of £379,000 were commissioned from organisations in which 28 members had an interest. Of this sum, £69,000 was paid to MK Web for the provision of the council's website and £64,000 was paid to the Milton Keynes Museum as a contribution to repairs and maintenance costs for the site.

In addition, the council paid grants totalling £831,000 to voluntary and charitable organisations in which 26 members had positions on the governing body. Of this sum, £319,000 was paid to Bletchley Park Trust to fund improvements to the overall site and £187,000 was paid to Shenley leisure Centre Trust to fund the provision of leisure services within the borough. In all cases, grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants.

Income received during 2012/13 totalled £15,000 (£218,000 in 2011/12) from 17 organisations in which 19 members had an interest.

## Notes to the Accounts

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Related parties have been included in this note irrespective of whether there have been financial transactions with the council.

Details of all member disclosures are recorded in the Register of Members Interests and individual disclosures can be viewed online at <http://cmis.milton-keynes.gov.uk/CmisWebPublic/Members.aspx>.

### Officers

All staff employed by the council are required to declare any interest or involvement with a third party which could give rise to a related party transaction. In accordance with the Code of Practice 2012/13, the disclosures made by key management personnel have been considered. However, no disclosures have been made which give rise to a related party transaction disclosure requirement.

### Assisted Organisations

During 2012/13, 70 additional organisations who do not have any involvement with Members or key management personnel but who were in receipt of financial assistance by way of grant funding received £2.220m during the year.

Of this sum, £873,000 was paid to 49 sport and community facilities providers such as meeting places, community centres and sport groups to assist them in funding the cost of maintaining the centres and paying hire charges to enable community groups to use the facilities. In addition, 11 organisations engaged in supporting people received a total of £403,000 and 8 organisations whose activity supports the council's cultural agenda received £97,000.

Connections Floating Support in Partnership with Milton Keynes PACT (Parents and Children Together) provides a service to empower individuals and families to be able to maintain their own home and live independently. The council paid £500,000 in 2012/13 to ensure support for 250 vulnerable adults at risk of losing their accommodation.

MK Women's Aid work to prevent and protect women and children from domestic violence. During 2012/13, the council paid £347,000 for 28 refuge places, a floating support service and crisis intervention support.

### Outstanding Balances

The outstanding amounts owed by related parties at the end of 31<sup>st</sup> March 2013 totalled less than £1,000 (£33,000 at 31<sup>st</sup> March 2012).

The outstanding amount owed to related parties at the end of 31<sup>st</sup> March 2013 totalled £134,000 (£113,000 at 31<sup>st</sup> March 2012). This sum includes £84,000 owed to Bletchley Park Trust for the cost of site improvements.

Details of all transactions are available for inspection on request and are included in the Comprehensive Income and Expenditure Statement. No other material related party transactions have been disclosed.

## Notes to the Accounts

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### Organisations Formally Influenced by the Authority

The council has appointed directors to the boards of independent organisations therefore potentially allowing the council to exercise voting rights. These appointments are made in response to requests from the organisations concerned because of a common purpose or activity in relation to the council's own diverse activities, and not to oversee any financial investment made by the council.

Those organisations with whom the council has more than 20% formal representation and therefore the potential to exercise significant influence are detailed below. The financial information has been compiled using 2011/12 audited information.

#### MK Dons Sport and Education Trust

Milton Keynes Council has a 30% representation (three members appointed by the council) on the Board of Directors of MK Dons Education Trust, which is a charitable company, limited by guarantee. The company's net assets as at 30<sup>th</sup> June 2012 were £220,451 (£158,160 at 30<sup>th</sup> June 2011) and the surplus reported as at 30<sup>th</sup> June 2012 was £62,291 (deficit of £66,846 at 30<sup>th</sup> June 2011).

The aim of the association is to educate children and young people, resident within Milton Keynes and surrounding areas, through the provision of facilities for recreation and other leisure time occupation.

In 2012/13, the council provided the MK Dons Sport and Education Trust with an Early Help Funding Grant amounting to £300,000, and paid them £37,000 for works and services, including £24,000 for a play development contract. The council received £8,000 from the MK Dons Sport and Education Trust in 2012/13 and owed them £25,000 as at 31<sup>st</sup> March 2013.

#### Milton Keynes Parks Trust Ltd

Milton Keynes Council has 20% representation (three members appointed by the council) on the Board of Directors of Milton Keynes Parks Trust Ltd, which is a company limited by guarantee and not having share capital. At 31<sup>st</sup> March 2012 the company's net assets were £84,096,339 (£74,038,940 at 31<sup>st</sup> March 2011), and the surplus for 2011/12 was £9,584,552 (£2,728,668 reported for 2010/11).

The company is responsible for the management and maintenance of the major woodlands and parkways of the city of Milton Keynes for the benefit of the inhabitants and visitors to the area.

During 2012/13, the council paid the Milton Keynes Parks Trust Ltd £24,000 which includes £12,000 for surveying services, and received income totalling £1,000. The balance owed to the Milton Keynes Parks Trust at 31<sup>st</sup> March 2013 was £12,000.



## Notes to the Accounts

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### **United Sustainable Energy Agency**

Milton Keynes Council has 38% representation (one member and two officers appointed by the council) on the Board of Directors of United Sustainable Energy Agency, which is a company limited by guarantee and not having share capital. At 31<sup>st</sup> March 2012 the company's net assets were £440,725 (£458,808 at 31<sup>st</sup> March 2011), and the deficit for 2011/12 was £18,083 (deficit of £4,957 reported for 2010/11).

The principal objective of the company is to educate the public at home and in the workplace towards more efficient and effective use of energy by providing advice and administering practical projects that will lead to a reduction in energy use, reduction of pollution and protection of the environment.

During 2012/13 the council paid the United Sustainable Energy Agency £44,000 for works and services. The council owed United Sustainable Energy Agency £330,000 in grant funding at 31<sup>st</sup> March 2013.

### **Wolverton and Watling Way Pools Leisure Trust**

Milton Keynes Council has 33% representation (three members appointed by the council) on the Board of Directors of the Wolverton and Watling Way Pools Leisure Centre Trust which is a charitable company limited by guarantee and not having share capital. At 31<sup>st</sup> March 2012 the company's net liabilities were £22,790 (£8,439 at 31<sup>st</sup> March 2011) and the deficit for 2011/12 was £14,351 (surplus of £3,758 for 2010/11).

The object of the charity is the provision of leisure and recreational services in Milton Keynes and the surrounding area. To achieve this, the company operates two swimming pools.

During 2012/13, the council paid the Wolverton and Watling Way Pools Leisure Trust £13,000 for works and services and a further £75,000 in grant funding. The council received income of £8,000 from the Trust.

The council has identified a further 47 organisations to which councillors, 39 in total have been appointed on behalf of the council and where the councillors concerned may be involved in decision making (as part of the Board of Directors), but where the percentage voting rights falls below 20%. Transactions between these organisations and the council are included in the Members, Officers and Assisted Organisations paragraphs earlier in this note.

# Notes to the Accounts

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## 38. GROUP ACCOUNTS

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The council has an interest in two Limited Liability Partnerships – the Milton Keynes Service Partnership and the Milton Keynes Development Partnership.

### **Milton Keynes Service Partnership**

The Milton Keynes Service Partnership (MKSP) was formed following the renegotiation of the Public Private Partnership with Mouchel Business Services on 31<sup>st</sup> December 2012.

Created as a Limited Liability Partnership, MKSP is wholly owned by Milton Keynes Council and provides support services to the council including Finance, Human Resources, Business Support, Revenues and Benefits and Information Technology.

### **Milton Keynes Development Partnership**

The Milton Keynes Development Partnership (MKDP) was incorporated on 14<sup>th</sup> January 2013, and is a Limited Liability Partnership, wholly owned by Milton Keynes Council.

MKDP was set up by the council to facilitate Milton Keynes' continued growth and economic success by promoting the development of land assets transferred to the council from the Homes and Communities Agency, in line with the council's Corporate Plan and Economic Development Strategy.

Due to the materiality of both of these entities the council has taken the view that the activity warrants full group accounts disclosures. Details of the group account disclosures can be found from page 163 (Group Accounts).

### **Connect MK**

During 2007/08 Milton Keynes Council formed a company called Connect MK, in partnership with Freedom4 to provide a broadband service to residents and businesses within the borough of Milton Keynes.

Connect MK's board of directors comprises three heads of service and one council member.

Connect MK achieved turnover of (£49,000) in 2012/13 and expenditure totalled £260,000. As a result of changes to the provision of broadband within Milton Keynes and a number of Government funded initiatives ending, the council took the view that the company should be discontinued and the operation brought back in house. The staff working for the company were taken into the council on 1<sup>st</sup> May 2012, but the company has not yet been formally wound up.

The council has taken the view that the activity of the company does not therefore warrant full group accounts disclosures.

## Notes to the Accounts

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### 39. TRUST FUNDS

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The council acts as trustee for the following Trust Funds:

#### **a. The MK Emergencies Trust Fund**

The Trust was established to make payments to people who have suffered extreme hardship as a result of flooding within the borough. The value of the fund at 31<sup>st</sup> March 2013 was £10,974 (£10,970 at 31<sup>st</sup> March 2012). Expenditure of £Nil was incurred in 2012/13 (£Nil in 2011/12). The only income was interest paid on the balance.

#### **b. The Filgrave Clock Tower Charitable Trust**

The tower is held at nil value in the council's Asset Register and is a charity without endowment. In 2012/13, expenditure on the Tower totalled £310 (£286 in 2011/12).

#### **c. The Simpson and Fenny Stratford/Bletchley War Memorial Trusts-**

These trusts were passed to the council to ensure that the memorials were maintained and repaired. There are no funds attached to the trusts and Milton Keynes Council meets all expenditure. In 2012/13 there were no costs incurred (£Nil in 2011/12).

#### **d. The Norman Hawes Memorial Trust Fund**

The trust was founded in memory of the late Norman Hawes for the purpose of assisting young people to travel overseas for educational purposes. The value of the fund at 31<sup>st</sup> March 2013 was £96,000 (£87,191 in 2011/12). In 2012/13 dividends and donations received generated an income of £3,615 (£3,579 in 2011/12) and expenditure totalling £4,750 was paid out in grants (£3,550 in 2011/12). The council acts as administrator for the trust.

## Notes to the Accounts

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### 40. CONTINGENT GAINS AND LOSSES

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- a. The Court of Appeal has ruled that under Section 117 of the Mental Health Act 1983, local authorities cannot charge for aftercare of people hospitalised for mental health reasons. There is uncertainty over the potential number of claimants yet to come forward and it is therefore not possible to estimate the ultimate cost that may result.
- b. In August 2010 the government revoked the Environmental Personal Search Fee of the Local Land Charges Register because it was incompatible with the Environmental Information Regulations. A provision has been made in the 2012/13 accounts for all income received by the council however a case is currently being pursued to recover £216,000 in excess of the income received.
- c. There is the possibility of legal challenge to the Core Strategy or Development Plan documents. A landowner, developer or other party could challenge the Development Plan documents after public examination, if they consider there are legal grounds to support their interests. There have been some challenges at national level on the Government's intention to abolish Regional Spatial Strategies. This is uncertain and is beyond the council's control. The public examination concludes once the final report is issued in June 2013.
- d. Land connected with the Radcliffe School was sold on 18<sup>th</sup> February 2011. Guaranteed amounts were payable to the council on sale completion and on 1<sup>st</sup> July 2013 the council is due to receive a further £1,953,000. In addition, the council is due overage payments if the price of dwellings sold exceeds a threshold figure. This threshold is assessed annually in accordance with the contract on the anniversary of the sale date. As at 18<sup>th</sup> February 2013 dwellings had been sold however the price did not exceed the threshold. The next assessment date is February 2014. There is also a mechanism in the contract for dealing with the payment of overage for any remaining dwellings unsold on the 8<sup>th</sup> anniversary of the sale to close down the topic of overage.
- e. The subject of liability under Equal Pay Legislation has been raised with the council over a period of time by the recognised representative organisations. The council's move at a very early stage to single status of its workforce addressed a significant number of anomalies at the time.

The council has operated a formal job evaluation process which allocates jobs to grading structures since that time and is now moving towards implementing a new job evaluation process which will ensure equality issues do not arise in the future.

Equal pay audit and reviews were carried out and no significant equal pay issues were identified. Whilst there is a belief that there will be no significant pay impact, until the new methodology is in place there is a risk that equal pay issues could be found and each carries with it a liability to the council of the compensation payment of six years to each impacted employee.

More minor issues relating to potential equal pay matters have been addressed and implemented for non-schools employees, a further minor issue has been identified

## Notes to the Accounts

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within the schools community and this will be addressed as part of the implementation of the new scheme(s).

Potential equal pay liabilities as a result of the Job Evaluation exercise are currently unknown. The time scale to provide further information will be dependent on the time taken to reach agreement with the Trade Unions on matters relating to pay/back pay and pay protection. The financial effect will be dependent on these decisions and it is anticipated that these decisions will be reached during the course of 2013/14.

- f. As a major employer the council is, from time to time in receipt of employment tribunal claims. An award by an employment tribunal in respect of backdated car allowances to an ex-employee will be settled on the 30<sup>th</sup> April and should amount to approximately £3,000. A counter claim being made by the council for its legal costs would, if successful, cancel out this liability. There are currently two further discrimination claims from current employees lodged with the Employment Tribunal where the council's response is being prepared. In the event that the claims proceed to tribunal and damages awarded for injury to feeling, the initial estimate of total liability for both cases would be in the region of £20,000.
- g. A cost order made against council following litigation on the wind turbine SPG challenge. A provision has been made for the amounts that are expected to be paid, however if there is an appeal, costs could increase.
- h. There are two planning appeals that have the potential for costs to be awarded against the council. A decision is not expected until November 2013 and it is not possible to quantify the financial effect if these were successful.
- i. In January 2013 the council took over the management of the Milton Keynes Tariff, which is a framework S106 agreement under which developers contribute to the provision of local and strategic infrastructure to mitigate the impact of growth. The terms of the funding agreement state that the council will manage the expenditure so that the tariff deficit is managed down to zero by the risk share cut off date. In the event that this is not achieved, a risk sharing agreement is in place with the Homes and Communities Agency and the Department for Communities and Local Government to allocate the first £22m of any deficit in the proportion 10:5:7. The council will be liable for any tariff deficit in excess of the risk share.
- j. A claim is being pursued against the site investigation survey consultants employed on the construction of the Waste Depot in respect of errors in the report used for foundation design.
- k. A claim is being pursued against a contractor who was employed on the construction of Wolverton Station; the claim is for inadequate professional advice provided to Milton Keynes Council.
- l. Milton Keynes Council has entered into an agreement in accordance with Section 11(6) of the Local Government Act 2003 which enables the council to retain additional Capital Receipts. These additional receipts must be used towards the provision of new affordable housing within the borough. If, following three years from the date of receipt, any of the capital receipt remains unspent by the council, the remaining

## Notes to the Accounts

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element is required to be repaid. Any repayment due will be subject to interest 4% above the base rate at the date of expiry.

### 41. RETIREMENT BENEFITS

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#### a. Local Government Pension Scheme

##### Participation in pension schemes

As part of the terms and conditions of employment of its officers, the council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The council participates in one pension scheme – the Local Government Pension Scheme – which is administered by Buckinghamshire County Council. This is a funded defined benefit final salary scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liability with investment assets.

##### Transactions relating to Post-employment Benefits

The council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

## Notes to the Accounts

2011/12 £'000		2012/13 £'000
	<b>Comprehensive Income and Expenditure Statement</b>	
	<i>Cost of Services</i>	
18,503	Current Service Cost	22,548
0	Past Service Costs	8
(2,355)	Settlements and curtailments	(1,761)
	<i>Financing and Investment Income and Expenditure</i>	
24,867	Interest Cost	25,621
(22,128)	Expected Return on scheme assets	(18,222)
18,887	<b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	28,194
	<i>Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</i>	
0		0
117,600	Actuarial gains and losses	(42,131)
136,487	<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(13,937)</b>
	<b>Movement in Reserves Statement</b>	
(18,887)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in accordance with the code	(28,194)
	<i>Actual Amount Charged Against the General Fund Balance for Pensions in Year</i>	
14,719	Employers Contributions Payable to Scheme	14,254

The cumulative amount of actuarial gains or loss recognised within the Comprehensive Income and Expenditure Statement to the 31<sup>st</sup> March 2013 is a gain of £42,131,000 ((£117,600,000) loss in 2011/12).

## Notes to the Accounts

### Assets and Liabilities in Relation to Post-employment Benefits

Below is a reconciliation of the present value of scheme liabilities and a reconciliation of the fair value of the scheme assets:

<b>Present Value of Liabilities</b>		<b>2012/13</b>
<b>2011/12</b>		<b>£'000</b>
<b>£'000</b>		<b>£'000</b>
	<b>Present Value of Liabilities</b>	
(454,348)	<b>1 April 2012</b>	(566,225)
(18,503)	Current Service Cost	(22,548)
(24,867)	Interest Cost	(25,621)
(4,865)	Contributions by Scheme Participants	(4,678)
(85,398)	Actuarial Gains and Losses	(127)
12,655	Benefits Paid	14,738
0	Past Service Costs	(8)
(1,475)	Losses/(Gains) on Curtailments	(556)
10,066	Liabilities extinguished on settlements	4,994
510	Unfunded Pension Payments	587
<b>(566,225)</b>	<b>31 March 2013</b>	<b>(599,444)</b>
	<b>Reconciliation of Fair Value of Assets</b>	
312,183	<b>1 April 2012</b>	302,292
22,128	Expected Rate of Return	18,222
(32,202)	Actuarial Gains and Losses	42,258
14,719	Employer Contributions	14,254
4,865	Contributions by Scheme Participants	4,678
(13,165)	Benefits Paid	(15,325)
(6,236)	Receipt of bulk transfer value	(2,677)
<b>302,292</b>	<b>31 March 2013</b>	<b>363,702</b>
<b>(263,933)</b>	<b>Pension Liability Recognised in the Balance Sheet</b>	<b>(235,742)</b>

The expected return on assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was (£60,481,000) (£10,074,000 in 2011/12).

### Scheme History

	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Present Value of Liabilities	(593,659)	(560,122)	(448,427)	(525,225)	(306,810)
Fair Value of Assets in the Local Government Pension Scheme	363,702	302,292	312,183	269,060	189,323
Present Value of Unfunded Obligation	(5,785)	(6,103)	(5,921)	(7,630)	(6,597)
Surplus/(Deficit) in the Scheme	(235,742)	(263,933)	(142,165)	(263,795)	(124,084)



## Notes to the Accounts

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The liabilities show the underlying commitments that the council has in the long run to pay post employment retirement benefits. The total liability of (£235,742m) has a substantial impact on the net worth of the council as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the council remains healthy because the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions made to the Local Government Pension Scheme by the council in the year to 31<sup>st</sup> March 2013 were £14.254m. The estimated contributions payable to the Local Government Pension Scheme for the period 1<sup>st</sup> April 2013 to 31<sup>st</sup> March 2014 is £13.432m.

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Barnet Waddingham Public Sector Consulting, estimates for the council being based on the latest full valuation which took place on 31<sup>st</sup> March 2010.

### Principal assumptions used by the actuary

2011/12 £'000		2012/13 £'000
6%	Long Term Expected Rate of Return on Assets in the Scheme	6%
	Mortality Assumptions:	
	Longevity at 65 for current pensioners	
20	Men	20.1
24	Women	24.1
	Longevity at 65 for future pensioners	
22	Men	22.1
25.9	Women	26
3.3%	Rate of Inflation (RPI)	3.4%
2.5%	Rate of Inflation (CPI)	2.6%
4.7%	Rate of Increase in Salaries	4.8%
2.5%	Rate of Increase in Pensions	2.6%
4.6%	Rate for Discounting Scheme Liabilities	4.7%
50%	Take up of option to convert annual pension into retirement lump sum	50%

## Notes to the Accounts

### Local Government Pension Scheme Assets, by Proportion of Total Assets Held

31 Mar 2012			31 Mar 2013	
£'000	%		£'000	%
205,559	68.0	Equity Investments	254,592	70.0
51,389	17.0	Bonds	47,281	13.0
6,046	2.0	Cash	3,637	1.0
27,206	9.0	Property	29,096	8.0
12,092	4.0	Alternative Assets	29,096	8.0
<b>302,292</b>	<b>100.0</b>		<b>363,702</b>	<b>100.0</b>

### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets and liabilities at 31<sup>st</sup> March 2013:

	31 March 2013 £'000	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Difference Between the Expected and Actual Return on Assets	11.6%	(10.7%)	3.2%	19.5%	(29.5%)
Experience Gains and Losses on Liabilities	0.0%	0.0%	0.0%	0.0%	0.0%

### 42. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The authority is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2012/13 the council paid £8,330,000 (£9,178,000 in 2011/12) to Teachers Pensions in respect of teachers' retirement benefits, equivalent to 14.1% (14.1% in 2011/12) of total pensionable pay. There was no contribution remaining payable at the year end.

The council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis.

# Supplementary Financial Statements

## 1. HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

This statement shows the economic cost in the year of providing housing services in accordance with International Financial Reporting Standards, rather than the amount to be funded from rents and government grants. The council charges rent to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rent is raised, is shown in the Movement on the Housing Revenue Account Statement.

2011/12 £'000		2012/13 £'000
	<b>Expenditure</b>	
11,254	Repairs and Maintenance	11,434
7,402	Supervision and Management	7,664
2,692	Special Services	2,941
386	Rent, Rates, Taxes and Other Charges	332
12,494	Negative Housing Revenue Account Subsidy Payable	(53)
	Depreciation of Non-Current Assets	
6,421	Dwellings	6,186
723	All Other HRA Assets	534
	Impairment of Non-Current Assets	
17,186	Dwellings	7,603
779	All Other HRA Assets	(726)
22	Amortisation of Intangible Fixed Assets	14
143	Revenue Expenditure Funded by Capital Under Statute	417
63	Debt Management Costs	144
641	Movement in allowance for bad debts	307
1,080	Rent Rebate Subsidy Limitation Transfer to the General Fund	169
0	Exceptional Item Contract Re-negotiations	683
170,360	HRA Self Financing Debt Settlement	0
<b>231,646</b>	<b>Total Expenditure</b>	<b>37,649</b>
	<b>Income</b>	
(48,129)	Dwelling Rents	(49,915)
(1,724)	Non-Dwelling Rents	(1,857)
	Charges for Services and Facilities	
(812)	Tenants	(810)
(646)	Leaseholders	(1,212)
(18)	Contribution towards expenditure	(19)
(137)	Reimbursement Costs	(188)
0	Housing Revenue Account Subsidy Receivable	0
<b>(51,466)</b>	<b>Total Income</b>	<b>(54,001)</b>
<b>180,180</b>	<b>Net Expenditure of HRA Services as included in the whole authority</b>	<b>(16,352)</b>
	<b>Comprehensive Income and Expenditure Statement</b>	
246	HRA Share of Corporate and Democratic Core	236
<b>180,426</b>	<b>Net Expenditure of Housing Revenue Account Services</b>	<b>(16,116)</b>
111	(Gain) / Loss on Sale of HRA Non-Current Assets	(864)
3,912	Interest Payable and Similar Charges	10,474
(110)	HRA Interest and Investment Income	(194)
84	Pension Interest Cost and Expected Return on Pension Assets	235
0	Capital Grants and Contributions Receivable	0
<b>184,423</b>	<b>Surplus / Deficit for the Year on HRA Services</b>	<b>(6,465)</b>

## Supplementary Financial Statements

### 2. MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

This statement illustrates how the Housing Revenue Account Income and Expenditure Statement surplus or deficit for the year reconciles to the movement on the Housing Revenue Account balance for the year.

2011/12 £'000		2012/13 £'000
<b>(3,566)</b>	<b>Housing Revenue Account Balance as at 1 April 2012</b>	<b>(5,511)</b>
184,423	(Surplus) / Deficit on HRA Income and Expenditure Statement	(6,465)
(186,408)	Adjustments between Accounting Basis and Funding Basis Under Regulations	6,177
(1,985)	<b>Net (Increase) / Decrease before Transfers to/from Earmarked Reserves</b>	(288)
40	Transfer to / (from) Reserves	1,231
(1,945)	Decrease in year on Housing Revenue Account	943
<b>(5,511)</b>	<b>Housing Revenue Account Balance as at 31 March 2013</b>	<b>(4,568)</b>

## Supplementary Financial Statements

### 3. ANALYSIS OF THE ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made the Housing Revenue Account in the year according with proper accounting practice to the resources that are specified by statutory provisions as being available to the authority to meet capital and revenue expenditure.

2011/12 £'000		2012/13 £'000
(25,131)	Difference between any other items of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	(14,323)
7	Revenue Expenditure Funded from Capital Under Statute	(3)
0	Capital Grants & Contributions credited to the Housing Revenue Income & Expenditure Account	0
(111)	Net Gain or Loss on Sale of Non-Current Assets	864
(16)	Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	20
(128)	Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	(442)
1,176	Capital Expenditure funded from the Housing Revenue Account	6,967
(33)	Accumulated Absence Account	1
8,092	Transfer to/(from) the Major Repairs Reserve	12,997
96	Prudential Borrowing Principal Repayment	96
(170,360)	HRA Self Financing Debt Settlement	0
<b>(186,408)</b>	<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>6,177</b>

### 4. TRANSFERS TO/FROM EARMARKED RESERVES

The following Reserves were held at 31<sup>st</sup> March 2013.

	Balance at 31 March 2011 £'000	Transfers Out 2011/12 £'000	Transfers In 2011/12 £'000	Balance at 31 March 2012 £'000	Transfers Out 2012/13 £'000	Transfers In 2012/13 £'000	Balance at 31 March 2013 £'000
Allow for Non-Payment of Debt Reserve	(747)	186	0	(561)	0	0	(561)
Other Earmarked Reserves	(100)	0	(410)	(510)	9	(854)	(1,355)
Capital Reserve - HRA	(3,681)	184	0	(3,497)	6,967	(7,353)	(3,883)
<b>Total HRA Earmarked Reserves</b>	<b>(4,528)</b>	<b>370</b>	<b>(410)</b>	<b>(4,568)</b>	<b>6,976</b>	<b>(8,207)</b>	<b>(5,799)</b>

## Supplementary Financial Statements

### 5. HOUSING STOCK

At 1<sup>st</sup> April 2012 the HRA housing stock was 12,449. During the 2012/13 financial year 43 properties were sold to tenants (including part-sales of shared ownership dwellings), 1 unit re-classed to council stock, 5 dwellings were disposed of through open market sales (including one former hostel equivalent to 6 standard units) and remaining HMOs re-classed to other HRA asset group. Therefore as at 31<sup>st</sup> March 2013 the council was responsible for managing a housing stock of 12,374 dwellings of which 997 is the council's portion of shared ownership dwellings. The analysis of the remaining 11,377 dwellings is as follows:

	Houses	Flats	Total	Houses Built	No. of Houses
1 Bedroom	1,467	2,344	3,811	Pre - 1919	48
2 Bedrooms	1,794	848	2,642	1919 - 1944	346
3 or more Bedrooms	4,744	180	4,924	1945 - 1964	1,517
				Post - 1964	6,094
<b>Total</b>	<b>8,005</b>	<b>3,372</b>	<b>11,377</b>		<b>8,005</b>

### 6. ASSET VALUES

The Balance Sheet values of the assets held within the Housing Revenue Account are as follows:

	31 March 2012 £'000	1 April 2012 £'000	31 March 2013 £'000
<u>Operational Assets</u>			
Council Dwellings	412,429	412,429	415,864
Other Land & Buildings	18,213	21,232	20,105
Equipment	78	78	33
<u>Non Operational Assets</u>			
Surplus Assets	982	982	1,225
Assets Held for Sale	139	139	139
Investment Properties	43	43	43
	<b>431,884</b>	<b>434,903</b>	<b>437,409</b>

The difference between valuations at 31<sup>st</sup> March 2012 and 1<sup>st</sup> April 2012 is due to the revaluation of assets on 1<sup>st</sup> April. The increase of £2,506,000 between 1<sup>st</sup> April 2012 and 31<sup>st</sup> March 2013 is due to further revaluations in the year along with disposals, depreciation and impairment losses.

As at 1<sup>st</sup> April 2012, the vacant possession value of the council's dwellings is estimated at £1,344,690,000, compared with the Balance Sheet value of £412,429,000 shown above. This variance reflects the economic cost to the Government of providing council housing at less than open market rents.

## Supplementary Financial Statements

### 7. MAJOR REPAIRS RESERVE

The council is required by regulation to establish and maintain a Major Repairs Reserve. The main credit to the account comprises the total depreciation charge for all Housing Revenue Account assets. Capital spending on Housing Revenue Account assets is then funded from the reserve without being charged to the Housing Revenue Account.

2011/12 £'000		2012/13 £'000
<b>0</b>	<b>Opening Balance at 1 April 2012</b>	<b>0</b>
(8,092)	Amounts transferred to the Major Repairs Reserve from the HRA during the year	(12,997)
0	Amounts transferred from the Major Repairs Reserve to the HRA during the year	0
8,092	Debits to the Major Repairs Reserve during the financial year in respect of capital expenditure on land, houses, and other properties within the HRA	8,383
0	Debits in respect of any repayment made in year of the principal of any amounts borrowed where the repayment was met by the payment out of the Major Repairs Reserve	0
0	Debits in respect of the meeting of any liability in year in respect of credit arrangements' other than any liability which in accordance with proper practices must be charged to a revenue account where the meeting of the liability was met by payments out of the reserve	0
<b>0</b>	<b>Balance Carried Forward at 31 March 2013</b>	<b>(4,614)</b>

## Supplementary Financial Statements

### 8. CAPITAL EXPENDITURE

Total capital spending within Housing and Other Housing Revenue Account resources and the funding of that expenditure in 2012/13 is shown in the table below.

2011/12 £'000		2012/13 £'000
	<b><u>Capital Spending</u></b>	
9,766	- Dwellings	19,044
24	- Other HRA Assets	0
143	- Revenue Expenditure Funded from Capital Under Statute	417
<b><u>9,933</u></b>		<b><u>19,461</u></b>
	<b><u>Funded By</u></b>	
(516)	- Usable Capital Receipts	(1,612)
0	- Supported Borrowing	0
0	- Unsupported Borrowing	0
(8,092)	- Major Repairs Allowance	(8,383)
0	- Government Grant	(2)
0	- Third Party Contributions	(2,080)
(1,325)	- Revenue Contributions	(7,384)
<b><u>(9,933)</u></b>		<b><u>(19,461)</u></b>

### 9. CAPITAL RECEIPTS

The following capital receipts were received during 2012/13:

2011/12 £'000		2012/13 £'000
	Sales of Dwellings*:	
572	Council Houses	2,451
12	Shared Ownership	417
16	Recovered Discount	12
24	Mortgage Receipts	14
(14)	Other Sales	0
607	Non RTB Sales	676
11	Capital Improvement receipts	0
<b><u>1,228</u></b>	<b>HRA Receipts in Year</b>	<b><u>3,570</u></b>
(458)	Less: Statutory Pooling	(586)
<b><u>770</u></b>	<b>Total HRA Useable Receipts in year</b>	<b><u>2,984</u></b>

\* Sales of dwellings are shown net of administrative costs and clawback.



## Supplementary Financial Statements

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### 10. DEPRECIATION

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The total charge for depreciation within the Housing Revenue Account for the year is made up as follows:

2011/12 £'000		2012/13 £'000
	<u>Operational Assets</u>	
6,421	Dwellings	6,186
503	Other Land and Buildings	484
128	Equipment	45
	<u>Non Operational Assets</u>	
92	Surplus Properties	5
<u>7,144</u>	<b>Gross Balance Sheet Value</b>	<u>6,720</u>

The charge for depreciation on dwellings from 1<sup>st</sup> April 2012 has been calculated on an actual life basis.

Other assets are depreciated over their useful life with property being based on 60 years from completion date.

## Supplementary Financial Statements

### 11. IMPAIRMENT

The total charge for impairment within the Housing Revenue Account for the year is made up as follows:

Total Impairment 2011/12 £'000		Impairment Loss Charged to HRA 2012/13 £'000	Reversal of Impairment Loss charged to HRA 2012/13 £'000	Revaluation - on 2012/13 £'000	Reversal of Revaluation- on Loss charged to HRA 2012/13 £'000	Total Impairment 2012/13 £'000
	Operational Assets					
17,186	Dwellings	12,286	(4,683)	0	0	7,603
803	Other Land & Buildings	106	(2)	0	(823)	(719)
<b>17,989</b>	<b>Balance Sheet Value - Operational Assets</b>	<b>12,392</b>	<b>(4,685)</b>	<b>0</b>	<b>(823)</b>	<b>6,884</b>
(24)	Non-Operational Assets	0	(7)	0	0	(7)
<b>(24)</b>	<b>Balance Sheet Value - Non-Operational Assets</b>	<b>0</b>	<b>(7)</b>	<b>0</b>	<b>0</b>	<b>(7)</b>
<b>17,965</b>	<b>Total Impairment</b>	<b>12,392</b>	<b>(4,692)</b>	<b>0</b>	<b>(823)</b>	<b>6,877</b>

The impairment charge on Council Dwellings is recognising the works identified for the HRA 2012/13 Capital Programme.

### 12. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE AND INTANGIBLE NON-CURRENT ASSETS

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a fixed asset has been charged as expenditure to the Housing Revenue Account in the year.

Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the Housing Revenue Statement so there is no impact on the level of Council Tax. In 2012/13, expenditure of this nature totalled £417,000.

Intangible Fixed Assets comprise of purchased software licences and custom built software prepared for use for a period of a least one year and amortised over their useful economic lives. In 2012/13, intangible fixed assets of £14,000 were written down to the Housing Revenue Account.

## Supplementary Financial Statements

### 13. PENSION RESERVE

The transfer to the Pensions Reserve in respect of the Housing Revenue Account is (£442,000). Details of the background to, and reasons for this adjustment, may be found in note 9 to the Statement of Accounting Policies, and note 41 to the Financial Statements.

### 14. GOVERNMENT SUBSIDY

The Housing Revenue Account subsidy system came to an end in March 2013 and was replaced with the HRA Self-Financing scheme in April 2012. Any balances within the 2012/13 accounts relate to a net reduction between the provisional 2011/12 subsidy payable valuation reflected at the end March 2012 and the final subsidy valuation concluded in 2012/13.

2011/12 £'000		2012/13 £'000
(20,845)	Management and Maintenance	0
(4,279)	Charges for Capital	0
0	Rental Constraint Allowance	0
2	Interest on Receipts	0
45,717	Guideline Rent Income	0
<b>20,595</b>	<b>HRA Negative Subsidy Entitlement for year</b>	<b>0</b>
(8,092)	Major Repairs Allowance	0
0	Major Repairs Allowance 2011/12 (share brought forward into 2010/11)	0
<b>(8,092)</b>	<b>Total MRA Allowance</b>	<b>0</b>
<b>12,503</b>	<b>Total HRA Negative Subsidy Payable for 2012/13</b>	<b>0</b>
(9)	Adjustment in respect of 2011/12	(53)
<b>12,494</b>	<b>Total HRA Negative Subsidy Payable in Year</b>	<b>(53)</b>

## Supplementary Financial Statements

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### 15. RENTS ARREARS

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The total rent income for the year, after allowance is made for voids, is known as Gross Rent Income. The loss of income as a result of voids was £1,031,000 (£1,002,000 in 2011/12). At 31<sup>st</sup> March 2013, 0.91% of properties available to let were vacant (0.84% at 31<sup>st</sup> March 2012).

Rents are expressed in terms of a 50-week year and were increased from 2<sup>nd</sup> April 2012 by an average of 4%. The average weekly rent at the end of 2012/13 was £80.95 (£77.70 in 2011/12).

The Housing Revenue Account shows rent income and other miscellaneous charges (for example service charges). Arrears of all charges at 31<sup>st</sup> March 2013 amounted to £5,017,000 (£4,962,000 at 31<sup>st</sup> March 2012). During the year ending 31<sup>st</sup> March 2013 arrears of £428,000 were written off as irrecoverable, which includes rent debt written off amounting to £408,000.

The council has made a total provision against all housing-related debts of £1,425,000. This figure includes a provision against rent arrears, in the sum of £1,076,000.

### 16. SUBSIDY LIMITATION TRANSFER TO THE GENERAL FUND

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Rent rebates are available under the Housing Benefit scheme for those on low incomes. 64.34% of council's tenants receive some help with the cost of their rent.

From 1<sup>st</sup> April 2004, the responsibility for carrying the cost of Housing Benefit passed to the General Fund in accordance with legislative changes. The Housing Revenue Account now only bears the cost of rent rebate subsidy limitation, which is the cost of rent rebates payable on rents above the Government's Limit rent level. In 2012/13 the cost to the HRA was £169,000.

## Supplementary Financial Statements

### 17. COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from tax payers and distribution to local authorities and the government of council tax and non-domestic rates.

2011/12 £'000		2012/13 £'000
	<b>Amounts required by statute to be credited to the Collection Fund</b>	
(100,513)	Council Tax	(102,316)
	Transfers from the General Fund	
(16,742)	Council Tax Benefits	(16,761)
(2)	Transitional Relief	(3)
0	Discount for prompt payment	0
(16,744)		(16,764)
(141,009)	Income from Business Ratepayers	(143,108)
0	Income collectable in respect of Business Rates Supplements	0
0	Contributions towards previous years Collection Fund deficit	0
0	Contribution - adjustment of previous years' community charges	0
(258,266)		(262,188)
	<b>Amounts required by statute to be debited to the Collection Fund</b>	
	Precepts:	
12,787	Thames Valley Police Authority	13,005
4,900	Bucks & Milton Keynes Fire Authority	4,984
97,504	Milton Keynes Council	99,327
115,191		117,316
	Business Rates:	
140,601	NNDR Payment to National Pool	142,701
372	Cost of Collecting Business Rates	377
35	Interest on NNDR Payments	30
141,008		143,108
	Business Rates Supplement:	
	Payment to Levying authority's Business Rate	
0	Supplement Revenue Account	0
0	Administrative costs	0
0		0
708	Impairment of debts/appeals	466
960	Contributions towards previous years Collection Fund surplus	1,656
0	Contribution - adjustment of previous years' community charges	0
257,867		262,546
(399)	<b>Net (Surplus)/Deficit for the year</b>	<b>358</b>
(2,099)	Opening Fund Balance 1st April 2012	(2,498)
(399)	Movement on Fund Balance	358
(2,498)	Closing Fund balance 31st March 2013	(2,140)

## Supplementary Financial Statements

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### 18. RATEABLE VALUE

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The total rateable value of business property at 31<sup>st</sup> March 2013 was £359,108,247 (£350,297,689 2011/12) and the rate multiplier applied in was £0.458 (£0.433 2011/12) with a reduced multiplier of £0.45 for those businesses receiving Small Business Relief (£0.426 in 2011/12).

### 19. TAX BASE

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The Council Tax base for 2012/13, i.e. the number of chargeable dwellings in each band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, was calculated as follows:

Estimated No. of Taxable Properties after discounts/exemptions	Ratio to Band D	Band D Equivalent
A-	5/9	10.56
A	6/9	8,636.93
B	7/9	19,711.26
C	8/9	21,744.30
D	9/9	11,475.70
E	11/9	11,694.04
F	13/9	7,125.42
G	15/9	4,247.83
H	18/9	198.60
		<hr/>
		84,844.64
Anticipated changes during the year		420.00
Provision for non-collection (1.15%)		(980.54)
Reductions for Discounts		.00
<b>Council Tax Base</b>		<hr/> <b>84,284.10</b> <hr/>

## Supplementary Financial Statements

### 20. COLLECTION FUND BALANCE APPORTIONMENT

The Collection Fund is a statutory Fund in which the council records transactions for Council Tax, Business Rates and residual Community Charges. The balance on the Fund is available for financing the expenditure of the council and the Police and Fire Authorities. In 2012/13 the Fund is in surplus and is attributable to:

2011/12 £'000		2012/13 £'000
(2,114)	Milton Keynes Council	(1,812)
(278)	Thames Valley Police Authority	(237)
(106)	Buckinghamshire and Milton Keynes Fire Authority	(91)
<b><u>(2,498)</u></b>		<b><u>(2,140)</u></b>

A Collection Fund surplus of (£1,390,000) had been estimated when the 2013/14 Council Tax was set. The final outturn as above was (£2,140,000) surplus, leaving the balance of (£750,000) to be a contribution to the Collection Fund in 2013/14.

### 21. WRITE OFFS

Council Tax debt of £574,449 was written off in 2012/13; (£846,938 in 2011/12).

### 22. PRECEPTS AND DEMANDS ON THE COLLECTION FUND

2011/12 Total £'000		Precept / Demand £'000	Share of 31 Mar 2013 Surplus £'000	2012/13 Total £'000
99,618	Milton Keynes Council	99,327	1,812	101,139
13,064	Thames Valley Police Authority	13,005	237	13,242
5,006	Buckinghamshire and Milton Keynes Fire Authority	4,984	91	5,075
<b><u>117,688</u></b>	<b>Total</b>	<b><u>117,316</u></b>	<b><u>2,140</u></b>	<b><u>119,456</u></b>

# **GROUP ACCOUNTS**



## Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the groups services, more details of which are shown in the Group Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the group.

	General Fund Balance	Earmarked General Fund Reserves	Schools Balances Reserve	Housing Revenue Account	Earmarked HRA Reserves	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority Share of Reserves of Subsidiaries	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2012/13</b>													
<b>Balance at 31 March 2012</b>	<b>(8,796)</b>	<b>(26,412)</b>	<b>(10,755)</b>	<b>(5,511)</b>	<b>(4,568)</b>	<b>0</b>	<b>(32,493)</b>	<b>(4,881)</b>	<b>(93,416)</b>	<b>(217,706)</b>	<b>(311,122)</b>	<b>0</b>	<b>(311,122)</b>
Surplus or (Deficit) on Provision of Services (Accounting Basis)	22,332	0	0	(6,465)	0	0	0	0	15,867	0	15,867	234	16,101
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	0	0	(45,477)	(45,477)	0	(45,477)
<b>Total Comprehensive Expenditure and Income</b>	<b>22,332</b>	<b>0</b>	<b>0</b>	<b>(6,465)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,867</b>	<b>(45,477)</b>	<b>(29,610)</b>	<b>234</b>	<b>(29,376)</b>
Adjustments between Group Accounts and authorities accounts	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net Increase/Decrease before Transfers</b>	<b>22,332</b>	<b>0</b>	<b>0</b>	<b>(6,465)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,867</b>	<b>(45,477)</b>	<b>(29,610)</b>	<b>234</b>	<b>(29,376)</b>
Adjustments between Accounting Basis & Funding Basis under Regulations	(32,002)	0	0	6,177	0	(4,614)	1,897	(1,918)	(30,460)	32,418	1,959	0	1,959
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>(9,670)</b>	<b>0</b>	<b>0</b>	<b>(288)</b>	<b>0</b>	<b>(4,614)</b>	<b>1,897</b>	<b>(1,918)</b>	<b>(14,593)</b>	<b>(13,059)</b>	<b>(27,652)</b>	<b>234</b>	<b>(27,418)</b>
Transfers (to) / from Earmarked Reserves	9,524	(10,431)	907	1,231	(1,231)	0	0	0	0	0	0	0	0
Transfers (to) / from Other Reserves	(815)	0	0	0	0	0	0	815	0	0	0	0	0
<b>(Increase) / Decrease in Year</b>	<b>(961)</b>	<b>(10,431)</b>	<b>907</b>	<b>943</b>	<b>(1,231)</b>	<b>(4,614)</b>	<b>1,897</b>	<b>(1,103)</b>	<b>(14,593)</b>	<b>(13,059)</b>	<b>(27,652)</b>	<b>234</b>	<b>(27,418)</b>
<b>Balance at 31 March 2013</b>	<b>(9,757)</b>	<b>(36,843)</b>	<b>(9,848)</b>	<b>(4,568)</b>	<b>(5,799)</b>	<b>(4,614)</b>	<b>(30,596)</b>	<b>(5,984)</b>	<b>(108,009)</b>	<b>(230,765)</b>	<b>(338,774)</b>	<b>234</b>	<b>(338,540)</b>

# Group Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Group Movement in Reserves Statement.

31 March 2012		31 March 2013		
Net Exp £'000		Gross Exp £'000	Gross Income £'000	Net Exp £'000
54,641	Adult Social Care	78,081	(20,633)	57,448
5,964	Central Services	26,047	(19,927)	6,120
65,496	Children & Education Services	256,730	(185,325)	71,405
15,957	Culture & Related Services	21,367	(1,545)	19,822
25,084	Environmental & Regulatory Unit	27,415	(4,219)	23,196
14,266	Highways and Transport Services	28,732	(14,306)	14,426
10,550	Housing Services	117,685	(106,623)	11,062
9,820	Housing Revenue Account	36,916	(54,001)	(17,085)
1,208	Planning Services	7,321	(7,809)	(488)
0	Exceptional Item - Contract Re-negotiation	6,150	0	6,150
170,360	Exceptional Item - HRA Self Financing	0	0	0
<b>373,346</b>	<b>Cost of Services</b>	<b>606,444</b>	<b>(414,388)</b>	<b>192,056</b>
	<b>Other Operating Expenditure</b>			
4,997	Precepts			5,243
439	Levies			445
458	Payment to the Housing Capital Receipt Pool			587
7,426	(Gain)/Loss on Disposal of non-Current Assets			22,699
<b>13,320</b>	<b>Total Other Operating Expenditure</b>			<b>28,974</b>
	<b>Financing and Investment Income and Expenditure</b>			
15,477	Interest Payable and Similar Charges			19,775
(1,797)	Interest and Investment Income			(2,075)
(568)	(Surplus)/Deficit on Trading Operations			1,338
	Income, expenditure and changes in the fair value of			
(211)	investment properties			(190)
2,739	Pension Interest Cost and Expected Return on Pension Assets			7,399
<b>15,640</b>	<b>Total Financing and Investment Income and Expenditure</b>			<b>26,247</b>
	<b>Taxation and Non-Specific Grant Income</b>			
(98,599)	Council Tax Income			(100,426)
(67,596)	Non-Domestic Rate Income			(80,016)
(27,166)	Capital Grants & Contributions			(28,965)
(37,505)	Non-Ringfenced Government Grants			(21,769)
<b>(230,866)</b>	<b>Total Taxation and Non-Specific Grant Income</b>			<b>(231,176)</b>
<b>171,440</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>16,101</b>
(11,238)	(Surplus) or deficit on revaluation of Non-Current Assets			(3,346)
117,600	Actuarial (gains) / losses on pension assets / liabilities			(42,131)
<b>106,362</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(45,477)</b>
<b>277,802</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(29,376)</b>

## Group Balance Sheet

The Group Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the group. The net assets of the group (assets less liabilities) are matched by the reserves held by the group. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Group Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

<b>31 March 2012</b>		<b>31 March 2013</b>
<b>£'000</b>		<b>£'000</b>
954,634	Property, Plant & Equipment	941,538
12	Heritage Assets	610
20,283	Investment Property	51,897
2,385	Intangible Assets	931
10,000	Long Term Investments	0
897	Long Term Debtors	303
<b>988,211</b>	<b>Long Term Assets</b>	<b>995,279</b>
89,647	Short Term Investments	60,334
733	Assets held for sale	1,563
347	Inventories	267
58,872	Short Term Debtors	63,506
2,872	Cash and Cash Equivalents	15,090
<b>152,471</b>	<b>Current Assets</b>	<b>140,760</b>
(10,853)	Bank Overdraft	(12,510)
(17,386)	Short Term Borrowing	(26,775)
(53,533)	Short Term Creditors	(53,909)
(1,097)	Short Term Provisions	(649)
(5,816)	Short Term Capital Grants & Contributions Receipts in Advance	(3,415)
(10,817)	Short Term Revenue Grants & Contributions Receipts in Advance	(10,182)
<b>(99,502)</b>	<b>Current Liabilities</b>	<b>(107,440)</b>
(1,379)	Long Term Provisions	(1,256)
(438,564)	Long Term Borrowing	(425,371)
(4,163)	Other Long Term Liabilities	(1,137)
(263,933)	Liability Related to Defined Benefit Pension Scheme	(235,742)
(695)	Long Term Capital Grants & Contributions Receipts in Advance	(817)
(21,497)	Long Term Revenue Grants & Contributions Receipts in Advance	(25,736)
<b>(730,231)</b>	<b>Long Term Liabilities</b>	<b>(690,059)</b>
<b>310,949</b>	<b>Net Assets</b>	<b>338,540</b>
93,195	Usable reserves	108,115
217,754	Unusable Reserves	230,425
<b>310,949</b>	<b>Total Reserves</b>	<b>338,540</b>

## Group Cash Flow Statement

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the group during the reporting period. The statement shows how the group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the group are funded by way of taxation and grant income or from the recipients of services provided by the group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the group.

2011/12 £'000		2012/13 £'000
<b>(171,440)</b>	<b>Net surplus or (deficit) on the provision of services</b>	<b>(16,101)</b>
25,151	Adjustments to net surplus or deficit on the provision of services for non cash movements	40,206
453	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(957)
<b>(145,836)</b>	<b>Net Cash flow from Operating Activities</b>	<b>23,148</b>
	<b><u>Investing Activities</u></b>	
(29,171)	Purchase of Property, Plant & Equipment, Investing Properties and Intangible Fixed Assets	(93,856)
(171,760)	Purchase of short-term and long-term investments	(284,665)
(458)	Other payments for investing activities	(587)
1,484	Proceeds of Property, Plant & Equipment, Investing Properties and Intangible Fixed Assets	3,733
144,760	Proceeds of short-term and long-term investments	324,312
48,331	Other receipts from investing activities	47,578
<b>(6,814)</b>	<b>Net cash flows from investing activities</b>	<b>(3,485)</b>
	<b><u>Financing Activities</u></b>	
170,360	Cash receipts of short and long-term borrowing	4,807
348	Other receipts from financing activities	(1,646)
0	Cash payments for the reduction of the outstanding liability relating to finance leases and on Balance Sheet PFI Contracts	0
(15,000)	Repayment of short and long-term borrowing	(10,000)
(2,258)	Other payments for financing activities	(2,263)
<b>153,450</b>	<b>Net cash flows from financing activities</b>	<b>(9,102)</b>
<b>800</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>10,561</b>
(8,781)	Cash and cash equivalents at the beginning of the reporting period	(7,981)
<b>(7,981)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>2,580</b>

# Notes to the Group Accounts

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## 1. INTRODUCTION

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In order to provide a full picture of the council's economic activities and financial position, the accounting statements of the council, the Milton Keynes Service Partnership LLP and the Milton Keynes Development Partnership LLP have been consolidated. The Group Accounts are presented in addition to the council's single entity financial statements and comprise:

- Group Movement in Reserves Statement;
- Group Comprehensive Income and Expenditure Statement;
- Group Balance Sheet; and
- Group Cash Flow Statement.

These statements, together with explanatory notes are set out in the pages that follow.

## 2. ACCOUNTING POLICIES

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In preparing the Group Accounts the council has aligned the accounting policies of the partnerships with those of the council and made consolidation adjustments where necessary; has consolidated the financial statements of the partnerships with those of the council on a line by line basis; and has eliminated in full balances, transactions, income and expenses between the council and the partnerships.

## 3. GROUP BOUNDARY

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The council has an interest in two Limited Liability Partnerships as follows:

### **Milton Keynes Service Partnership**

The Milton Keynes Service Partnership (MKSP) was formed following the termination of the Public Private Partnership with Mouchel Business Services on 31<sup>st</sup> December 2012.

Created as a Limited Liability Partnership, MKSP is wholly owned by Milton Keynes Council and provides support services to the council including Finance, Human Resources, Business Support, Revenues and Benefits and Information Technology.

### **Milton Keynes Development Partnership**

The Milton Keynes Development Partnership (MKDP) was incorporated on 14<sup>th</sup> January 2013, and is a Limited Liability Partnership, wholly owned by Milton Keynes Council.

MKDP was set up by the council to facilitate Milton Keynes' continued growth and economic success by promoting the development of land assets transferred to the council from the Homes and Communities Agency, in line with the council's Corporate Plan and Economic Development Strategy.

## Notes to the Group Accounts

### 4. SUMMARY OF SUBSIDIARIES TRANSACTIONS INCLUDED IN THE GROUP BALANCE SHEET

The Group Balance Sheet contains transactions for both the Milton Keynes Service Partnership and the Milton Keynes Development Partnership. A summary of these balances is provided below. Each organisation is shown prior to the elimination of intra-group transactions (the transactions that took place between the subsidiaries and the council):

	Milton Keynes Council 2012/13 £'000	Milton Keynes Service Partnership 2012/13 £'000	Milton Keynes Development Partnership 2012/13 £'000	Intra- Company Transactions 2012/13 £'000	Group Total 2012/13 £'000
Long Term Assets	995,279	0	31,614	(31,614)	995,279
Short Term Investments	60,334	0	0	0	60,334
Assets held for sale	1,563	0	0	0	1,563
Inventories	267	0	0	0	267
Short Term Debtors	63,313	1,499	369	(1,675)	63,506
Cash and Cash Equivalents	15,090	0	0	0	15,090
Bank Overdraft	(12,847)	236	57	44	(12,510)
Short Term Borrowing	(26,775)	0	0	0	(26,775)
Short Term Creditors	(53,155)	(2,035)	(350)	1,631	(53,909)
Short Term Provisions	(649)	0	0	0	(649)
Short Term Grants & Contributions					
Receipts in Advance	(13,597)	0	0	0	(13,597)
Long Term Provisions	(1,246)	(10)	0	0	(1,256)
Long Term Borrowing	(425,371)	0	0	0	(425,371)
Other Long Term Liabilities	(1,137)	0	(31,614)	31,614	(1,137)
Liability Related to Defined Benefit Pension Scheme	(235,742)	0	0	0	(235,742)
Long Term Grants & Contributions Receipts in Advance	(26,553)	0	0	0	(26,553)
<b>Net Assets</b>	<b>338,774</b>	<b>(310)</b>	<b>76</b>	<b>0</b>	<b>338,540</b>

## Notes to the Group Accounts

### 5. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Group Comprehensive Income and Expenditure Statement relating to assets held by the Milton Keynes Development Partnership.

	Milton Keynes Council 2012/13 £'000	Milton Keynes Service Partnership 2012/13 £'000	Milton Keynes Development Partnership 2012/13 £'000	Intra- Company Transactions 2012/13 £'000	Group Total 2012/13 £'000
Rental income arising from investment property	57	0	509	(93)	473
Direct operating expenses arising from investment property	0	0	(433)	150	(283)
<b>Net Gain / (Loss)</b>	<b>57</b>	<b>0</b>	<b>76</b>	<b>57</b>	<b>190</b>

The following table summarises the movement in the fair value of investment properties over the year.

	Milton Keynes Council 2012/13 £'000	Milton Keynes Service Partnership 2012/13 £'000	Milton Keynes Development Partnership 2012/13 £'000	Intra- Company Transactions 2012/13 £'000	Group Total 2012/13 £'000
<b>Balance at the start of the year</b>	<b>20,283</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20,283</b>
Additions:					
Purchases	0	0	31,614	0	31,614
Construction	0	0	0	0	0
Subsequent Expenditure	0	0	0	0	0
Disposals	0	0	0	0	0
Net gains / (losses) from fair value adjustments	0	0	0	0	0
Transfers					
(To) / from Inventories	0	0	0	0	0
(To) / from Property, Plant and Equipment	0	0	0	0	0
Other changes	0	0	0	0	0
<b>Balance at the end of the year</b>	<b>20,283</b>	<b>0</b>	<b>31,614</b>	<b>0</b>	<b>51,897</b>

## Notes to the Group Accounts

### 6. DEBTORS

Long term debtors held by the group at 31<sup>st</sup> March 2013 are detailed below.

	Milton Keynes Council 2012/13 £'000	Milton Keynes Service Partnership 2012/13 £'000	Milton Keynes Development Partnership 2012/13 £'000	Intra- Company Transactions 2012/13 £'000	Group Total 2012/13 £'000
Mortgages	34	0	0	0	34
Car Loans	0	0	0	0	0
Home Computer Initiative	1	0	0	0	1
Partnership Loans	31,614	0	0	(31,614)	0
Bodies External to Central Government	267	0	0	0	267
<b>Total Long Term Debtors</b>	<b>31,916</b>	<b>0</b>	<b>0</b>	<b>(31,614)</b>	<b>302</b>

Short term debtors including payments in advance held by the group at 31<sup>st</sup> March 2013 are detailed in the table below.

	Milton Keynes Council 2012/13 £'000	Milton Keynes Service Partnership 2012/13 £'000	Milton Keynes Development Partnership 2012/13 £'000	Intra- Company Transactions 2012/13 £'000	Group Total 2012/13 £'000
Central Government Bodies	11,385	49	(1)	0	11,433
Other Local Authorities	1,029	1,318	78	(1,675)	750
NHS Bodies	3,172	0	0	0	3,172
Public Corporations and Trading Funds	2	0	0	0	2
Bodies External to Central Government	13,013	34	292	0	13,339
Council Tax Arrears	3,267	0	0	0	3,267
NNDR Arrears	27	0	0	0	27
Housing Rents	3,566	0	0	0	3,566
Landfill Allowances Asset Account	161	0	0	0	161
Staff Debtors	5	0	0	0	5
<b>Total Short Term Debtors before Payments in Advance</b>	<b>35,627</b>	<b>1,401</b>	<b>369</b>	<b>(1,675)</b>	<b>35,722</b>
Payments in Advance	27,686	98	0	0	27,784
<b>Total Short Term Debtors</b>	<b>63,313</b>	<b>1,499</b>	<b>369</b>	<b>(1,675)</b>	<b>63,506</b>



## Notes to the Group Accounts

### 7. CREDITORS

Creditors held by the group at 31<sup>st</sup> March 2013 are detailed below.

	<b>Milton Keynes Council 2012/13 £'000</b>	<b>Milton Keynes Service Partnership 2012/13 £'000</b>	<b>Milton Keynes Development Partnership 2012/13 £'000</b>	<b>Intra- Company Transactions 2012/13 £'000</b>	<b>Group Total 2012/13 £'000</b>
Central Government Bodies	(8,209)	(1,175)	0	107	<b>(9,277)</b>
Other Local Authorities	(3,995)	0	(180)	1,479	<b>(2,696)</b>
NHS Bodies	(1,881)	0	0	0	<b>(1,881)</b>
Public Corporations and Trading Funds	(73)	0	0	0	<b>(73)</b>
Bodies External to Central Government	(33,000)	(520)	(170)	45	<b>(33,645)</b>
Staff Creditors	(5,046)	0	0	0	<b>(5,046)</b>
Housing Rent Prepayments	(801)	(340)	0	0	<b>(1,141)</b>
Council Tax/ NNDR Prepayments	(31)	0	0	0	<b>(31)</b>
Liability for Actual BMW Landfill Usage	(119)	0	0	0	<b>(119)</b>
<b>Total Short Term Creditors</b>	<b>(53,155)</b>	<b>(2,035)</b>	<b>(350)</b>	<b>1,631</b>	<b>(53,909)</b>

### 8. PROVISIONS

The Milton Keynes Service Partnership has created one provision at a value of £10,000. This provision is required to meet the cost of employment tribunal's cases.

## Notes to the Group Accounts

### 9. RESERVES

The reserves held by the Milton Keynes Council, Milton Keynes Service Partnership and Milton Keynes Development Partnership at 31<sup>st</sup> March 2013 are detailed below:

	Milton Keynes Council 31 Mar 2013 £'000	Milton Keynes Service Partnership 31 Mar 2013 £'000	Milton Keynes Development Partnership 31 Mar 2013 £'000	Group Total 31 Mar 2013 £'000
<b><u>Usable Reserves</u></b>				
Restructuring and Development Reserve	0	(30)	0	(30)
Redevelopment Reserve	0	0	(76)	(76)
Milton Keynes Council's Usable Reserves	(108,009)	0	0	(108,009)
<b>Total Usable Reserves</b>	<b>(108,009)</b>	<b>(30)</b>	<b>(76)</b>	<b>(108,115)</b>
<b><u>Unusable Reserves</u></b>				
Accumulated Absence Account	917	0	0	917
Milton Keynes Council's Unusable Reserves	(231,682)	340	0	(231,342)
<b>Total Unusable Reserves</b>	<b>(230,765)</b>	<b>340</b>	<b>0</b>	<b>(230,425)</b>
<b>Total Reserves</b>	<b>(338,774)</b>	<b>310</b>	<b>(76)</b>	<b>(338,540)</b>

#### **Restructuring & Development Reserve**

This reserve was set up to fund any potential costs that may arise from the Service review within Milton Keynes Service Partnership.

#### **Redevelopment Reserve**

This reserve will be used for the development of the Assets within the Milton Keynes Development Partnership.

#### **Milton Keynes Council Reserves**

Further details of Milton Keynes Council Reserves can be found in note 6 and note 30 to the notes to the Financial Statements.

## Notes to the Group Accounts

### 10. NET CASH FLOW FROM OPERATING ACTIVITIES

The table below provides an analysis of non cash items and investing and financing activities included in the provision of services as presented in the Group Cash Flow Statement.

	Milton Keynes Council 31 Mar 2013	Milton Keynes Service Partnership 31 Mar 2013	Milton Keynes Development Partnership 31 Mar 2013	Group Total 31 Mar 2013
<b>Net Surplus/(Deficit) on the provision of services</b>	<b>(15,867)</b>	<b>(312)</b>	<b>78</b>	<b>(16,101)</b>
<b><u>Adjustments to net Surplus or deficit on the provision of services for non-cash movements</u></b>				
Depreciation and Impairment of Non-Current Assets	41,491	0	0	41,491
Capital Grants and Contributions	(28,965)	0	0	(28,965)
(Increase) / Decrease in Creditors	4,906	596	109	5,611
Increase / (Decrease) in Debtors	2,946	(17)	(127)	2,802
Increase / (Decrease) in Inventories and Work in Progress	80	0	0	80
(Increase) / Decrease in Provisions	(354)	10	0	(344)
Movement of pension liabilities	13,940	0	0	13,940
Carrying Amount of Non-Current Assets Sold	22,699	0	0	22,699
Financial Instruments	0	0	0	0
Housing Capital Receipts Pool	587	0	0	587
Amortised Premiums	0	0	0	0
Revenue Expenditure Funded from Capital Under Statute	(8,401)	0	0	(8,401)
Local Government Reorganisation Transferred Debt	(1,959)	0	0	(1,959)
Other non-cash items charged to the net surplus or deficit on the Provision of Service	(7,335)	0	0	(7,335)
<b>Total Non-Cash Items in the Provision of Services</b>	<b>39,635</b>	<b>589</b>	<b>(18)</b>	<b>40,206</b>
Total Investing and Financing activities included in the Provision of Services	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Reversal of operating activity items included in the net surplus or deficit on the Provision of Services that are shown separately	<b>17,700</b>	<b>0</b>	<b>0</b>	<b>17,700</b>
<b><u>Cash flow from interest received and paid</u></b>				
Interest Paid	(20,589)	0	0	(20,589)
Interest element of Finance Leases	(76)	0	0	(76)
Interest Received	2,008	0	0	2,008
<b>Total Cash Flow from Interest Received and Paid</b>	<b>(18,657)</b>	<b>0</b>	<b>0</b>	<b>(18,657)</b>
<b>Net Cash flow from Operating Activities</b>	<b>22,811</b>	<b>277</b>	<b>60</b>	<b>23,148</b>

# Notes to the Group Accounts

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## 11. SOURCES OF ESTIMATION

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The Milton Keynes Service Partnership (MKSP) was established in December 2012 and was incorporated at the point of transfer in January 2013 and therefore only three months of annual leave should be accounted for when considering the carry forward to 2013/14.

Because of the difference between the previous employer's leave year (August to July) and the council's leave year (April to March), staff were provided with a 20 month annual leave allocation to run from 1<sup>st</sup> August 2012 to 31<sup>st</sup> March 2014. In addition, a new Management Information system was introduced in January 2013.

As a result of the 20 month leave period and problems extracting data from the Management Information system, it was necessary to apply an estimation technique to the annual leave and flexi time adjustment required to calculate the amount required to be accrued for leave and flexitime outstanding at 31<sup>st</sup> March 2013.

In order to do this, a sample of approximately 100 staff was used to obtain an average carry forward for both full and part time staff, and this average was then applied across the Partnership's establishment.

It is anticipated that these issues will be resolved prior to the data collection exercise required for the 2013/14 accrual and a pro-rata comparison with the council's accrual for 2012/13 has shown that the estimation technique applied is reasonable.

## 12. DEFINED BENEFIT PENSION SCHEME

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### Milton Keynes Service Partnership

The Milton Keynes Service Partnership has Admitted Body Status in the Local Government Pension Scheme administered by Buckinghamshire County Council. This is a funded defined benefit final salary scheme, meaning that the Partnership and employees pay contributions into a fund, calculated at a level intended to balance the pension's liability with investment assets.

In order to prepare the required disclosures for this pension scheme, the Actuary must supply a report providing their assessment of the assets, liabilities and assumptions applied in valuing the pension fund.

Although requested in April 2013, at the time that these accounts were prepared, the Actuary report had not been received, due to a delay in receipt of information required by Barnett Waddingham from the former staff employer (Mouchel Business Services).

The Actuary report had not been issued during the audit, meaning that the Statement of Accounts does not reflect the requirements of International Accounting Standard (IAS) 19 for MKSP.

## Notes to the Group Accounts

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### **Milton Keynes Development Partnership**

In the three months of operation from January to March 2013, the Milton Keynes Development Partnership had no staff in a pension scheme, however the Partnership is in the process of obtaining Admitted Body Status to the Local Government Pension Scheme in the expectation that future employees may wish to join.

# Glossary

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## **Accruals**

Sums included in the final accounts of the council to cover income or expenditure attributable to the accounting period for which payment has not been received/made in the financial year. Local authorities accrue for both revenue and capital expenditure.

## **Actuary**

An independent and appropriately qualified adviser who carries out statutorily required pension fund valuations.

## **Amortisation**

The reduction of the value of an asset by prorating its cost over a period of years.

## **Capital Charges**

A charge for the use of fixed assets in the provision of services. The charge comprises depreciation plus notional interest.

## **Capital Expenditure**

Spending that produces or enhances an asset, like land, buildings, vehicles, plant and machinery. Definitions are set out in Section 40 of the Local Government and Housing Act 1989. Any expenditure that does not fall within the definition must be charged to a revenue account.

## **Capital Receipts**

The proceeds from the sale of fixed assets such as land and buildings.

Capital receipts can be used to repay any outstanding debt on fixed assets or, to finance new capital expenditure, within rules set down by government. Capital receipts cannot, however, be used to finance revenue expenditure.

## **Chartered Institute of Public Finance and Accountancy (CIPFA)**

The professional accountancy body concerned with local authorities and the public sector.

## **Collection Fund**

The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the charging Authority in relation to Non-Domestic Rates and Council Tax and illustrates the way in which the fund balance is distributed to preceptors and the General Fund.

## **Contingent Liabilities/Gains**

Potential losses/gains for which a future event will establish whether a liability/gain exists and for which it is inappropriate to set up a provision in the accounts.

## **Deferred Grants**

Amounts received or receivable that have been used to finance capital expenditure. Under the capital accounting arrangements these amounts will be released to offset depreciation in respect of the fixed assets to which they relate.

## **Depreciation**

The measure of the wearing out, consumption or other reduction in the useful life of a fixed asset.

# Glossary

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## **Earmarked Reserves**

These are reserves set aside for a specific purpose or a particular service, or type of expenditure.

## **Finance Leases**

Arrangement whereby the lessee is treated as owner of the leased asset and is required to include such assets within fixed assets on the balance sheet.

## **Financial Instruments**

A Financial Instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

## **International Financial Reporting Standard (IFRS)**

A statement of accounting practice issued by the Accounting Standards Board.

## **Fixed Assets**

Non-current assets that yield benefits to the council and the services it provides for a period of more than one year.

## **General Fund (GF)**

This is the main revenue account of the council. Day to day transactions are conducted through this account, with the exception of those relating to the Housing Revenue Account, Collection Fund or any other trust funds held by the council.

## **Housing Revenue Account**

The account of revenue expenditure and income relating to the council's own housing stock.

## **Infrastructure Assets**

Expenditure on works of construction or improvement but which have no tangible value, such as construction of, or improvement to highways.

## **Intangible Assets**

Expenditure of a capital nature where no tangible asset is created such as housing renovation grants or computer software.

## **Investments**

Deposits for less than one year with approved institutions.

## **Long Term Debtors**

Amounts due to the council more than one year after the balance sheet date.

## **Major Repairs Allowance**

The estimated average annual cost of maintaining the condition of the council's housing stock over a 30 year period based on the councils mix of dwelling types.

# Glossary

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## **Minimum Revenue Provision**

The minimum amount that may be set aside for the repayment of debt. The statutory figure is usually shown in a council's accounts by means of an adjustment to depreciation.

## **National Non-Domestic Rate (NNDR)**

Under the revised arrangements for uniform business rates, that came into effect on 1<sup>st</sup> April 1990, the council collects Non-Domestic Rates for its area based on local rateable values, multiplied by a national uniform rate.

The total amount, less certain reliefs and deductions, is paid to a central pool managed by the government, that in turn, pays back to Authorities their share of the pool based on a standard amount per head of the local adult population.

## **Non-Operational Assets**

Fixed assets held by the council but not directly used or consumed in the delivery of its services. This would include surplus properties awaiting disposal.

## **Operational Assets**

Fixed assets held by the council and used or consumed in the delivery of its services.

## **Operational Leases**

An arrangement whereby the risks and rewards of ownership of the leased asset remain with the leasing company.

## **Pension Fund**

An employees' pension fund maintained by an authority, or a group of authorities, in order primarily to make pension payments on retirement of participants. It is financed from contributions from the employing authority, the employee and investment income.

## **Precepting Authorities**

Those authorities that are not billing authorities (i.e. do not collect Council Tax) precept upon the billing authority, who then collect on their behalf - Thames Valley Police Authority, Buckinghamshire & Milton Keynes Fire Authority and the Parishes that precept upon Milton Keynes Council.

## **Provisions**

Sums set aside to meet future expenditure where a specific liability is known to exist but that cannot be measured accurately.

## **Public Works Loan Board**

The Public Works Loan Board (PWLB) was established in 1793 to provide loans to public bodies from the National Loans Fund. It today provides loans to local authorities of all types in Great Britain, primarily for capital projects, but also as a lender of last resort.