



Statement of Accounts
2013/14

For the year ending 31st March 2014

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Explanatory Foreword

1. INTRODUCTION

The financial performance for 2013/14 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 31st March 2014, 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 Movement on the Housing Revenue Account Statement shows the economic costs in the year of providing housing services in accordance with generally accepted accounting practices. The transactions of the billing authority are shown on the Collection Fund Statement in accordance with the code of accounting practice.

e. Group Accounts

The financial statements and notes to support the activity of the two council-owned Limited Liability Partnerships are incorporated into the single entity accounts of the council.

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2. SERVICE EXPENDITURE

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 2013/14 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 £197,658,000 for 2013/14 on 20th February 2013.

a. General Fund Revenue Outturn

The General Fund revenue outturn is an underspend of (£0.506m). Service Groups are overspent by £0.639m and there is an underspend on Debt Financing (£0.542m) and corporate codes (£0.603m).

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 2013/14 budget process to create some additional reserves to mitigate specific issues arising. This creates a solid basis for the delivery of the 2014/15 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 £9.853m on General Fund Balance as at 31st March 2014.

The Housing Revenue Account (HRA) is reporting an outturn in year of (£0.072m). This results in a HRA reserve balance at the end of March 2014 of £4.641m.

The outturn position for the Dedicated Schools Grant is an underspend of (£0.082m).

The Capital outturn is £40.844m, an overall net underspend of (£2.596m) against Adjusted Spend Approval. The underspend relates to projects that have now completed. The funding sources of the projects reporting an underspend have been reviewed to establish if resources can be released for reallocation within the setting of the 2014/15 Capital Programme. However, the variations are largely in Housing, which is ring-fenced by Housing Revenue Account funding and Education, Effectiveness and Participation which is funding earmarked for the growth in pupil places. As a result there are no underspends which can be released for the wider programme.

The table overleaf details the over and under spends by Service Group, including any movements to and from earmarked reserves:

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	Revised Budget £'000	Outturn £'000	(Under)\Overspends £'000	%
Resources: Finance, HR & Governance	12,453	11,271	(1,182)	(9.5%)
Resources: Public Access	1,537	2,363	826	53.7%
Adult Social Care and Health	60,503	60,626	123	0.2%
Housing and Community	1,992	2,119	127	6.4%
Integrated Support and Social Care	38,329	38,747	418	1.1%
Education, Effectiveness and Participation	33,538	33,377	(161)	(0.5%)
Public Realm	45,705	46,290	585	1.3%
Planning & Transport	1,917	2,074	157	8.2%
Corporate Core	758	546	(212)	(28.0%)
Public Health	7,989	7,947	(42)	(0.5%)
Net Operating Expenditure	204,721	205,360	639	
Corporate Items				
Debt Financing and Interest Charges	18,687	18,145	(542)	(2.9%)
Levies	443	443	0	0.0%
Sustainability Items	6,414	6,414	0	0.0%
Corporate Savings & One Off Pressures	1,015	412	(603)	(59.4%)
Asset Rental	(33,622)	(33,622)	0	0.0%
Outturn Position	197,658	197,152	(506)	
Resources				
Revenue Support Grant and rolled in grants	(61,023)	(61,023)	0	0.0%
Retained Business Rates	(40,597)	(40,597)	0	0.0%
Council Tax	(84,439)	(84,439)	0	0.0%
Public Health Grant	(7,989)	(7,989)	0	0.0%
Central Education Grant	(3,610)	(3,610)	0	0.0%
Total Resources Available	(197,658)	(197,658)	0	
(Addition)/Reduction in General Fund	0	(506)	(506)	
General Fund Balance 1st April 2013			(9,757)	
Budget commitment to vulnerable people			210	
Contribution to Homelessness Demand Led Reserve			200	
General Fund (Under)/Overspend 2013/14			(506)	
General Fund Balance 31st March 2014			(9,853)	

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

Resources – Finance, HR & Governance

Improved Housing Benefit Subsidy collection performance and increased court costs income have resulted in an underspend of (£2,020,000). This has facilitated a contribution to the Business Volatility Reserve of £180,000.

An increase in insurance claims resulted in an overspend of £484,000, which has been offset by a contribution from the insurance reserve (£285,000).

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Lower income from Schools mainly due to the non-provision of service to academies £475,000.

These overspends are offset by savings from vacant posts across the Service Group (£120,000), significant savings in Elections due to there being no local elections this year (£115,000) and the postponement of investment in Supplier Relationship Management (SRM), pending the outcome of the SAP review resulted in reduced ICT costs (£135,000).

Resources - Public Access

Significant variations in this service group include an overspend of £357,000 used to fund the cost of the Programme Manager for the Office Rationalisation project as well as Saxon Court building alterations and office moves. The costs were funded through amounts drawn from reserves and an underspend on an operating lease which was not required in year (£200,000).

Savings have been achieved in repairs & maintenance due to a change in provider (£123,000) and a reduction in cost of file servers (£208,000).

The ongoing review of buildings maintenance has meant that Facilities Management savings of £300,000 identified as part of the budget setting process have not been achieved in 2013/14.

The under recovery of internal income within Public Access offset by central recharges to the Housing Revenue Account caused a net overspend £165,000 in year combined with an unbudgeted redundancy cost pressure of £168,000.

During the year, contributions have been made to the Budget Rollover Reserve for Digital Mailroom £250,000 and the Corporate Accommodation Reserve £100,000.

Adult Social Care

The significant variations in Adult Social Care include a substantial increase in Learning Disability external residential placement costs resulting from service users being placed towards the end of 2012/13, predominately as a result of safe-guarding issues as well as several family breakdowns £399,000.

There are demand pressures in External Support at Home (including Direct Payments) of £259,000 and a change in client requirements for supported living £129,000. This is offset by additional funding from S256 NHS Support for Social Care in order to mitigate the pooled budget pressure (£348,000).

There was a 4% efficiency saving on the council's 2013/14 contribution to the Mental Health Pool agreed with the Clinical Commissioning Group (CCG) at Performance Monitoring Forum (£146,000).

The Integrated Community Equipment Service (ICES) pooled budget is in deficit by £381,000. This is partially offset by a residual CCG contribution towards the council's share of the pool (£87,000).

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There has been a decline in client contributions for Internal Domiciliary Care due to a continuing trend from previous years which showed a significant decline in receipts £183,000.

As a result of reduced numbers there is a reduction in income for Frail Elderly Residential and Nursing placements £393,000. This is offset by an increase in the number of placements within Elderly Mental Health Residential and Nursing placements causing income to be higher than budgeted (£522,000).

Adult Social Care has achieved various savings within their Service Group including an overall staff saving due to the continued difficulty in recruiting vacancies (£239,000) and a saving on the Learning Disability Manor House contract with Health (£210,000). These savings are partially offset by an overspend on grants to voluntary organisations for older people £188,000.

Housing and Community

The significant variances include a continued budget pressure from the provision of temporary housing through Bed & Breakfast (B&B) and administration costs £657,000 offset by increased Income from B&B clients due to high levels of usage (£318,000).

An increase in the utility and maintenance costs of Private Sector Landlords (PSL) lettings to reduce B&B usage and use of £385,000 is offset by additional rental income from PSL lettings (£310,000).

Integrated Support and Social Care

A saving has been made against the contracts for the two commissioned Children Centres and the Saplings Children's Centre operated by Knowles Nursery School (£83,000). There is also increased income of (£70,000) in Children's Centres due to an increased take up of government funded early year places in the spring term.

The Corporate Parenting outturn position is a net overspend of £918,000. This is due to the high external cost of placements and young people on remand. The overspend is partially offset by a underspend on Asylum Seekers grant of (£175,000) and a saving on inter agency fees due to costs being charged to Adoption Reform Grant of (£136,000).

Education, Effectiveness and Participation

Windmill Hill Golf centre has seen a shortfall in income in 2013/14. This is predominantly due to a delay in being able to generate income in their first year of trading £162,000. The Library Service has also seen a decline in income due to lower demand £124,000.

There has been a reduction in the amount that can be charged to DSG in relation to recharges for education functions as forecast £174,000.

Adult Continuing Education (ACE) has overspent due to funding and fees and charges not being sufficient to cover overheads attributed to the service £114,000. The Music Service and ACE have also merged during the year which has led to a restructure within the service area and caused redundancy costs of £281,000.

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Education, Effectiveness and Participation (EEP) have seen some significant savings in year including an underspend due to there being no call on the Temporary Classrooms and Managed and Vacant Properties budgets of (£114,000). The EEP Brokerage Team and School Buyers Network has generated additional income due to more schools purchasing services (£121,000). Salary savings due to vacancies and changes of posts within Early Years and the on-going restructure of the service has resulted in savings of (£200,000).

Staff vacancies and lower than anticipated expenditure on Home to School Transport due to improved management of transport provision to the Alternative Education Providers (£89,000). Productivity Team and Workforce Training budgets underspend by (£130,000) due to lack of take up of graduate leader fund and workforce training. A further underspend of (£85,000) occurred due to the charge of salaries to capital projects being much higher than anticipated.

Public Realm

A provision has been made for the anticipated costs associated with the mobilisation and implementation of the Highways contract commencing in April 2014 £300,000.

Additional costs of defects have created an overspend of £191,000. There is an extra cost of highways insurance due to more claims than forecast £141,000 (whilst recent claim numbers have decreased, the allocation is based on the previous three years).

These costs are offset by a reduction in the cost of winter maintenance (£108,000) due to a milder winter than expected. Outsourcing of the highways and landscape contracts has resulted in lower levels of required maintenance on fleet (£192,000).

Other significant variations include lower than budgeted supervision fees due to the delay in the start of the development of the Western Expansion Area and signing off the Section 38 agreements £142,000; Energy costs have reduced by (£194,000) and reconciled inflation figures and minor reductions in service requirements have meant a saving in Waste Collection (£340,000); and a shortfall in income mainly due to delays in the implementation of the Traffic Management Act £197,000.

In 2013/14 Transport had internal trading budgets which resulted in them making a profit from their internal trading activities against services in the authority. This was revealed during an exercise to review all internal trading activity across the council. Therefore the under achievement of income in transport for 2013/14 £293,000 is offset by an accumulation of small individual overspends across Milton Keynes Council where services were paying less.

Planning and Strategic Transport

There are no significant variations to report for this Service Group.

Corporate Core

The significant variations within this service group include an underspend on employees due to staff vacancies across the Service Group (£93,000), savings on computer costs (£35,000) and publications (£35,000).

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Public Health

This is the first year that Milton Keynes Council has held Public Health responsibilities. The service is funded by a ring-fenced grant under Section 31 of the Local Government Act 2003. Variances across Public Health services are representative of budget uncertainties when the grant was incorporated within Milton Keynes Council.

In accordance with grant conditions, an underspend across the whole service has been identified (£621,000) offset by a contribution to the Public Health reserve of £579,000. This will be utilised next financial year under the same grant conditions as above.

The Public Health service has undergone a significant review of its services since it transferred on the 1st April 2013, including a management and staffing re-organisation to ensure resources are in place to progress the application of grant expenditure.

Debt Financing

The movement in Debt Financing reflects rephasing of the Capital Programme, resulting in higher levels of cash balances being held for longer than previously anticipated so generating a greater investment return. Two Public Works Loans Board (PWLB) loans totalling £18m were repaid during the year and given the economic climate the decision was taken not to refinance at this time, thereby reducing debt interest costs.

b. Housing Revenue Account (HRA) Outturn

The in-year HRA budget is underspent by (£0.072m). The key movements during 2013/14 include a reduction in building services capitalisation credit to revenue (from reduced fixed recharges) £200,000, net savings from staff vacancies (£163,000) across the HRA and a decline in housing insurance premiums (£125,000). A reduction in fixed recharges to the HRA (£158,000) and professional services savings across HRA (£85,000). These savings are offset by a contribution to the Regeneration Reserve £350,000.

Other key variations include, a fall in responsive expenditure across Repairs and Maintenance accounts (asbestos, fire safety, insurance cases, external re-decorations, responsive major works) (£488,000) and net savings in the utility accounts from having a mild winter (£355,000).

Impairment charges on Council Dwellings which recognise the works identified for the HRA in 2013/14 Capital Programme £841,000. A contribution to the Impairment Reserve to fund the future financial risk of impairment of £173,000 was offset by a reduction in capital investment provision (revenue contribution to capital) (£212,000).

Taking the balance brought forward and the in year underspend, the HRA balance at March 2014 is (£4,641,000) compared to budget of (£4,569,000). This continues to be in line with the Prudent Minimum HRA level, as confirmed in the 2014/15 Budget process and set as part of the 2013/14 Budget process.

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

The net budget requirement was financed from three main sources:

- Retained Business Rates (£42.004m)
Retained Business rates is the amount of business rates an individual authority retains (after adjustments including repayment to central government and the fire authority) to fund council services.
- Revenue Support Grant (RSG) (£61.022m)
RSG is Government funding which provides general support for council services.
- Council Tax (£83.671m)
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 1st April 2007 Schools services have been funded through the Dedicated Schools Grant (DSG). For 2013/14 the council received £148.659m in DSG funding. This funding was previously provided through the RSG and NDR.

A list of the grants received by the council in 2013/14 can be found at note 18 to the Financial Statements.

d. Milton Keynes Service Partnerships LLP Outturn

The financial position of the Milton Keynes Service Partnership for the year ended 31st March 2014 was an underspend of (£2.404m) ((£0.081m) for the year ended 31st March 2013). This was very positive compared to budget and was achieved mainly from underspends on staff costs due to vacancies (£1.725m) and a reduction in insurance costs (£413,000).

The overall vacancy position was due to prudent management of the unknown Employers Pension Contribution rate not being finalised until January 2014.

e. Milton Keynes Development Partnerships LLP Outturn

The financial position of the Milton Keynes Development Partnership for the period ended 31st March 2014 was a profit of £77,000. This was achieved after reinvesting in this start-up business, re-negotiation of contract costs, and securing a stable workforce by recruiting appropriately for the future needs of the business.

The asset portfolio of the Milton Keynes Development Partnership undertook a valuation at the 31st March 2014. This was the first assessment since the acquisition from the Home and Community Agency in 2013, and led to a revaluation gain of £4,012,000 at the 31st March 2014 which has been reported in the Group Comprehensive Income and Expenditure Statement.

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The valuations were undertaken in accordance with the requirements of the Royal Institution of Chartered Surveyors (RICS), following research into the levels of land values achieved in recent transactions. Assumptions were made that there were no burdensome issues in respect of title, the properties are free from contamination of hazardous materials and the properties are in a reasonable state of repair.

3. PENSION LIABILITY

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 31st March 2014 of (£251.129m), which is an increase of (£15.387m) since 2012/13.

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 42 to the Financial Statements.

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

The following transactions are considered to be material or unusual charges or credits within the 2013/14 Statement of Accounts:

Pension Liability

The council's pension liability has increased by (£15.387m). Further details can be found in the Local Government Pension Scheme note 42 to the Financial Statements;

Major non-current asset disposals

Major non-current asset disposals during the year include the sale of assets to the local Town Councils under the Capital Assets Transfer (CAT) Programme transfer £5.844m. Details of major non-current asset disposals can be found in note 4 to the Financial Statements.

Non-Domestic Rates

The Local Government Finance Act 2012 introduced from 1st April 2013 a business rates retention scheme that enables local authorities to retain a proportion of business rates

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generated in their area. This has resulted in a change in funding from a grant payment to locally retained business rates from £80.016m in 2012/13 to £42.004m in 2013/14.

Local authorities have also assumed responsibility for refunding ratepayers who have successfully appealed against the rateable value of their properties. A provision of £11.368m has been recognised in the accounts in this respect. The decision to account for the whole provision in 2013/14, rather than taper over five years was approved by the Corporate Director, Resources as this accounting treatment was judged to offer the best value for money for the council.

Further detail of the appeals provision can be found in Note 30 to the financial statements.

Public Health

On 1st April 2013 statutory responsibility for Public Health activities (ranging from cancer prevention and tackling obesity to sexual health services) transferred to the council from the NHS primary care trusts funded from the ring-fenced public health grant of £7.989m. A new Service Expenditure Analysis (SEA) line has been included within the Comprehensive Income & Expenditure Statement for public health.

Impact of Council Tax Benefit funding

From 1st April 2013 the national Council Tax Benefit scheme was abolished and replaced with Local Council Tax Reduction. A key aspect of the new Localised Council Tax Reduction system is that the payment of Council Tax benefits is replaced with a locally assessed discount. This has the effect of reducing the Tax Base on which Council Tax is raised for all precepting authorities. This Tax Base reduction will be partially offset by grant funding which forms part of the council's Revenue Support Grant.

5. SIGNIFICANT CHANGE IN ACCOUNTING POLICY

The Accounting treatment for pension benefits is in accordance with International Accounting Standards (IAS) 19. On 1st January 2013, a revised IAS19 standard applied to Milton Keynes Council. The main changes are:

- Removal of the expected return on assets, to be replaced by a net interest costs 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 Comprehensive Income and Expenditure Statement e.g. "Service Cost" now includes what was previously described as the "Current Service Cost" plus the "Past Service Cost" plus any "Curtailments" plus any "Settlements".

Administrative expenses are now accounted for within the Comprehensive Income and Expenditure Statement; previously the actuary made a deduction to the actual and expected return on assets.

The main changes are to the Comprehensive Income and Expenditure Statement. The information disclosed in the 2012/13 Comprehensive Income Expenditure Statement, Movement in Reserves Statement and Notes to the Financial Statement have been

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reviewed and restated to ensure full compliance with the new requirements where applicable.

Full details of the change in Accounting Policy can be found in note 1 to the financial statements.

6. BORROWING FACILITIES

During 2013/14 no new loans to fund expenditure on capital projects were taken. Two existing long term loans (£18.000m) were repaid upon maturity to the Public Works Loan Board during the year.

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 14th 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 (£7.300m) has been discounted to fair value (£6.349m) and included within long term borrowing on the Balance Sheet. The difference (£0.951m) 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 £434.000m, in respect of the funding of capital projects of £427.651m (including accrued interest of £2.087m) and £6.349m other loans mentioned above. Further details of the composition of this sum can be found in the note 29 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 31st March 2014.

At the 31st March 2014, the council had £124.662m invested with various financial institutions, of this amount £89.579m 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

The council's total capital expenditure for 2013/14 including amounts accrued for works completed but not paid for at 31st March 2014 was £40,844,000 (£103,256,000 in 2012/13).

The sources of finance to fund this expenditure included government grants and contributions of (£23,432,000) ((£47,174,000) in 2012/13) which includes (£8,365,000) ((£8,383,000) in 2012/13) Major Repairs Reserve and (£15,067,000) ((£38,791,000) in 2012/13) Other Government Grants and Contributions.

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Supported Borrowing amounted to (£15,311,000) (£501,000 in 2012/13). The balance of (£2,101,000) ((£55,581,000) in 2012/13) came from capital receipts, prudential borrowing, finance leases, and revenue contributions.

Full details of capital expenditure and financing can be found in note 23 to the Financial Statements.

Capital Commitments total £31,500,000 and include new school extensions, a new Primary School and Community Pavilion and Housing Improvements. Full details of the council's capital commitments can be found in note 20 to the Financial Statements.

8. SIGNIFICANT PROVISIONS, CONTINGENCIES AND WRITE-OFFS

The council has three significant provisions held on the Balance Sheet as at 31st March 2014:

- 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.
- Appeals provision - This provision represents the council's share of the estimated costs of notified and statutory appeals for reductions to business rates values.

Further details of the provisions can be found in note 30 to the Financial Statements.

The council discloses a number of contingent gains and losses in note 41 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 have been no significant write offs during 2013/14.

Explanatory Foreword

9. IMPACT OF CURRENT ECONOMIC CLIMATE

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.

Research using various sources of index data suggests that the property market is improving with values rising in Milton Keynes by an average of 10% since their 2010 valuation. However, there have been no completed land sale transactions and therefore there has been no evidence to suggest a significant change in land values since March / April 2013.

The annual process for calculating the tax base for forthcoming years takes a prudent account of the anticipated future levels 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.

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.

Statement of Auditors Opinion

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 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and related notes 1 to 43; the Housing Revenue Account Income and Expenditure Statement and related notes 2 to 15; the Collection Fund and related notes 17 to 21; the Group Movement in Reserves Statement, Group Comprehensive Income and Expenditure Account, Group Balance Sheet, Group Cash Flow Statement and related notes 1 to 9; and the Accounting Policies 1 to 32. 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 2013/14.

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 Corporate Director - Resources and auditor

As explained more fully in the Statement of Responsibilities, the Corporate Director – Resources 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 2013/14, 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 Corporate Director – Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Statement of Auditors Opinion

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 2014 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2014 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 2013/14.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 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 (updated as at December 2012);
- 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.

Statement of Auditors Opinion

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 October 2013, as to whether the Authority has proper arrangements for:

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

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 2014.

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 October 2013, 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 2014.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of the matters brought to our attention by local authority electors and until we have completed the work required to issue our assurance statement in respect of the authority's Whole of Government Accounts return.

We are satisfied that the electors' matters and the work on the Whole of Government Accounts do not have a material effect on the financial statements or on our value for money conclusion.

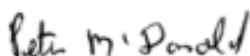
Mick West
for and on behalf of Ernst & Young LLP, Appointed Auditor
Luton
30 September 2014

Statement of Responsibilities

THE COUNCIL'S RESPONSIBILITIES

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.



Chair of the Audit Committee

Date: 30th September 2014

THE RESPONSIBILITIES OF THE CHIEF FINANCE OFFICER

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:

- d) selected suitable accounting policies and then applied them consistently;
- e) made judgements and estimates that were reasonable and prudent;
- f) 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 31st March 2014.



Corporate Director – Resources

Date: 30th September 2014

Accounting Policies

1. GENERAL PRINCIPLES

The Statement of Accounts summarises the council's transactions for the 2013/14 financial year and its position at the year-end of 31st March 2014. 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 2013/14 and the Service Reporting Code of Practice (SeRCOP) 2013/14 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.

Milton Keynes Council does not have transactions which will be subsequently reclassified to the surplus/deficit on the Provision of Services and so the Comprehensive Income and Expenditure statement is not grouped in to those transactions which can be reclassified and those that cannot.

2. ACCRUALS OF INCOME AND EXPENDITURE

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

Accounting Policies

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;

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

3. ACQUIRED AND DISCONTINUED OPERATIONS

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.

The authority has acquired Public Health from 1st April 2013. Further details of this acquisition can be found in note 10 to the financial statements.

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

4. BACK PAY ARISING FROM UNEQUAL PAY CLAIMS

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 41 to the Financial Statements.

5. CAPITAL RECEIPTS

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. For Right to Buy dwellings the accounts are prepared in line with the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended)

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

Accounting Policies

maximum 30% of the expenditure incurred on new affordable housing can be funded using these receipts.

6. CASH AND CASH EQUIVALENTS

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 Balance Sheet and 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

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 2013/14.

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 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.

Accounting Policies

8. DONATED ASSETS

Donated assets transferred for nil consideration are recognised immediately at fair value as an asset on the Balance Sheet. If any of the conditions of the transfer have not been met then the asset is credited to a Donated Assets Account. If all of the conditions have been met the credit is on the Capital Adjustment Account.

9. EMPLOYEE BENEFITS

Benefits Payable during Employment

Short term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. car) for current employees and are recognised as an expense for services in the year in which employees render service to the council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees are permitted to carry forward into the next financial year. The accrual is made at the wage and salary rate applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in reserves Statement so that the holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Untaken leave is accrued on the basis of actual leave untaken at 31st March 2014 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 31st 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 at the earlier of:

- a) when the authority can no longer withdraw the offer of those benefit, and
- b) when the authority recognises costs of restructuring and involves the payment of termination benefits.

Post Employment Benefits

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

Accounting Policies

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

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. The Children and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to teachers' pensions in the year.

Local Government Pension Scheme

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 4.5% (0.9% 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 the following 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 services for which the employees worked;
- Past Service Cost – the increase or decrease in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- Any gain or loss on settlement – arising when an authority enters into a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan.
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and

Accounting Policies

Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- The return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- 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 – charged to the Pensions Reserve as other Comprehensive Income and Expenditure.

Administrative expenses are now accounted for within the Comprehensive Income and Expenditure Statement; previously the actuary made a deduction to the actual and expected return on assets.

Contributions paid to the Buckinghamshire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

The accounting treatment for pension's benefits is in accordance with International Financing 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 as the Balance Sheet date, even if the actual benefits are paid out over many years into the future.

In relation to retirement benefits, statutory provisions require the General Fund and Housing Revenue Account 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. In the Movement in Reserves Statement, this means that there are transfers 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. The negative balance that arises on the Pension Reserve measures the beneficial impact to the General Fund and Housing Revenue Account of being required to account for retirement benefits, on the basis of cash flows rather than as benefits are earned by employees.

Full disclosures in respect of the Local Government Pension Scheme can be found in note 42 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

Accounting Policies

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

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;
- 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 5 to the Financial Statements.

11. EXCEPTIONAL ITEMS AND PRIOR PERIOD ADJUSTMENTS

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

Financial Liabilities:

Financial liabilities are recognised on the Balance Sheet when the authority becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for

Accounting Policies

interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund and Housing Revenue Account 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 and Housing Revenue Account 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 advance this financial year from the Homes and Community Agency (which carries a nil interest rate) pursuant to the council taking on management of the Milton Keynes Tariff. The fair value of soft loans 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 Public Works Loan Board (PWLB) rate is considered appropriate. Subsequent accounting requires 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.

Accounting Policies

Minimum Revenue Provision

The council has charged 2013/14 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
- 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 - The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended).

Financial Assets:

Financial Assets are classified into three types:

Accounting Policies

- 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 recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in 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 2013/14 which has not been paid by the 31st March 2014 this amount has been accrued and can be seen as part of the borrowing repayment on demand or within excess of 12 months.

Available for sale asset:

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

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 31st 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 2013/14 foreign currency transactions of the council are not considered to be material.

Accounting Policies

14. GOVERNMENT GRANTS AND OTHER CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the council 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 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 and Housing Revenue Account 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

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

Accounting Policies

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.

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 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.

Accounting Policies

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.

Valuations are undertaken by an appropriately qualified external valuer and are reviewed every five years 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 every five years 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. HOUSING REVENUE ACCOUNT SELF-FINANCING

Following the introduction of the Housing Self-Financing regime, this council adopted a single pool approach to managing external borrowing. Interest costs are apportioned between the General Fund and Housing Revenue Account in proportion to debt held by each, based upon the respective mid-year Capital Financing Requirement, at a consolidated rate of interest. This approach is in effect a continuation of the Item 8 determination calculations.

17. INSURANCE

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)

Accounting Policies

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 31st March 2014. 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 and the amounts in excess of the figures detailed are covered externally and shown below.

Risk	Maximum Cover per Claim
Employers Liability	£50,000
Third Party	£50,000
Fire Damage	£50,000
Loss of School Contents	£50,000
Cash Loss	The first £100 is met by the service concerned
Loss of Computers	The first £100 is met by the service concerned.

18. INTANGIBLE ASSETS

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 CIPFA Code of Practice.

All intangible 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.

19. INTEREST IN COMPANIES

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 and also those of the Corporate Leadership Team. No material reportable interests were identified. Minority interests in companies are detailed in note 38 to the Financial Statements.

Significant contractual relationships are disclosed in note 38 to the Financial Statements.

Accounting Policies

Group Accounts have been prepared to reflect the council's ownership of two Limited Liability Partnerships which were incorporated during 2013/14, and can be found on page 159. Further details on the can be found in Note 39.

20. INVENTORIES, WORK IN PROGRESS AND LONG TERM CONTRACTS

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.

21. INVESTMENT PROPERTY

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.

22. LANDFILL ALLOWANCE SCHEMES

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 19 to the Financial Statements.

Accounting Policies

The Landfill Allowance Trading Scheme has ended in 2013/14.

23. LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all 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.

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.

Accounting Policies

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 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 or Housing Revenue Account 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 and Housing Revenue Account 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 and Housing Revenue Account 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

Accounting Policies

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.

24. NON-CURRENT ASSETS HELD FOR SALE

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 'surplus assets' under Property, Plant and Equipment.

25. NON DOMESTIC RATES

The Local Government Finance Act 2012 amended the 1988 Local Government Finance Act to give local authorities the power to retain a proportion of funds obtained from business rates in their area.

The changes under the 'Localisation of Business Rates' mean that from April 2013, local authorities retain a share of the income they collect from business rates as funding to meet the cost of service provision. Previous to this date, all business rates collected in England were paid to Central Government from the billing authorities, and a proportion was then paid back to each authority as Formula Grant.

The Department for Communities and Local Government guidance indicates that each billing authority should formally set a Business Rate Baseline each year. This baseline will be the authority's estimate of the business rates it forecasts to collect in the following financial year, net of any reductions such as reliefs and estimated cost of appeals.

Accounting Policies

As such, the business rates the council collected and retained need to be adjusted for the anticipated outcome of the on-going national backlog of Business Rate appeals cases, which are still currently being assessed by the Valuation Office and in some instances are up to five years old.

The provision was calculated using a combination of specific rating information and market intelligence from a commissioned industry expert and in-house local knowledge. The end to end process and assumptions used were then tested and approved by CIPFA.

The decision to account for the whole provision in 2013/14, rather than taper over five years was approved by the Corporate Director, Resources as this accounting treatment was judged to offer the best value for money for the council.

26. OVERHEADS

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 2013/14 (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 - costs relating to the authorities status as a multi-functional, democratic organisation
- 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.

Support Service	Apportionment basis
Communications	80% internal: Adjusted FTE 20% external: corporate democratic core
Policy and performance	20% CDC, 80% Adjusted headcount
General IT	Adjusted headcount
General HR	Adjusted headcount
Health & safety	Adjusted headcount
Public access	Adjusted headcount
Business Support (MKSP)	FTEs assigned to service areas
Facilities	Floor space
Partnership	PPP plus agreed/expected changes
General finance	Time allocation of finance staff
Property management	Time allocation of property staff
Internal audit	Budgeted income plus expenditure
Procurement	Budgeted non-payroll expenditure
Fleet	Use of vehicle
Legal	Time allocation

Accounting Policies

27. PROPERTY, PLANT AND EQUIPMENT

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 depreciated historic 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

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 and Housing Revenue Account 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 and Housing Revenue Account 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

- 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.

- e. 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;
- f. Council dwellings – for Right to Buy council dwellings depreciation is calculated on an actual life basis. No depreciation is charged on shared ownership dwellings.
- g. 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 Housing Revenue Account 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 Housing Revenue Account balance. The notional MRA is intended to reflect the cost of maintaining housing stock in its current condition.

The council can use the notional MRA as a proxy for depreciation on Housing Revenue Account dwellings where the actual depreciation based on asset lives does not materially differ from the notional MRA calculated for the financial year. Other operational Housing

Accounting Policies

Revenue Account 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 Housing Revenue Account 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 illustrated on the table below.

Average NBV of Asset Group	De-minimis Threshold
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:

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

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

Accounting Policies

28. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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. This scheme is currently in the last year of its introductory phase, which ends on 31st March 2014. 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.

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.

Accounting Policies

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.

29. RESERVES

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund and Housing Revenue Account Balance 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 Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund and Housing Revenue Account Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets (Revaluation Reserve and Capital Adjustment Account), financial instruments, retirement and employee benefits and do not represent usable resources for the council – these reserves are explained in the relevant policies and note 31 to the Financial Statements.

30. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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 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 and Housing Revenue Account 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.

31. VAT

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.

Accounting Policies

32. ACCOUNTING FOR SCHOOLS

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 or from 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.

2013/14	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	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2013	(9,757)	(36,843)	(9,848)	(4,568)	(5,799)	(4,614)	(30,596)	(5,984)	(108,009)	(230,765)	(338,774)
(Surplus) or Deficit on Provision of Services (Accounting Basis)	(9,535)	0	0	(58,808)	0	0	0	0	(68,343)	0	(68,343)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	0	0	(8,304)	(8,304)
Total Comprehensive Expenditure and Income	(9,535)	0	0	(58,808)	0	0	0	0	(68,343)	(8,304)	(76,647)
Adjustments between Accounting Basis & Funding Basis under Regulations (Note 6)	(8,593)	0	0	50,244		(5,935)	(21,103)	(4,731)	9,882	(7,920)	1,962
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(18,128)	0	0	(8,564)	0	(5,935)	(21,103)	(4,731)	(58,461)	(16,224)	(74,685)
Transfers (to) / from Earmarked Reserves (Note 7)	18,032	(17,731)	(302)	8,491	(8,490)	0	0	0	0	0	0
Transfers (to) / from Other Reserves	0	0	0	0	0	0	0	0	0	0	0
(Increase) / Decrease in Year	(96)	(17,731)	(302)	(73)	(8,490)	(5,935)	(21,103)	(4,731)	(58,461)	(16,224)	(74,685)
Balance at 31 March 2014	(9,853)	(54,574)	(10,150)	(4,641)	(14,289)	(10,549)	(51,699)	(10,715)	(166,470)	(246,989)	(413,459)

Movement in Reserves Statement

Restated 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	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2012	(8,796)	(26,412)	(10,755)	(5,511)	(4,568)	0	(32,493)	(4,881)	(93,416)	(217,706)	(311,122)
(Surplus) or Deficit on Provision of Services (Accounting Basis)	26,803	0	0	(6,318)	0	0	0	0	20,485	0	20,485
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	0	0	(50,095)	(50,095)
Total Comprehensive Expenditure and Income	26,803	0	0	(6,318)	0	0	0	0	20,485	(50,095)	(29,610)
Adjustments between Accounting Basis & Funding Basis under Regulations (Note 6)	(36,473)	0	0	6,030	0	(4,614)	1,897	(1,918)	(35,078)	37,036	1,958
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(9,670)	0	0	(288)	0	(4,614)	1,897	(1,918)	(14,593)	(13,059)	(27,652)
Transfers (to) / from Earmarked Reserves (Note 7)	9,524	(10,431)	907	1,231	(1,231)	0	0	0	0	0	0
Transfers (to) / from Other Reserves	(815)	0	0	0	0	0	0	815	0	0	0
(Increase) / Decrease in Year	(961)	(10,431)	907	943	(1,231)	(4,614)	1,897	(1,103)	(14,593)	(13,059)	(27,652)
Balance at 31 March 2013	(9,757)	(36,843)	(9,848)	(4,568)	(5,799)	(4,614)	(30,596)	(5,984)	(108,009)	(230,765)	(338,774)

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.

Restated 31 March 2013			31 March 2014				
Gross Exp £'000	Gross Income £'000	Net Exp £'000		Gross Exp £'000	Gross Income £'000	Net Exp £'000	Note
77,676	(20,652)	57,024	Adult Social Care	79,907	(21,256)	58,651	
28,242	(19,951)	8,291	Central Services to the Public	11,761	(2,965)	8,796	
255,513	(185,346)	70,167	Children & Education Services	243,000	(177,894)	65,106	
21,235	(1,564)	19,671	Culture & Related Services	13,308	(1,579)	11,729	
27,298	(4,247)	23,051	Environmental & Regulatory Services	27,865	(3,954)	23,911	
28,779	(14,375)	14,404	Highways and Transport Services	27,596	(15,234)	12,362	
117,487	(106,572)	10,915	Other Housing Services	116,511	(107,531)	8,980	
36,900	(54,001)	(17,101)	Housing Revenue Account	(10,932)	(55,642)	(66,574)	
7,247	(7,858)	(611)	Planning Services	6,713	(10,205)	(3,492)	
0	0	0	Public Health	7,457	(8,207)	(750)	10
6,150	0	6,150	Exceptional Item - Contract Renegotiation	0	0	0	8
606,527	(414,566)	191,961	Cost of Services	523,186	(404,467)	118,719	
			Other Operating Expenditure				
		5,242	Parish Precepts			5,488	
		445	Levies			443	
		587	Payment to the Government Housing Capital Receipt Pool			676	
		22,699	(Gain)/Loss on Disposal of Non-Current Assets			4,828	4
		28,973	Total Other Operating Expenditure			11,435	
			Financing and Investment Income and Expenditure				
		19,775	Interest Payable and Similar Charges			19,845	
		(2,075)	Interest Receivable and Similar Income			(1,116)	
		1,310	(Surplus)/Deficit on Trading Operations			955	9
		(57)	Income and Expenditure in relation to Investment Properties and Changes in their Fair Value			(57)	
		11,774	Net Interest on the net defined benefit liability (asset)			10,730	42
		30,727	Total Financing and Investment Income and Expenditure			30,357	
			Taxation and Non-Specific Grant Income				
		(100,426)	Council Tax Income			(83,671)	18
		(80,016)	Non-Domestic Rate Income			(42,004)	18
		(28,965)	Capital Grants & Contributions			(33,949)	18
		(21,769)	Non-Ringfenced Government Grants			(69,230)	18
		(231,176)	Total Taxation and Non-Specific Grant Income			(228,854)	
		20,485	(Surplus) or Deficit on Provision of Services			(68,343)	
		(3,346)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment			(4,617)	
		(46,749)	Remeasurements of the net benefit liability (asset)			(3,687)	42
		(50,095)	Other Comprehensive Income and Expenditure			(8,304)	
		(29,610)	Total Comprehensive Income and Expenditure			(76,647)	

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'.

Restated 31 March 2013 £'000		Note	31 March 2014 £'000
941,539	Property, Plant & Equipment	20	984,895
610	Heritage Assets	21	744
20,283	Investment Property	22	20,249
931	Intangible Assets	24	650
0	Long Term Investments	35	0
47,592	Long Term Debtors	26	45,501
1,010,955	Long Term Assets		1,052,039
60,334	Short Term Investments	35	35,083
1,563	Assets Held for Sale	25	1,515
267	Inventories and Work in Progress	27	410
47,637	Short Term Debtors	26	41,883
2,243	Cash and Cash Equivalents	32	81,549
112,044	Current Assets		160,440
(26,775)	Short Term Borrowing	29	(27,087)
(53,155)	Short Term Creditors	28	(55,326)
(649)	Short Term Provisions	30	(10,026)
(3,415)	Short Term Capital Grants & Contributions Receipts in Advance	18	(2,394)
(10,182)	Short Term Revenue & Contributions Receipts in Advance	18	(10,580)
(94,176)	Current Liabilities		(105,413)
(1,246)	Long Term Provisions	30	(3,156)
(425,371)	Long Term Borrowing	29	(406,913)
(1,137)	Other Long Term Liabilities	36	(485)
(235,742)	Liability Related to Defined Benefit Pension Scheme	42	(251,129)
(817)	Long Term Capital Grants & Contributions Receipts in Advance	18	(564)
(25,736)	Long Term Revenue Grants & Contributions Receipts in Advance	18	(31,360)
(690,049)	Long Term Liabilities		(693,607)
338,774	Net Assets		413,459
(108,009)	Usable Reserves	31	(166,470)
(230,765)	Unusable Reserves	31	(246,989)
(338,774)	Total Reserves		(413,459)

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.

Restated 2012/13 £'000		2013/14 £'000
(20,485)	Net surplus or (deficit) on the provision of services	68,343
44,253	Adjustments to net surplus or deficit on the provision of services for non cash movements	(10,269)
(957)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(4,519)
22,811	Net Cash flow from Operating Activities (Note 33)	53,555
	<u>Investing Activities</u>	
(93,856)	Purchase of Property, Plant & Equipment, Investing Properties and Intangible Fixed Assets	(38,154)
(284,665)	Purchase of short-term and long-term investments	(35,000)
(587)	Other payments for investing activities	(676)
3,733	Proceeds of Property, Plant & Equipment, Investing Properties and Intangible Fixed Assets	7,739
324,312	Proceeds of short-term and long-term investments	60,000
47,578	Other receipts from investing activities	43,048
(3,485)	Net cash flows from investing activities	36,957
	<u>Financing Activities</u>	
4,807	Cash receipts of short and long-term borrowing	1,542
(1,646)	Other receipts from financing activities	4,624
0	Cash payments for the reduction of the outstanding liability relating to finance leases and on Balance Sheet PFI Contracts	0
(10,000)	Repayment of short and long-term borrowing	(18,000)
(2,263)	Other payments for financing activities	628
(9,102)	Net cash flows from financing activities	(11,206)
10,224	Net increase or (decrease) in cash and cash equivalents	79,306
(7,981)	Cash and cash equivalents at the beginning of the reporting period	2,243
2,243	Cash and cash equivalents at the end of the reporting period (Note 32)	81,549

Notes to the Accounts

1. 2012/13 COMPARATOR RESTATEMENTS

On 1st January 2013, a revised International Accounting Standards (IAS) 19 (IAS19) – Pension benefits applied to Milton Keynes Council. The main changes are:

- Removal of the expected return on assets, to be replaced by a net interest costs 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 Comprehensive Income & Expenditure Statement e.g. “Service Cost” now includes what was previously described as the “Current Service Cost” plus the “Past Service Cost” plus any “Curtailments” plus any “Settlements”.

Administrative expenses are now accounted for within the Comprehensive Income & Expenditure Statement; previously the actuary made a deduction to the actual and expected return on assets.

The table below presents a reconciliation of the 2012/13 published Comprehensive Income and Expenditure Statement to the restated comparator Comprehensive Income and Expenditure Statement used in the 2013/14 accounts.

	Published 31 March 2013 Net Exp £'000	Revised Pension Benefits IAS19 £'000	Restated 31 March 2013 Net Exp £'000
Adult Social Care	57,378	(354)	57,024
Central Services to the Public	6,082	2,209	8,291
Children & Education Services	71,265	(1,098)	70,167
Culture & Related Services	19,779	(108)	19,671
Environmental & Regulatory Services	23,152	(101)	23,051
Highways and Transport Services	14,463	(59)	14,404
Other Housing Services	10,987	(72)	10,915
Housing Revenue Account	(17,035)	(66)	(17,101)
Planning Services	(528)	(83)	(611)
Public Health	0		0
Exceptional Item - Contract Renegotiation	6,150	0	6,150
Cost of Services	191,693	268	191,961
Total Other Operating Expenditure	28,974	0	28,973
Total Financing and Investment Income and Expenditure	26,376	4,351	30,727
Total Taxation and Non-Specific Grant Income	(231,176)	0	(231,176)
(Surplus) or Deficit on Provision of Services	15,867	4,619	20,485
Other Comprehensive Income and Expenditure	(45,477)	(4,619)	(50,095)
Total Comprehensive Income and Expenditure	(29,610)	0	(29,610)

Notes to the Accounts

The table below represents a reconciliation of the 2012/13 published Movement in Reserves Statement to the restated comparator Comprehensive Movement in Reserves Statement used in the 2013/14 accounts.

	Published 31 March 2013 Net Exp £'000	Revised Pension Benefits IAS19 £'000	Restated 31 March 2013 Net Exp £'000
Balance at 31 March 2012	(311,122)	0	(311,122)
Surplus or (Deficit) on Provision of Services (Accounting Basis)	15,866	4,619	20,485
Other Comprehensive Expenditure and Income	(45,476)	(4,619)	(50,095)
Total Comprehensive Expenditure and Income	(29,610)	0	(29,610)
Adjustments between Accounting Basis & Funding Basis under Regulations (Note 6)	1,958	0	1,958
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(27,652)	0	(27,652)
Transfers (to) / from Earmarked Reserves (Note 7)	0	0	0
Transfers (to) / from Other Reserves	0	0	0
(Increase) / Decrease in Year	(27,652)	0	(27,652)
Balance at 31 March 2013	(338,774)	0	(338,774)

The following notes to the Financial Statement have been restated for the adjustment in pension benefits:

1. Adjustments between Accounting Basis and Funding Basis under regulation – Note 6 to the Financial Statements
2. Cash Flow Statement and Net Cash Flow from Operating Activities – Note 33
3. Trading Operations – Note 9 to the Financial Statements
4. Amounts Reported for Resource Allocation Decisions – Note 34 to the Financial Statements
5. Retirement benefits – Note 42 to the Financial Statements
6. Housing Revenue Account – Supplementary Financial Statements
7. Group Accounts

The published 2012/13 balance sheet has been restated to reflect the Local Government Reorganisation (LGR) debt as a payment in advance in Short Term Debtors on the Balance Sheet. This debt has been written down to revenue each year and will continue to be written down in this way for the next 8 years. The amount that will be written off to revenue within the next 12 months should be treated as a current debtor £1.959m and remaining balance has been adjusted on the Balance Sheet to show within Long Term Debtors £15,675m.

The bank overdraft figure disclosed in the 2012/13 balance sheet has been moved to the cash and cash equivalents line within the balance sheet in line with the Accounting Policy note 6.

Notes to the Accounts

The table below represents a reconciliation of the 2012/13 published Balance Sheet to the restated comparator Balance Sheet used in the 2013/14 accounts.

	Published 31 March 2013 Net Exp £'000	LGR Debt Repayment in Advance £'000	Bank Overdraft £'000	Restated 31 March 2013 Net Exp £'000
Long Term Assets	995,279	15,676	0	1,010,955
Current Assets	140,567	(15,676)	(12,847)	112,044
Current Liabilities	(107,023)	0	12,847	(94,176)
Long Term Liabilities	(690,049)	0	0	(690,049)
Net Assets	338,774	0	0	338,774
Net Worth	(338,774)	0	0	(338,774)
Balance at 31 March 2013	0	0	0	0

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

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 of Practice.

1. IFRS 10 – Consolidated Financial Statements was revised in May 2011 with changes applicable from 1st January 2014. The standard establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
2. IFRS 11 – Joint Arrangements (May 2011). The standard outlines the accounting by entities that jointly control an arrangement. Joint control involves the contractually agreed sharing of control and arrangements subject to joint control are classified as either a joint venture (representing a share of net assets and equity accounted) or a joint operation (representing rights to assets and obligations for liabilities, accounted for accordingly). The council has a joint arrangement with the Clinical Commissioning Group (CCG) for the Pooled Budgets.
3. IFRS 12 – Disclosures of Interests in Other Entities (revised May 2011). The standard requires disclosure of information that enables users of financial statements to evaluate:
 - the nature of, and risks associated with, its interests in other entities
 - the effects of those interests on its financial position, financial performance and cash flows.
4. IAS 27 – Separate Financial Statements (as amended in May 2011). IAS 27 has the objective of setting standards to be applied in accounting for investments in subsidiaries, jointly ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

Notes to the Accounts

5. IAS 32 – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (as amended in December 2011). The standard applies to those contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, except for contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item.
6. IAS 1 – Presentation of Financial Statements (amended May 2011). Changed to reflect the Annual Improvements to IFRS 2009–2012 cycle issued in May 2012 and also to include local authority statutory reporting requirements in the complete list of financial statements.

All changes set out above are effective for accounting periods beginning on or after 1st January 2014 and therefore do not affect the disclosures for 2013/14.

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

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

Notes to the Accounts

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:

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 41 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 42 to the Financial Statements.

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.

The Landfill Allowance Trading Scheme ended in 2012/13. The adjustments in 2013/14 only reflect final tonnages for 2012/13, and the allowances written off to revenue.

Full details of the scheme can be found in note 19 to the Financial Statements.

Notes to the Accounts

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 31st March 2014.

In respect of school staff, who does not receive an annual leave or flexi-time allowance, the calculation of benefits due in 2013/14 is based on the number of days in each term.

The Accumulated Absences Account can be found in note 31 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 30 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 20 to the Financial Statements.

Notes to the Accounts

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 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 36 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 35 to the Financial Statements.

4. MATERIAL ITEMS OF INCOME AND EXPENSE

The following significant gains and losses are reflected within the 2013/14 accounts:

	Total (Gain)/Loss £'000	Note
Disposals of Items of Property, Plant & Equipment:		
Education Centres that have converted to The Bridge Academy in year	1,558	
Council Dwellings sales to tenants	(2,547)	
Sale of Assets transferred to Newport Pagnell Town Councils under the Capital Assets Transfer (CAT) Programme	4,502	i
Sale of Assets transferred to Other Town Councils under the Capital Assets Transfer (CAT) Programme	1,342	
Other Minor Disposals	(27)	
Total (Gain)/Loss on Disposal of Non-Current Assets	<u>4,828</u>	

Notes:

- i. Sale of Middleton Pool £3,074,000 and Willen Roads Sports Ground £1,429,000.

At the 31st March 2014 the Digital TV's Provision was used to fund the write-offs of unrecoverable TV charge bad debts of (£63,000). The remaining provision balance of (£37,000) was released back to revenue as a surplus. In 2013/14 a new provision is not required for the outstanding TV debt which is now on track for future year's recovery.

Of the £19,845,000 Interest Payable and Similar charges figure disclosed within the Comprehensive Income & Expenditure Statement, £19,084,000 is interest payable to the Public Works Loan Board (PWLB) for borrowing disclosed within Milton Keynes Council Balance Sheet. The remainder interest is largely payable on Market Bonds.

Notes to the Accounts

5. MATERIAL EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Corporate Director Resources on 30th September 2014. 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 31st March 2014, 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 31st March 2014 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:

Transfer of Assets to Parish Council's

On 11th April 2014 the Great Linford Sports Ground was transferred to the Great Linford Parish Council as part of the Community Assets Transfer (CAT) programme at a value of £1.

The carrying value of the Great Linford Sports Ground reported as part of the council's Balance Sheet at 31st March 2014 was £1.160m and will be written out of the Balance Sheet during 2014/15.

Middleton Primary School

On 1st April 2014, the Middleton Primary School closed and became an Academy. The building is being derecognised under the finance lease arrangement. The land is subject to an operating lease arrangement and is being revalued.

The building value being de-recognised is £5.300m and there will be a land value revaluation loss of £1.200m reported in 2014/15.

The above disclosure is based on current accounting treatment for schools. This treatment could potentially change once the new guidance on Accounting for Schools is issued in future years.

Transfer of Assets to Foundation School Status

Wyvern First School and Bushfield Middle School have transferred to Foundation School status on the 1st June 2014.

The combined value of assets reported as part of the council's Balance Sheet at 31st March 2014 was £5.638m and these will be written out of the Balance Sheet during 2014/15.

Notes to the Accounts

Home Buying for Council Dwellings

Milton Keynes Council are undertaking a project to purchase 35 to 40 properties, in areas where the council is already a landlord, as additional council housing for rent to reduce the number of homeless households in Bed & Breakfast.

Some properties have already been acquired and some with imminent completion dates with an estimated acquisition value of £3.631m. The assets will be added to Milton Keynes Council's Balance Sheet in 2014/15.

Long-Term Borrowing

The Council's medium-term financial strategy incorporates plans to fund two major capital investment schemes through prudential borrowing:

- To develop a new Residual Waste Treatment Facility (2016/17)
- An investment programme for Highways Infrastructure (phased over next five years)

The timing of external borrowing is a treasury management decision dependent on cash-flow analysis and market conditions, and loans are not directly associated with any particular items of expenditure (in line with legislation). In July 2014, the Council undertook additional long-term borrowing of £95m from the Public Works Loan Board (PWLB) to protect against the major risk of interest rate rises on such a significant impending borrowing requirement. The additional cash resources will be invested in line with the Council's approved Treasury Management Strategy until required to meet expenditure demands.

Notes to the Accounts

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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 Housing Revenue Account 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 controls an element of the capital resources limited to being used on capital expenditure on Housing Revenue Account assets or the financing of historical capital expenditure by the Housing Revenue Account. The balance shows the capital resources that have yet to be applied at the year-end.

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:

Notes to the Accounts

2012/13 £'000		2013/14 £'000
(4,881)	Balance at 1 April	(5,984)
(4,534)	Capital Receipts in year from Sale of Assets	(6,026)
0	Capital Receipts in year from Repayments of Advances	0
815	Other Capital Receipts in year	(1,705)
(8,600)		(13,715)
	<u>Less:</u>	
2,044	Capital Receipts applied to finance capital expenditure	3,198
0	Capital Receipts transferred to CAA re: HRA Debt	1,474
(15)	Deferred Capital Receipts in year from Sale of Assets	(2,348)
587	Statutory Pooling	676
2,616		3,000
(5,984)	Balance at 31 March	(10,715)

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
Balance at 1 April 2013	(29,399)	(1,197)	(30,596)
Capital Grants and Contributions credited to the Comprehensive Income & Expenditure Statement			
Government Grants	(29,073)	0	(29,073)
Third Party Contributions	(4,852)	(24)	(4,876)
Applied Capital Grants and Contributions			
Government Grants	8,147	19	8,166
Third Party Contributions	4,656	24	4,680
Balance at 31 March 2014	(50,521)	(1,178)	(51,699)

Notes to the Accounts

2013/14	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
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement						
Charges for depreciation and impairment of non-current assets	(21,391)	13,791	0	0	0	7,600
Revaluation Losses on Property, Plant and Equipment	1,476	19,620	0	0	0	(21,096)
Movements in the market value of Investment Properties	19	0	0	0	0	(19)
Amortisation of intangible fixed assets	(331)	(1)	0	0	0	332
Capital grants and contributions applied	0	0	0	0	12,846	(12,846)
Revenue Expenditure Funded from Capital Under Statute	(2,188)	(160)	0	0	0	2,348
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	(7,654)	(3,200)	0	0	0	10,854
Use of the Major Repairs Reserve to finance new capital expenditure	0	8,365	0	0	0	(8,365)
HRA Self Financing	0	0	1,474	0	0	(1,474)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	9,942	96	0	0	0	(10,038)
Capital expenditure charged against the General Fund and HRA balance	1,114	420	0	0	0	(1,534)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	33,949	0	0	0	(33,949)	0
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	321	5,705	(6,026)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	3,198	0	0	(3,198)
Additional Capital Receipts received in year relating to prior year non-current asset disposals	1,705	0	(1,705)	0	0	0
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	(676)	0	676	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(2,348)	0	0	2,348

Notes to the Accounts

2013/14	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
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Notional Major Repairs Allowance credited to the HRA	0	5,935	0	(5,935)	0	0
Adjustments primarily involving the Financial Instruments Adjustment Account:						
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	151	12	0	0	0	(163)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 42)	(33,559)	(590)	0	0	0	34,149
Employers pensions contributions and direct payments to pensioners payable in year	14,816	260	0	0	0	(15,076)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rate income calculated for the year in accordance with statutory requirements	(8,148)	0	0	0	0	8,148
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	(101)	(9)	0	0	0	110
Adjustments in respect of Local Government Reorganisation:						
Voluntary additional payment of LGR Debt	1,962	0	0	0	0	0
Total Adjustments	(8,593)	50,244	(4,731)	(5,935)	(21,103)	(7,920)

Notes to the Accounts

2012/13 Restated

Adjustments primarily involving the Capital Adjustment Account:

Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement

	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
Charges for depreciation and impairment of non-current assets	(36,467)	(14,324)	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)

Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:

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)

Adjustments primarily involving the Capital Grants Unapplied Account:

Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	28,965	0	0	0	(28,965)	0
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Adjustments primarily involving the Capital Receipts Reserve:

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

Notes to the Accounts

2012/13 Restated

Adjustments primarily involving the Major Repairs Reserve:

Reversal of Notional Major Repairs Allowance credited to the HRA

	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
Reversal of Notional Major Repairs Allowance credited to the HRA	0	4,614	0	(4,614)	0	0
Adjustments primarily involving the Financial Instruments Adjustment Account:						
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)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 41)	(31,772)	(1,040)	0	0	0	32,812
Employers pensions contributions and direct payments to pensioners payable in year	13,802	452	0	0	0	(14,254)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rate income calculated for the year in accordance with statutory requirements	(302)	0	0	0	0	302
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	7	1	0	0	0	(9)
Adjustments in respect of Local Government Reorganisation:						
Voluntary additional payment of LGR Debt	1,958	0	0	0	0	0
Total Adjustments	(36,474)	6,030	(1,918)	(4,614)	1,897	37,036

Notes to the Accounts

7. TRANSFERS TO/ FROM EARMARKED RESERVES

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 2013/14.

Notes to the Accounts

	Balance at 31 March 2012 £'000	Transfers Out 2012/13 £'000	Transfers In 2012/13 £'000	Balance at 31 March 2013 £'000	Transfers Out 2013/14 £'000	Transfers In 2013/14 £'000	Balance at 31 March 2014 £'000
General Fund							
Adult Social Care Demand Led Reserve	(400)	200	(834)	(1,034)	350	(200)	(884)
Allowance for Non- Payment of Debt Reserve	(226)	15	(126)	(337)	190	0	(147)
Benefit Subsidy Reserve	(458)	0	(517)	(975)	671	(473)	(777)
Budget Rollovers reserve	(2,169)	768	(1,938)	(3,339)	1,491	(1,945)	(3,793)
Building Asset Renewal Reserve	(1,271)	600	0	(671)	0	0	(671)
Capital Reserve	(139)	675	(799)	(263)	1,113	(1,339)	(489)
Car Parking Surplus Reserve	(790)	122	(236)	(904)	187	(409)	(1,126)
Casino Forward Funding Reserve	0	0	(1,500)	(1,500)	500	0	(1,000)
Children's Demand Reserve	(645)	0	(600)	(1,245)	0	(100)	(1,345)
Corporate Property Reserve	(500)	0	0	(500)	0	0	(500)
Debt Financing Reserve	(548)	0	0	(548)	0	0	(548)
Economic Development Reserve	(400)	0	0	(400)	0	0	(400)
Education Service Grant Reserve	0	0	0	0	0	(389)	(389)
Gambling Support Reserve	0	1	(250)	(249)	52	(175)	(372)
Housing Demand Led Reserve	(100)	400	(630)	(330)	0	(400)	(730)
Insurance Reserve	(1,676)	526	(200)	(1,350)	505	(400)	(1,245)
Local Council Tax Support & Welfare Reform Reserve	0	0	0	0	0	(913)	(913)
Lease Rental Equalisation Reserve	(49)	0	(40)	(89)	0	0	(89)
Legal Fees Reserve	(700)	131	(200)	(769)	178	(100)	(691)
Local Government Reorganisation Debt Reserve	0	0	0	0	0	(650)	(650)
LLP Cashflow and Risk Reserve	0	0	(650)	(650)	0	0	(650)
Money Market Reserve	0	0	(600)	(600)	0	0	(600)
New Homes Bonus Reserve	(2,873)	3,560	(4,067)	(3,380)	2,758	(8,582)	(9,204)
NHS Support Reserve	0	0	(1,011)	(1,011)	639	(158)	(530)
NDR Funding Volatility Reserve	(748)	308	(529)	(969)	15	(5,066)	(6,020)
One-Off Expenditure Reserve	(1,924)	3,903	(4,741)	(2,762)	3,809	(9,807)	(8,760)
Other Earmarked Reserves	(3,965)	2,035	(2,446)	(4,376)	2,932	(740)	(2,184)
Pay and Reward Reserve	0	0	(1,350)	(1,350)	0	0	(1,350)
Planning Gains Reserve	(2,122)	1,630	(901)	(1,393)	236	(19)	(1,176)
Public Health Reserve	(100)	0	(68)	(168)	28	(752)	(892)
Radcliffe Reserve	(512)	0	0	(512)	0	0	(512)
Repairs & Renewals Reserve	(347)	13	0	(334)	21	0	(313)
Revenue Financing Reserve	(502)	322	(55)	(235)	66	(125)	(294)
SALIX Reserve	(500)	250	0	(250)	0	0	(250)
Saxon Court Dilapidation Reserve	(700)	0	(200)	(900)	0	0	(900)
Schools Balances	(10,755)	907	0	(9,848)	3,748	(4,050)	(10,150)
Tariff & HCA Risk Reserve	(530)	0	(580)	(1,110)	0	(921)	(2,031)
Value for Money Reserve	(1,520)	127	0	(1,393)	222	0	(1,171)
Waste Project Risk Reserve	0	0	(948)	(948)	199	(229)	(978)
Total General Fund Earmarked Reserves	(37,169)	16,493	(26,016)	(46,692)	19,910	(37,942)	(64,724)
Allow for Non-Payment of Debt Reserve	(561)	0	0	(561)	0	0	(561)
Capital Reserve - HRA	(3,497)	6,967	(7,353)	(3,883)	420	(7,219)	(10,682)
Other Earmarked Reserves	(510)	9	(854)	(1,355)	467	(2,158)	(3,046)
Total HRA Earmarked Reserves	(4,568)	6,976	(8,207)	(5,799)	887	(9,377)	(14,289)
Total Earmarked Reserves	(41,737)	23,469	(34,223)	(52,491)	20,797	(47,319)	(79,013)

Notes to the Accounts

The nature and purpose of these reserves is as follows:

Adult Social Care Demand Led Reserve

The Adult Social reserve was created to fund future demand led pressures across Adult Social Care.

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 Local Authority error overpayments 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.

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.

Notes to the Accounts

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.

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.

Education Service Grant Reserve

This reserve is to provide against in year grant reductions. The Education Services Grant is allocated to Local Authorities and Academies on a simple per pupil basis according to the number of pupils for whom they are responsible, in order to deliver education services. It is however a non-ring fenced grant and is used to support the overall budget position of the council.

Gambling Support Reserve

This reserve was set up to reflect gambling support services contribution from the new casino. This will fund the service once commissioned and is ring-fenced for this purpose.

Housing Demand Led Reserve

This reserve was established to mitigate the risks of future increased Bed & Breakfast placement costs.

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

Notes to the Accounts

31st 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 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 31st March each year.

Details of the internal insurance arrangements are provided in the Accounting Policy note 17.

Local Council Tax Support and Welfare Reform Reserve

The Local Council Tax Support and Welfare Reform reserve is a dedicated reserve to respond to potential financial demands arising from the Central Government Welfare Reform Agenda and to meet additional demand pressures for the Local Council tax Reduction Hardship fund.

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, which result in potential costs. This reserve covers costs incurred.

Local Government Reorganisation Debt Reserve

This reserve has been created to enable the council to change the financing of the payment of the Local Government Reorganisation debt. Once the reserve reaches a sufficient level, it will be used to finance the final years of the debt payment, while the ongoing budget is reduced.

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 Reserve

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.

Notes to the Accounts

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. The majority of this reserve and forecast future receipts have been committed to fund the first five years of debt costs for the asset belonging to Milton Keynes Development Partnership or have been earmarked to deliver the medium term capital programme.

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.

NDR 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 Earmarked Reserves – General Fund

These reserves comprise the Accommodation Reserve (£150,000); Events Reserve (£277,000); Flood Defence Reserve (£145,000); Adult transformation Reserve (£113,000); Ordinary Residency Reserve (£145,000) and the Overpayment & Welfare Reserve (£234,000).

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, Ouse Valley Link Reserve, CEC Property Maintenance, Jackson Inspection Reserve, Compulsory Purchase Order Waterside Peartree Reserve, Land Categorisation and Parking Facilities 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.

Notes to the Accounts

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 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. This reserve holds Section 106 contributions which have been recovered but not yet spent.

Public Health Reserve

Public Health Transition reserve for potential costs arising from the transfer and set up of Public Health Functions in the council. This reserve will also cover unexpected expenses arising out of unforeseen events, such as flu epidemic or a case/outbreak of other infectious diseases.

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 2013/14. The reserve will be assessed on a regular basis as property values move and any overage under the deal can be better evaluated.

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.

Notes to the Accounts

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.

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 2013		Surplus	31 March 2014	Deficit	Net
Net		£'000	£'000	£'000	£'000
£'000					
(211)	Nursery	(218)	0		(218)
(7,506)	Primary	(7,879)	0		(7,879)
109	Secondary	0	100		100
(910)	Special	(911)	0		(911)
<u>(8,518)</u>		<u>(9,008)</u>	<u>100</u>		<u>(8,908)</u>
(1,330)	Foundation	(1,522)	280		(1,242)
<u><u>(9,848)</u></u>	Total Schools Balance	<u><u>(10,530)</u></u>	<u><u>380</u></u>		<u><u>(10,150)</u></u>

Tariff & HCA Risk 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.

Notes to the Accounts

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 2013/14. These will be carried forward to fund capital expenditure in 2014/15 and future years. The balance can be analysed as follows;

	General Fund	Housing Revenue Account	Total
	£'000	£'000	£'000
Balance at 1 April 2013	(263)	(3,883)	(4,146)
Revenue Contributions	(226)	(6,799)	(7,025)
Balance at 31 March 2014	(489)	(10,682)	(11,171)

Other Earmarked Reserves – Housing Revenue Account

The Housing Revenue Account other reserves comprises mainly of the following;

- Block Improvements reserve. This reserve was set up due to a significant underspend in 2011/12 against the funding put aside for block improvements. This reserve was created in case the works that have been planned in the future may exceed the budget.
- The Debt Financing reserve was set up to phase the costs of any significant increases in debt financing costs.
- Impairment reserve was created to allow the potential costs of impairment to fixed assets to be phased over a number of years, to prevent a major rent increase.
- Major Project Costs reserve is to provide for major variations in the costs of capital schemes, as additional borrowing cannot be undertaken.

8. EXCEPTIONAL ITEMS

In 2013/14, there were no exceptional items that required specific disclosure within Milton Keynes Council's Comprehensive Income and Expenditure Statement in order to provide a fair view of the accounts.

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

Notes to the Accounts

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 1st January 2013. Full details of the Milton Keynes Service Partnership can be found in the Groups Accounts section on page 159.

In December 2012, Milton Keynes Council paid Mouchel Business Services the sum of £6.150m as settlement for the significant variation to the 12 year contract.

9. 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.

Restated 2012/13 (Surplus) / Deficit £'000		2013/14 Expenditure £'000	2013/14 Turnover £'000	2013/14 (Surplus)/ Deficit £'000
480	Commercial Properties	801	(888)	(87)
122	Buildings	962	(795)	167
(324)	Transport Fleet and Vehicle Maintenance	202	(197)	5
(7)	Emberton Park	206	(246)	(40)
(19)	Hospitality Services	63	(75)	(12)
(29)	Broadband	358	(388)	(30)
622	Woughton Leisure Centre	1,236	(506)	730
191	Woughton on the Green Sports Ground	335	(274)	61
113	Windmill Hill Golf Centre	638	(382)	256
(49)	Sponsorship	107	(252)	(145)
210	Connect MK	97	(47)	50
1,310	Net (Surplus)/Deficit on Trading Accounts	5,005	(4,050)	955

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

Public Realm 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

Public Realm continued to manage the operation of Emberton Park throughout 2013/14.

Notes to the Accounts

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.

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 28th 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 residents and businesses within the borough of Milton Keynes.

10. ACQUIRED AND DISCONTINUED OPERATIONS

On 1st April 2014 upper tier and unitary authorities took on the Public Health responsibilities. Local authorities have a role across the three domains of public health, health improvement, health protection and health services. In addition to improving the health of the people in its area, local authorities also have new functions for taking steps to protect the health of the population, and to ensure an informed NHS Commissioning Service.

The new sets of responsibilities are funded through a ring fenced grant. Milton Keynes Council's allocation for 2013/14 is £7.989m

There were no operations discontinued in 2013/14.

Notes to the Accounts

11. AGENCY SERVICES

The council acts as an agent for the Clinical Commissioning Group (CCG) (previously 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 £1,649,000 (2012/13 £1,562,000) was fully recovered during the year.

The council acts as an agent for the Clinical Commissioning Group (CCG) (previously Milton Keynes Primary Care NHS Trust) in relation to the provision of the Child and Adolescent Mental Health Services. The cost of the service is £95,039 and will be fully recovered. Therefore the net cost to the council is £nil.

The council no longer acts as an agent for the Homes and Communities Agency as Street Lighting for car parks has now transferred to Milton Keynes Development Partnership and therefore no agency relationship exists.

12. MEMBERS ALLOWANCES

The authority paid the following amounts to members of the council during 2013/14:

2012/13 £'000		2013/14 £'000
504	Basic Allowances	502
201	Other Allowances	217
7	Expenses	5
<u>712</u>	TOTAL	<u>724</u>

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

13. 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:

2012/13 £'000		2013/14 £'000
254	Fees payable with regard to external audit services carried out by the appointed Auditor	233
0	Fees payable in respect of statutory inspection	0
55	Fees payable for the certification of grant claims and returns	46
0	Fees payable in respect of other services provided during the year	0
<u>309</u>		<u>279</u>

The above figures do not include the payment received from the Audit Commission as Regulators (£36,000) in 2013/14.

Notes to the Accounts

14. ROAD CHARGING SCHEMES UNDER THE TRANSPORT ACT 2000

The council was designated a Permitted and Special Parking Area from 25th 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.

2012/13 £'000		2013/14 £'000
	Expenditure	
1,688	Contractors Management Fee	1,382
80	Pay and Display Installation Costs	89
115	Staffing Cost	53
340	Supplies and Services	313
298	Support Costs	394
14	Surveys and Fees	12
30	Decriminalised Costs	33
6	Signing Costs	14
6	Landscaping	9
86	Street Lighting	0
8	Highway Management	0
13	Gully Emptying	0
2,684	Total Expenditure	2,299
	Income	
(715)	Excess Charge/Penalty Charge Notices	(704)
(988)	Business Permits	(1,631)
(20)	Suspensions	(14)
(638)	Scratch Cards	(708)
(7,077)	Pay and Display Income	(7,730)
(9,438)	Total Income	(10,787)
(6,754)	Surplus achieved in year	(8,488)
236	Transfer to Special Parking Reserve	409
0	Transfer to Capital Reserve	23
(6,518)	Surplus for the year	(8,056)

The surplus of (£8,056,000) 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 £376,000, street lighting £94,000, off-street car parks £691,000, the passenger transport team, publicity, Routel, studies and project development, promotion, minibus driving testing and bus infrastructure £797,000. This surplus has also contributed towards concessionary fares and bus subsidies. In total the council spends £4,221,000 on concessionary fares and £2,346,000 on bus subsidies. In addition to money being expended on these initiatives further investment (£491,000) was also provided from council approved budgets.

Notes to the Accounts

15. 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 NHS Milton Keynes Clinical Commissioning Group (CCG)

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.

During 2013/14 the service re-tendered, which led to the pool arrangement closing in November 2013 between the council and the Primary Care Trust. In December 2013, Milton Keynes Council began a new pool arrangement with the Clinical Commissioning Group which led to a significant change in the service provided. These changes are reflected in the two tables below which summarises the financial performance of the different pooled arrangements for the first 8 months under previous arrangements and for 4 months under continuing arrangements:

2012/13 £'000	Comparative Period: April 2013 to November 2013 (8 Months)	2013/14 £'000
Integrated Community Equipment Service (ICES)		
Gross Funding		
(120)	Milton Keynes Council	(168)
(168)	Milton Keynes Clinical Commissioning Group (CCG) - Central and North West London NHS Foundation Trust (CNWL)	(168)
(288)	Total Funding	(336)
447	Expenditure	630
447	Total Expenditure	630
159	Net (Surplus)/Deficit	294
(66)	MKC share of underspend/ (overspend)	(123)
(93)	CCG share of underspend/ (overspend)	(171)
0	Net (Surplus) / Deficit Carried Forward	0

Notes to the Accounts

2012/13 £'000	Comparative Period: December 2013 to March 2014 (4 Months)	2013/14 £'000
Integrated Community Equipment Service (ICES)		
Gross Funding		
(60)	Milton Keynes Council	(110)
(84)	Milton Keynes Clinical Commissioning Group (CCG) - Millbrook	(227)
<u>(144)</u>	Total Funding	<u>(337)</u>
Expenditure		
224	Expenditure	632
<u>224</u>	Total Expenditure	<u>632</u>
<u>80</u>	Net (Surplus)/Deficit	<u>295</u>
(34)	MKC share of underspend/ (overspend)	(146)
(46)	CCG share of underspend/ (overspend)	(149)
<u>0</u>	Net (Surplus) / Deficit Carried Forward	<u>0</u>

Mental Health

The Mental Health pooled budget supports the integrated mental health service (Council and Clinical Commissioning Group), 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:

2012/13 £'000	Mental Health	2013/14 £'000
Gross Funding		
(3,706)	Milton Keynes Council	(3,857)
(12,370)	Milton Keynes Clinical Commissioning Group (CCG)	(14,470)
<u>(16,076)</u>	Total Funding	<u>(18,327)</u>
Expenditure		
16,072	Pooled Expenditure	18,298
<u>16,072</u>	Total Expenditure	<u>18,298</u>
<u>(4)</u>	Net Deficit/ (Surplus) before additional contributions / distributions	<u>(29)</u>
1	MKC share of underspend/ (overspend)	6
3	CCG share of underspend/ (overspend)	23
<u>0</u>	Net (Surplus) / Deficit Carried Forward	<u>0</u>

Notes to the Accounts

Learning Disability

The Learning Disability pooled budget supports the integrated Learning Disability service (Council and Clinical Commissioning Group), 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:

2012/13 £'000	Learning Disability	2013/14 £'000
	Gross Funding	
(19,675)	Milton Keynes Council	(20,579)
(1,186)	Milton Keynes Clinical Commissioning Group (CCG)	(1,396)
(20,861)	Total Funding	(21,975)
	Expenditure	
133	Senior Manager	133
406	Intake and Assessment	420
696	Training Quality & Review	736
279	Mental Health & Learning Disabilities	281
5,239	External Residential Care	5,752
492	Fremantle	492
1,216	Carers' Short Breaks Service	1,366
2,277	Internal Day Care	2,023
857	External Day Care	1,010
0	Thrift Farm	0
223	Home Care	265
399	Direct Payments	456
1,211	Peripatetic	1,316
0	Supporting People	2
5,017	External Supported Living	5,541
295	Psychology	287
234	Medical Services	209
265	Supported Employment	264
1,622	Services Commissioned from Health & Grants to Voluntary Organisations	1,422
20,861	Total Expenditure	21,975
0	Net (Surplus)/Deficit	0

Notes to the Accounts

16. OFFICERS REMUNERATION

The remuneration paid to the council's senior employees during 2013/14 whose salary was between £50,000 and £150,000 was as follows:

Total 2012/13 £		Salary £	Expense Allowances £	Pension Contribution £	Total 2013/14 £
160,227	Corporate Director, Children & Families	134,091	368	25,611	160,070
149,056	Corporate Director, Community Wellbeing	125,152	0	23,904	149,056
125,283	Director of Strategy	105,000	187	20,055	125,242
155,618	Corporate Director, Resources	130,118	419	24,852	155,389

The remuneration paid to the council's senior employees during 2013/14 whose salary is more than £150,000 was as follows:

Total 2012/13 £		Salary £	Expense Allowances £	Pension Contribution £	Total 2013/14 £
183,709	Chief Executive - D Hill	153,957	419	19,604	173,980

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:

2012/13 Number of Employees	£ Band	2013/14 Number of Employees
43	£50,000 - £54,999	47
48	£55,000 - £59,999	42
30	£60,000 - £64,999	25
15	£65,000 - £69,999	21
9	£70,000 - £74,999	7
9	£75,000 - £79,999	8
4	£80,000 - £84,999	2
5	£85,000 - £89,999	6
0	£90,000 - £94,999	1
0	£95,000 - £99,999	0
0	£100,000 - £104,999	0
0	£105,000 - £109,999	0
0	£110,000 - £114,999	1
0	£115,000 - £119,999	0
0	£120,000 - £124,999	1
0	£125,000 - £129,999	1
0	£130,000 - £134,999	0
0	£135,000 - £139,999	1
163		163

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	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
							£'000	£'000
£0 - £20,000	26	38	21	3	47	41	459	129
£20,001 - £40,000	1	25	6	10	7	35	220	470
£40,001 - £100,000	5	7	4	9	9	16	597	750
Total Exit packages charged to the Comprehensive Income & Expenditure Statement	32	70	31	22	63	92	1,276	1,349

The total cost of £1,349,000 in the table above 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

17. 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 2013. 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 2013/14 are as follows:

2012/13	2013/14		
Total £'000	Central Expenditure £'000	ISB £'000	Total £'000
200,525 Final DSG for 2013/14 before Academy recoupment			208,182
51,950 Academy figure recouped for 2013/14			59,523
148,575 Total DSG after Academy recoupment for 2013/14			148,659
4,034 Brought forward from 2012/13			3,780
(3,621) Carry forward to 2014/15 agreed in advance			899
155,047 Agreed initial budgeted distribution of DSG in 2013/14	28,218	125,120	153,338
0 In year adjustments	(1,527)	0	(1,527)
148,988 Final budgeted distribution for 2013/14	26,691	125,120	151,811
9,474 Less Actual central expenditure	9,011		
139,355 Less Actual ISB deployed to schools		139,192	
0 Plus Local Authority contributions for 2013/14	0	0	0
3,780 Carry forward to 2014/15	17,680	(14,072)	2,709

Notes to the Accounts

18. GRANT INCOME

The council has been credited with the following grants and contributions in the Comprehensive Income and Expenditure Statements during 2013/14. The balances at the year end are as follows:

2012/13		2013/14
£'000	Credited to Taxation and Non Specific Grant Income	£'000
(3,903)	Revenue Support Grant	(61,022)
0	Central Education Grant	(3,999)
0	Safety Net Grant	(3,735)
0	Capitalisation Provision Redistributed Grant	(322)
0	Adoption Grant	(25)
(11,168)	Early Intervention Grant	0
(2,352)	Council Tax Freeze Grant	0
(715)	Local Services Support Grant	(127)
(3,631)	Learning Disability & Health Reform Grant	0
(21,769)	Total Non-Ringfenced Government Grants	(69,230)
(100,426)	Council Tax Income	(83,671)
(80,016)	Redistributed National Non-Domestic Rate Income	(42,004)
(28,965)	Capital Grants and Contributions	(33,949)
(231,176)	Total Credited to Taxation and Non Specific Grant Income	(228,854)
	Credited to Cost of Services	
	<i>Grants:</i>	
(148,829)	Dedicated Schools Grant	(148,203)
(69,275)	Mandatory Rent Allowance: Subsidy	(68,169)
(29,408)	Mandatory Rent Rebates	(31,600)
(17,039)	Council Tax Benefit	0
(7,087)	Young People's Learning Agency	(6,656)
(4,067)	New Homes Bonus	(7,082)
0	Public Health Grant	(7,989)
(3,901)	NHS Support for Social Care	0
(4,305)	Pupil Premium Grant	(6,180)
(2,273)	Benefits Administration Grant	(2,346)
(1,669)	Adult and Community Learning	(1,312)
(14)	Devolved Capital grant	0
(490)	Unaccompanied Asylum Seeking Children	(497)
(349)	Youth Justice Board	(332)
(395)	CWDC Social Work Programme	0
(256)	School Workforce Developments	(615)
(370)	Social Care Reform Grant	0
(400)	Housing Planning Delivery Grant	0
0	Local Welfare Reform Grant	(747)
(377)	NNDR Administration Grant	(374)
(313)	Better Bus Area Fund	(585)
(396)	English Partnership	0
(212)	Discretionary Housing Payments	(462)
(1,576)	Other Grant Income	(2,916)
	<i>Contributions:</i>	
(9,088)	Social Care Client Contributions	(8,910)
(745)	Clinical Commissioning Group Contributions	(2,641)
(1,969)	Milton Keynes Hospital NHS Foundation Trust Contributions	(5,361)
(3,133)	Other Contributions	(1,418)
(307,936)	Total Grant & Contribution Income credited to Cost of Services	(304,395)

Notes to the Accounts

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:

Current Liabilities

2012/13 £'000		2013/14 £'000
	Grants and Contributions Receipts in Advance (Capital)	
	<i>Grants:</i>	
(1,461)	Low Carbon Infrastructure Grant	(1,450)
0	Targeted Basic Needs Grant	(616)
0	Short Breaks Grant	(263)
(18)	Other Grants	(19)
	<i>Contributions:</i>	
(1,819)	Homes and Community Agency Contributions	0
(71)	Wyvern Additional Pupil Places	0
(46)	Other Contributions	(46)
<u>(3,415)</u>	Total Grants and contributions Receipts in Advance (Capital)	<u>(2,394)</u>
	Grants and Contributions Receipts in Advance (Revenue)	
	<i>Grants:</i>	
(3,780)	Dedicated Schools Grant	(2,709)
(1,045)	Better Bus Grant	(460)
(905)	Local Welfare Grant	0
(244)	Housing Planning Delivery Grant	(244)
(108)	English Partnership	0
(21)	Egov4u	(31)
(65)	Neighbourhood Planning Front Runners Grant	(30)
(34)	New Burdens Grant	(34)
(139)	Asylum Seekers Grant	0
(429)	Troubled Families Grant	0
0	Pioneer Places	(85)
(375)	Other Grants	(86)
	<i>Contributions:</i>	
(1,965)	Developer Contributions	(1,314)
0	Tariff Contributions	(4,960)
(595)	Homes and Community Agency Contributions	(355)
0	Devolved Capital Grant	(61)
(477)	Other Contributions	(211)
<u>(10,182)</u>	Total Grants and Contributions Receipts in Advance (Revenue)	<u>(10,580)</u>

Notes to the Accounts

Long Term Liabilities:

2012/13 £'000		2013/14 £'000
	Grants and Contributions Receipts in Advance (Capital)	
	<i>Grants:</i>	
(291)	Short Breaks Grant	(28)
(49)	Westcroft District Park	(49)
(20)	Other Grants	(15)
	<i>Contributions:</i>	
(357)	Donated Asset - Materials Recycling Facility	(357)
(100)	Other Contributions	(115)
<u>(817)</u>	Total Grants and Contributions Receipts in Advance (Capital)	<u>(564)</u>
	Grants and Contributions Receipts in Advance (Revenue)	
0	Adoption Reform Grant	(563)
0	Strengthening Families Grant	(815)
(154)	Other Grants	(66)
	<i>Contributions:</i>	
(25,090)	Developer Contributions	(28,924)
(147)	Homes and Community Agency Contributions	(623)
(250)	SALIX Contributions	(250)
(95)	Other Contributions	(119)
<u>(25,736)</u>	Total Grants and Contributions Receipts in Advance (Revenue)	<u>(31,360)</u>

19. 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 1st 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.

The Landfill Allowance Trading Scheme ended in 2012/13. The adjustments in 2013/14 only reflect final tonnages for 2012/13, and the allowances written off to revenue.

2012/13		2013/14	
Tonnes	£'000	Tonnes	£'000
(6,472)	(46) Opening Balance at 1st April	(7,811)	(42)
(1,042)	(8) Adjustment to opening balance to reflect audited final tonnages and value for previous years	977	5
<u>(7,514)</u>	(54) Adjusted opening balance	<u>(6,834)</u>	<u>(37)</u>
7,514	54 Revaluation of LATS	0	0
(29,809)	(161) Allowances Received	0	0
0	0 Purchases	0	0
0	0 Sales	0	0
21,998	119 Allowances Used	0	0
0	0 Allowances written off	6,834	37
<u>(7,811)</u>	<u>(42) Balance at 31st March</u>	<u>0</u>	<u>0</u>

Notes to the Accounts

20. PROPERTY, PLANT AND EQUIPMENT

The tables on the following pages show the movements in year for Property, Plant and Equipment in 2013/14 and the 2012/13 comparative movement.

Notes to the Accounts

Movement in 2013/14	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 2013	428,301	434,261	3,634	17,941	155,316	1,688	6,983	9,565	1,057,689
Additions	9,139	1,772	0	864	12,792	0	0	11,637	36,204
Donations	0	0	0	0	0	0	0	0	0
Revaluation recognised in the Revaluation Reserve	13,686	(1,170)	0	0	0	0	207	0	12,723
Revaluation recognised in the Surplus/Deficit on the Provision of Services	19,526	1,200	0	0	0	0	0	0	20,726
Derecognition - disposals	(2,850)	(6,013)	0	(45)	0	0	(1,045)	0	(9,953)
Derecognition - other	(21)	(2,662)	(118)	(197)	0	0	(172)	0	(3,170)
Assets Reclassified (to)/from Held for Sale	0	(305)	0	0	0	0	0	0	(305)
Assets Reclassified (to)/from Other asset classes	629	15,315	0	(53)	310	0	(1,956)	(14,234)	11
Other Movements in cost or valuation	0	0	0	0	0	0	0	0	0
At 31 March 2014	468,410	442,398	3,516	18,510	168,418	1,688	4,017	6,968	1,113,925
Accumulated Depreciation and Impairment									
Depreciation value at 1 April 2013	0	(16,129)	(2,348)	(8,905)	(31,607)	0	(309)	0	(59,298)
Impairment value at 1 April 2013	(12,437)	(40,673)	0	(148)	0	0	(3,594)	0	(56,852)
Depreciation charge	(7,413)	(10,074)	(460)	(1,754)	(3,974)	0	(15)	0	(23,690)
Depreciation written out to the Revaluation Reserve	7,352	7,490	0	0	0	0	2	0	14,844
Depreciation written out to the Surplus/Deficit on the Provision of Services	39	70	0	0	0	0	0	0	109
Impairment losses/(reversals) recognised in the Revaluation Reserve	(21,373)	(1,713)	0	0	0	0	2	0	(23,084)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the provision of Services	21,844	(5,351)	0	(1)	0	0	0	0	16,492
Derecognition - disposals	121	184	0	19	0	0	556	0	880
Derecognition - other	21	1,058	118	171	0	0	170	0	1,538
Assets Reclassified (to)/from Held for Sale	0	14	0	0	0	0	0	0	14
Assets Reclassified (to)/from Other asset classes	(16)	(1,683)	0	23	0	0	1,693	0	17
Other movements in depreciation and impairment	0	0	0	0	0	0	0	0	0
At 31 March 2014	(11,862)	(66,807)	(2,690)	(10,595)	(35,581)	0	(1,495)	0	(129,030)
Net Book Value									
as at 31 March 2014	456,548	375,591	826	7,915	132,837	1,688	2,522	6,968	984,895
as at 31 March 2013	415,864	377,459	1,286	8,888	123,709	1,688	3,080	9,565	941,539

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
At 31 March 2013	428,301	434,261	3,634	17,941	155,316	1,688	6,983	9,565	1,057,689
Accumulated Depreciation and Impairment									
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
At 31 March 2013	(12,437)	(56,802)	(2,348)	(9,053)	(31,607)	0	(3,903)	0	(116,150)
Net Book Value									
as at 31 March 2013	415,864	377,459	1,286	8,888	123,709	1,688	3,080	9,565	941,539
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

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.

2012/13 Depreciation Charge		Potential Useful Life of Asset Years	Actual Useful Life of Asset Years	2013/14 Depreciation Charge		
				General Fund £'000	HRA £'000	Total £'000
6,186	Council Dwellings	10 - 85 *	10 - 85 *	0	7,413	7,413
9,665	Other Properties	20 - 60 **	20 - 60 **	9,515	574	10,089
1,672	Vehicles, Plant and Equipment	3 - 40 ***	3 - 18	1,741	13	1,754
674	Leased VPE	3 - 40 ***	3 - 10	460	0	460
3,714	Infrastructure	40	40	3,974	0	3,974
	Infrastructure - Other	20	20			
21,911				15,690	8,000	23,690

* 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 27 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 31st March 2014, including those with a commitment of less than £100,000, totalled £31,500,000.

There are £35,000 of 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.

Contractual commitments as at 31st March 2014 with a commitment of £100,000 or more are shown in the table on the following page.

Notes to the Accounts

Segment: Scheme Name	Scheme Description	2013/14 £'000	Period of Investments Years
Children & Young Peoples Services:			
Community Schools:			
Howe Park	School Extension	274	1
Two Mile Ash	School Extension	3,676	4
Denbigh	School Extension	4,190	2
Priory Rise	School Extension	488	1
Knowles	School Extension	236	1
Walton High at Brooklands	New Secondary School	191	3
Oakgrove Secondary	School Extension	4,242	2
Brooklands Primary	New Primary School and Community Pavilion	7,140	2
Stantonbury Campus	Fire Alarm and Emergency Lighting	245	1
Middleton 1 Form of Entry	School Extension/Playing fields	102	1
		20,784	
Community Facilities Unit:			
MK Rose	Memorial Garden in Campbell Park	600	
		600	
Planning and Transport:			
Better Bus Fund	Bus Transport Improvements including Interchanges and Wayfinding connections	496	1
Rural/Urban Bus stops	Bus Stopping Facilities and Access Improvements on non Primary public transport routes.	138	1
Quality Bus Information	Bus Stopping Facilities and Access Improvements on the Primary public transport routes.	155	1
A421 Dualling	Consultancy services to upgrade a section of A421 from single carriageway to dual 2 lane standard carriageway, to relieve congestion and improve journey times.	117	1
A421 Kingston Roundabout	Consultancy services to deliver an enlarged signalised junction at Kingston Roundabout to relieve congestion and improve journey times.	310	1
Public Realm:			
Infrastructure Investment	Redway, footpaths and carriageway enhancements	449	1
		1,665	
Housing and Community:			
Lakes Phase 2	Housing Improvements	6,062	2
Planned Improvements	Structural Improvements	902	1
		6,964	
Grand Total		30,013	

Notes to the Accounts

Valuation of Non-Current Assets

The council has a five year rolling programme for undertaking valuations of its property assets. In the 2013 valuations all those properties not valued within the previous five years, excluding Council Dwellings, were valued by Nathan Andrews MRICS, Rod Aitken MRICS and Richard Jenden MRICS of Milton Keynes Services Partnership LLP, the appointed valuers. The valuation date was 1st April 2013.

A property review has also been undertaken of the council's entire property portfolio, excluding Council Dwellings, as at 31st March 2014. These valuations were completed by Nathan Andrews MRICS of Milton Keynes Service Partnership LLP.

Following research into levels of land values during 2013/14 the conclusion of this review is that there have been no completed land deals in Milton Keynes to suggest that different land values from those used in March / April 2013 should be applied.

An enhancement review has been undertaken and where appropriate, revaluations have been conducted as at 31st March 2014.

The valuations were prepared in accordance with the Practice Statements in the RICS Red Book 2014, 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 2014. 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 1st April 2013 based on a desk top review and a further property review has been undertaken as at 31st March 2014. 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 Housing Revenue Account Capital Programme impairment loss has been incurred at 31st March 2014 and some of the impairment losses recognised in previous years relating to works identified in the Capital Programmes have been reversed. This is following the capital expenditure incurred in year and subsequent 31st March revaluations as shown in the impairment disclosure 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	8,741	132,837	1,688	0	6,968	150,234
Revalued Assets in:								
2013/14	456,548	92,328	0	0	0	2,522	0	551,398
2012/13	0	90,779	0	0	0	0	0	90,779
2011/12	0	114,986	0	0	0	0	0	114,986
2010/11	0	22,333	0	0	0	0	0	22,333
2009/10	0	55,165	0	0	0	0	0	55,165
Total Valuation of Revalued Assets	456,548	375,591	0	0	0	2,522	0	834,661
The Carrying amount for revalued assets had they been carried under the cost model	456,526	281,467	0	0	0	2,096	0	740,089
Revaluation surplus for revalued assets including the charge in year	22	94,124	0	0	0	426	0	94,572

Foundation School Asset Values

Under the Schools Standards and Framework Act 1998, thirteen Foundation Schools Assets are vested in the Governing Bodies of the individual foundation schools. No schools were transferred to foundation status in 2013/14, but 2 foundation schools converted to Academies.

At 31st March 2014, there were thirteen foundation schools with an estimated asset valuation of £105,912,000 (fifteen schools at £112,442,000 as at 31st March 2013).

Effects of Changes in Estimates

There is no change in estimates for 2013/14.

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 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.

Notes to the Accounts

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 2013/14:

	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	
Property Plant and Equipment								
Council Dwellings	1,521	0	10,360	19,852	0	(32,204)	21,373	(21,844)
Other Land & Buildings	3,946	5,872	0	(2,233)	(521)	0	1,713	5,351
Vehicles, Plant & Equipment	0	1	0	0	0	0	0	1
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	0	0	(2)	0	0	(2)	0
Total Property Plant and Equipment	5,467	5,873	10,360	17,617	(521)	(32,204)	23,084	(16,492)
Investment Assets	0	0	0	0	0	0	0	0
Assets Held for Sale	0	27	0	0	(35)	0	0	(8)
Total Impairment	5,467	5,900	10,360	17,617	(556)	(32,204)	23,084	(16,500)

Notes to the Accounts

Material Impairment Losses

During 2013/14, the council has recognised material impairment losses totalling £17,523,000 in relation to Council Dwellings and three other Land and Building assets. The council also reversed a material impairment loss of (£32,152,000) in relation to the 2013/14 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
Housing Revenue Account			
Council Dwellings	11,863		Recognising works identified for the HRA 2014/15 Capital Programme
Council Dwellings		(32,152)	Following gains on revaluations at 31/03/2014, reversing impairment losses recognised in previous years relating to works identified in the Capital Programmes.
Children & Families - Education, Effectiveness & Participation			
Middleton Primary School	3,261		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)
White Spire School	1,003		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)
Public Realm - Neighbourhood Services			
New Wolverton Waste Depot	1,396		Change in value is specific to the asset due to project costs on the construction of the new depot being greater than the value of the asset at Depreciated Replacement Cost (DRC)
Total	17,523	(32,152)	

Notes to the Accounts

21. 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
Cost or Valuation					
At 1 April 2012	0	0	0	0	0
Additions	12	0	0	0	12
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
At 31 March 2013	12	0	529	69	610
Cost or Valuation					
At 1 April 2013	12	0	529	69	610
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Revaluations	0	0	134	0	134
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
At 31 March 2014	12	0	663	69	744

Historical Buildings and Archaeological Sites

Heritage assets acquired or constructed in 2013/14 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 obtained valuations for the majority of Arts Collection assets in March 2013. The valuations were carried out, mainly on an itemised basis, by external valuers James Glennie RICS Fine Art and Nicola Tyler BA (Hons) of Art & Antiques Appraisals Ltd. The Arts Collection is recognised at market value on the Balance Sheet.

Civic Insignia

The council obtained valuations for the Civic Insignia assets in February 2013. The valuations were carried out by an external valuer Craig O'Donnell BA (Hons) FGA of Safeguard (Birmingham Assay Office). The Civic Insignia assets 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 31st March 2014 comprise any addition in 2012/13 and revaluations undertaken during 2013/14.

	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Cost of Acquisition of heritage assets					
Newport Pagnell Clock Tower	0	0	12	0	0
Total Cost of Purchases	0	0	12	0	0
Value of Heritage Assets Revalued					
Arts Collection	0	0	0	529	134
Civic Insignia	0	0	0	69	0
Total Revaluations	0	0	0	598	134
Value of Heritage Assets Acquired by Donations	0	0	0	0	0
Total Donations	0	0	0	0	0
Disposals	0	0	0	0	0
Carrying Value	0	0	0	598	134
Proceeds	0	0	0	0	0
Impairment recognised in the period	0	0	0	0	0
Total Impairment recognised in the period	0	0	0	0	0

Notes to the Accounts

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 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.

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 Milton Keynes 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

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 has been extended to run until March 2017. 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 city 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 Arts and Public Art Strategy 2014 – 2023 delivery plan. 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.

Notes to the Accounts

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

22. 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.

31 Mar 2013	31 Mar 2014
£'000	£'000
57 Rental income from investment property	57
0 Direct operating expenses arising from investment property	0
57 Net gain/(loss)	57

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.

31 Mar 2013	31 Mar 2014
£'000	£'000
20,283 Balance at start of the year	20,283
Additions:	
0 Purchases	0
0 Construction	0
0 Subsequent expenditure	0
0 Disposals	0
0 Net gains/(losses) from fair value adjustments	27
Transfers:	
0 (To)/from Inventories	0
0 (To)/from Property, Plant and Equipment	(61)
0 Other changes	0
20,283 Balance at the end of the year	20,249

Notes to the Accounts

23. 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 2013 £'000		31 Mar 2014 £'000
503,332	Opening Capital Financing Requirement	535,485
	Capital Investment	
61,780	Property, Plant & Equipment	36,204
0	Investment Properties	0
0	Heritage Assets	0
840	Intangible Assets	17
31,614	Long Term Debtor	0
9,022	Revenue Expenditure Funded from Capital under Statute	4,623
103,256	Total	40,844
	Sources of Finance	
(2,044)	Capital Receipts	(3,198)
(501)	Supported Borrowing	(15,311)
(44,721)	Prudential Borrowing	2,685
(700)	Lease Finance	0
(8,383)	Major Repairs Reserves	(8,365)
(38,791)	Other Government Grants & Contributions	(15,067)
(8,116)	Revenue Contributions	(1,588)
(103,256)	Total	(40,844)
	Capital Financing Requirement	
281,599	Non-HRA Capital Financing Requirement	283,619
253,886	HRA Capital Financing Requirement	252,274
535,485	Total	535,893
	Explanation of movements in year	
(10,030)	Increase in underlying need to borrow (supported by government financial assistance)	3,799
41,483	Increase in underlying need to borrow (unsupported by government financial assistance)	(3,391)
700	New Assets Acquired under Finance Leases	0
0	New Assets Acquired under PFI/PPP Contracts	0
32,153	Increase/Decrease in Capital Financing Requirement	408

Notes to the Accounts

24. INTANGIBLE ASSETS

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:

	Internally Generated Assets	Other Assets Purchased	Other Assets Leased
Useful Life	None	3 - 5 years	3 years

The line items of the statements which contain material amounts of amortisation of intangible assets are within the Resources: Finance & HR service group £204,000. This is mainly due to the amortisation of the Mouchel Embedded Lease and SAP Licences £68,000.

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 2012/13 £'000		Other Assets Purchased £'000	Other Assets Leased £'000	Total 2013/14 £'000
Balance at start of year 1 April 2013						
851	6,686	7,537	Gross carrying amounts	1,125	613	1,738
(695)	(4,457)	(5,152)	Accumulated amortisation	(807)	0	(807)
<hr/>						
156	2,229	2,385	Net carrying amount at start of year 1 April 2013	318	613	931
<i>Additions :</i>						
0	0	0	Internal Development	0	0	0
227	0	227	Purchases	17	0	17
0	613	613	Acquired through business combinations	0	0	0
0	0	0	Assets reclassified as held for sale	0	0	0
64	0	64	Other reclassifications	34	0	34
(2)	(1,672)	(1,674)	Other disposals	0	0	0
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
(128)	(557)	(685)	Amortisation for the period	(128)	(204)	(332)
0	0	0	Other changes	0	0	0
<hr/>						
317	613	930	Net carrying amount at end of year 31 March 2014	241	409	650
<hr/>						
Comprising:						
1,125	613	1,738	Gross carrying amounts	1,135	613	1,748
(807)	0	(807)	Accumulated amortisation	(894)	(204)	(1,098)
<hr/>						
318	613	931	Total	241	409	650
<hr/>						

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

The contractual commitments for the acquisition of purchased Intangible Assets as at 31st March 2014 is £35,000.

Notes to the Accounts

25. CURRENT ASSETS HELD FOR SALE

The movement of the current assets held for sale in 2013/14 are detailed in the table below:

31 Mar 2013 £'000		31 Mar 2014 £'000
733	Balance outstanding at 1st April	1,563
	<i>Assets newly classified as held for sale:</i>	
2,459	Property, Plant and Equipment	289
0	Intangible Assets	0
0	Other assets/liabilities in disposal groups	0
0	Revaluation losses	(160)
274	Revaluation Gains	0
(1,308)	Impairment Losses	(27)
	<i>Asset declassified as held for sale:</i>	
(14)	Property, Plant and Equipment	0
0	Intangible Assets	0
0	Other assets/liabilities in disposal groups	0
(581)	Assets sold	(150)
0	Transfers from non- current to current	0
0	Other Movements	0
<u>1,563</u>	Balance outstanding at 31st March	<u>1,515</u>

26. DEBTORS

Long Term Debtors

Restated 31 Mar 2013 £'000		31 Mar 2014 £'000
34	Mortgages	26
1	Home Computer Initiative	1
31,614	Milton Keynes Development Partnership Loan	31,614
267	Bodies External to Central Government	143
15,676	Local Government Reorganisation Debt Payments in Advance	13,717
<u>47,592</u>	Total	<u>45,501</u>

Notes to the Accounts

Short Term Debtors

Restated 31 Mar 2013 £'000		31 Mar 2014 £'000
	Short Term Debtors	
11,385	Central Government Bodies	11,391
1,029	Other Local Authorities	1,813
3,172	NHS Bodies	5,399
2	Public Corporations and Trading Funds	57
13,013	Bodies External to Central Government	7,729
3,267	Council Tax Arrears	3,235
27	NDR Arrears	476
3,566	Housing Rents	3,742
161	Landfill Allowances Asset Account	0
5	Council Staff Debtors	9
35,627	Total Short Term Debtors before Payments in Advance	33,851
12,010	Payments in Advance	8,032
47,637	Total Short Term Debtors	41,883

The debtors included in the above disclosure are shown net of impairment of allowance for non payment.

27. WORK IN PROGRESS AND INVENTORIES

Inventories and work in progress comprise:

	Balance outstanding at 1st April 2012 £'000	Purchases £'000	Recognised as an expense in year £'000	Written off balances £'000	Reversal of write offs in previous years £'000	Balance outstanding at 31st March 2013 £'000	Purchases £'000	Recognised as an expense in year £'000	Written off balances £'000	Reversal of write offs in previous years £'000	Balance outstanding at 31st March 2014 £'000
Postage	7	160	(158)	0	0	9	20	(9)	0	0	20
ICES Pool *	39	16	0	0	0	55	0	0	(55)	0	0
Fuel	26	289	(297)	0	0	18	296	(295)	0	0	19
Main Stores	199	1,202	(1,250)	0	0	151	1,421	(1,243)	0	0	329
Work in Progress	76	34	(76)	0	0	34	42	(34)	0	0	42
Total	347	1,701	(1,781)	0	0	267	1,779	(1,581)	(55)	0	410

* Integrated Community Equipment Service pooled budget arrangement. See note 15 for further details.

Notes to the Accounts

28. CREDITORS

The analysis of short term creditors is as follows:

31 Mar 2013 £'000		31 Mar 2014 £'000
(8,209)	Central Government Bodies	(8,521)
(3,995)	Other Local Authorities	(3,287)
(1,881)	NHS Bodies	(1,482)
(73)	Public Corporations and Trading Funds	(60)
(33,000)	Bodies External to Central Government	(31,963)
(5,046)	Council Staff Creditors	(5,173)
(801)	Housing Rent Prepayments	(1,611)
(31)	Council Tax Prepayments	(2,261)
0	NDR Prepayments	(968)
(119)	Liability for Actual BMW Landfill Usage	0
(53,155)	Total Short Term Creditors	(55,326)

29. BORROWING REPAYABLE

Analysis of Loans by type:

31 Mar 2013 £'000		Range of Interest Rates - 31 March 2014	31 Mar 2014 £'000
	Source of Loan		
(432,082)	Public Works Loan Board	Lowest: 3.37% / Highest: 10.875%	(412,395)
(15,258)	Bonds	Lowest: 3.75% / Highest: 6.62%	(15,256)
(4,806)	Other Loans	Zero interest rate	(6,349)
(452,146)	Total		(434,000)

Analysis of Loans by maturity:

31 Mar 2013 £'000		31 Mar 2014 £'000
	<u>Borrowing repayable on demand or within 12 months</u>	
(23,375)	Borrowing repayable on demand or within 12 months	(25,414)
(3,400)	Accrued interest on borrowing repayable within a period in excess of 12 months	(1,673)
(26,775)	Total Borrowing repayable on demand or within 12 months	(27,087)
	<u>Borrowing repayable within a period in excess of 12 months</u>	
(20,000)	Maturing in 1 to 2 years	(21,150)
(21,150)	Maturing in 2 to 5 years	(6,351)
(31,711)	Maturing in 5 to 10 years	(40,902)
(352,510)	Maturing in more than 10 years	(338,510)
(425,371)	Total Borrowing repayable within a period in excess of 12 months	(406,913)
(452,146)	Total	(434,000)

Notes to the Accounts

30. 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 2013 £'000	Additional provisions made in 2013/14 £'000	Amounts used in 2013/14 £'000	Unused amounts reversed in 2013/14 £'000	Unwinding of Discounting 2013/14 £'000	Balance at 31 March 2014 £'000	Short Term £'000	Long Term £'000
<u>Housing Revenue Account</u>								
a) Heating and Utilities Provision	(560)	0	0	0	0	(560)	0	(560)
b) Digital TVs Provision	(100)	0	63	37	0	0	0	0
	(660)	0	63	37	0	(560)	0	(560)
<u>General Fund</u>								
c) Home Bond Scheme Provision	(31)	0	0	0	0	(31)	0	(31)
d) Legal Provision	(125)	0	0	0	0	(125)	(125)	0
e) Overpaid Benefit Provision	(535)	0	0	0	0	(535)	0	(535)
f) IT & Transport Equipment Provision	(50)	(11)	0	0	0	(61)	(46)	(15)
g) Environment Searches Provision	(212)	0	0	0	0	(212)	(212)	0
h) Carbon Reduction Provision	(282)	(290)	282	0	0	(290)	(290)	0
i) Appeals Provision	0	(11,368)	0	0	0	(11,368)	(9,353)	(2,015)
	(1,235)	(11,669)	282	0	0	(12,622)	(10,026)	(2,596)
Total	(1,895)	(11,669)	345	37	0	(13,182)	(10,026)	(3,156)

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:

- 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.
- 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 2014/15 for potential implementation in 2015/16.

b) Digital TVs Provision

A £100,000 provision had been put aside in 2011/12 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 was estimated to be in the region of £100,000.

Notes to the Accounts

At the 31st March 2014 the Digital TVs Provision was used to fund the write-offs of unrecoverable TV charge bad debts of (£63,000). The remaining provision balance of (£37,000) was released back to revenue as a surplus. In 2013/14 a new provision is not required for the outstanding TV debt, which is now on track for future year's recovery.

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.

d) Legal Provision

The provision consists of:

- Claimant Fees for Wind Turbine Judicial Review - 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. A provision has been set aside for this for £100,000. The council will always seek an order of no costs or partial costs where it has grounds to do so.
- Vulnerable Adults - This provision was created as Milton Keynes Council has begun litigation in respect of a vulnerable client. In order for the Court's official solicitor to represent the client, Milton Keynes 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 Milton Keynes Council would be in breach of its duties to act to safeguard.

e) Overpaid Benefit Provision

This provision is for the potential loss associated with collecting housing benefit overpayment debts that are currently being collected by deduction from ongoing benefit payments. By collecting overpayments through this method, there is a potential loss of subsidy arising from non-recovery (write off)

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 Department of Works and Pensions (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 recovered in the accounts if a significant amount of on-going benefit debt was written off.

Notes to the Accounts

f) IT & Transport Equipment Provision

This provision was created in 2001/02 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) 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.

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.

h) 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 2013/14 accounts. This covers all properties including schools and academies within the borough.

i) Appeals Provision

The localisation of business rates means that Milton Keynes Council now retains a percentage of business rates collected in Milton Keynes. The retention of funds is calculated after deductions for appeals to rateable values. Rate payers can appeal a valuation and they have 5 years in which to do so from the date of the creation of the Rating List. This provision covers the council's share of the appeals and has been calculated based on information provided by the Valuation Office and external bodies combined with local knowledge of the Rating List.

Notes to the Accounts

31. RESERVES

Useable Reserves

Movements in the authority's usable reserves are detailed in the Movement in Reserves Statement on page 44 and Note 7 to the Financial Statements.

Unusable Reserves

The following table provides details of the Unusable Reserves held by the council.

31 Mar 2013 £'000		Notes	31 Mar 2014 £'000
	Unusable Reserves		
(364,072)	Capital Adjustment Account	a	(408,553)
(98,773)	Revaluation Reserve	b	(96,346)
(287)	Financial Instruments Adjustment Account	c	(450)
235,742	Pensions Reserve (Restated)	d	251,129
(1,812)	Collection Fund Adjustment Account	e	6,336
(2,480)	Deferred Capital Receipts	f	(132)
917	Accumulated Absences Account	g	1,027
(230,765)	Total Unusable Reserves		(246,989)

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.

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

Note 23 provide details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

Notes to the Accounts

2012/13 £'000		2013/14 £'000	2013/14 £'000
(375,856)	Balance at 1 April		(364,072)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
50,791	Charges for depreciation and impairment of non-current assets	7,600	
(876)	Revaluation losses on Property, Plant and Equipment	(21,097)	
671	Amortisation of Intangible Assets	332	
619	Revenue Expenditure Funded from Capital Under Statute	2,348	
27,233	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	10,854	
78,438			37
(7,192)	Adjusting amounts written out of the Revaluation Reserve		(7,044)
(304,610)	Net written out amount of the cost of non-current assets consumed in the year		(371,079)
	Capital financing applied in the year:		
(2,044)	Use of the Capital Reserve to finance new capital expenditure	(3,198)	
(8,383)	Use of the Major Repairs Reserve to finance new capital expenditure	(8,365)	
(13,468)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(8,936)	
(17,394)	Application of grants to capital financing from the Capital Grants Unapplied Account	(3,910)	
(10,531)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(10,038)	
(7,642)	Capital expenditure charged against the General Fund and HRA balance	(1,534)	
(59,462)			(35,981)
0	Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(19)
0	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		0
0	HRA Self Financing		(1,474)
(364,072)	Balance at 31 March		(408,553)

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 1st 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.

2012/13 £'000		2013/14 £'000
(102,619)	Balance at 1 April	(98,773)
(16,928)	Upward revaluation of assets	(11,112)
13,582	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	6,495
(3,346)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(4,617)
2,163	Difference between fair value depreciation and historical cost depreciation	2,311
5,029	Accumulated gains on assets sold or scrapped	4,733
7,192	Amount written off to the Capital Adjustment Account	7,044
(98,773)	Balance at 31 March	(96,346)

c) Financial Instruments 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 and Housing Revenue Account Balance to this account in the Movement in Reserves Statement. Over time, the income/expense is posted back to the General Fund and Housing Revenue Account 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.

2012/13		2013/14
£'000		£'000
519	Balance at 1 April	(287)
(793)	Premiums and discounts incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(158)
(13)	Proportion of premiums and discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(5)
(806)	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	(163)
(287)	Balance at 31 March	(450)

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.

Restated		2013/14
2012/13		£'000
£'000		£'000
263,933	Balance at 1 April	235,742
(46,749)	Actuarial gains or losses on pensions assets and liabilities	(3,687)
32,812	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	34,149
(14,254)	Employer's pension contributions and direct payments to pensioners payable in the year	(15,075)
235,742	Balance at 31 March	251,129

Notes to the Accounts

e) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rate 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.

2012/13 £'000		Council Tax 2013/14 £'000	NDR 2013/14 £'000	Total 2013/14 £'000
(2,114)	Balance at 1 April	(1,811)	0	(1,811)
302	Amount by which council tax and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rate income calculated for the year in accordance with statutory requirements	(58)	8,205	8,147
<u>(1,812)</u>	Balance at 31 March	<u>(1,869)</u>	<u>8,205</u>	<u>6,336</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.

2012/13 £'000		2013/14 £'000
(2,496)	Balance at 1 April	(2,480)
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
16	Transfer to the Capital Receipts Reserve upon receipt of cash	2,348
<u>(2,480)</u>	Balance at 31 March	<u>(132)</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 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

	2012/13 £'000		2013/14 £'000
	927	Balance at 1 April	917
	(927)	Settlement or cancellation of accrual made at the end of the proceeding year	(917)
	917	Amounts accrued at the end of the current year	1,027
	(10)	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	110
	<u>917</u>	Balance at 31 March	<u>1,027</u>

32. CASH AND CASH EQUIVALENTS

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

	Balance 31 Mar 2013 £'000	Balance 31 Mar 2014 £'000	Movement In Year £'000
Cash held by the Authority	193	38	(155)
Short-term deposits with Financial Institutions	14,897	89,579	74,682
Bank Overdraft	(12,847)	(8,068)	4,779
Total Cash & Cash Equivalents	<u>2,243</u>	<u>81,549</u>	<u>79,306</u>

Notes to the Accounts

33. 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.

Restated 2012/13 £'000		2013/14 £'000
(20,485)	Net Surplus/(Deficit) on the provision of services	68,343
	<u>Adjustments to net Surplus or deficit on the provision of services for non-cash movements</u>	
41,491	Depreciation and Impairment of non-current assets	(13,124)
0	Investment Assets Revaluation Gains & Losses	(19)
(28,965)	Capital Grants & Contributions	(33,949)
4,906	(Increase) / decrease in Creditors	9,368
2,946	Increase / (decrease) in Debtors	3,960
80	Increase / (decrease) in Inventories and Work in Progress	(143)
(354)	(Increase) / decrease in Provisions	11,287
18,559	Pension Assets / Liabilities	19,074
22,698	Carrying amount of non-current assets sold	4,828
587	Housing Capital Receipts Pool	676
(8,401)	Revenue Expenditure Funded from Capital Under Statute	0
(1,959)	Local Government Reorganisation Transferred Debt	(1,959)
(7,335)	Other non-cash items charged to the net surplus or deficit on the Provision of Service	(10,268)
44,253	Total Non-Cash Items in the Provision of Services	(10,269)
0	Total Investing and Financing activities included in the Provision of Services	0
17,700	Reversal of operating activity items included in the net surplus or deficit on the Provision of Services that are shown separately	18,729
	<u>Cash flow from interest received and paid</u>	
(20,589)	Interest Paid	(24,742)
(76)	Interest element of Finance Leases	(127)
2,008	Interest Received	1,621
(18,657)	Total Cash Flow from Interest Received and Paid	(23,248)
22,811	Net Cash flow from Operating Activities	53,555

Notes to the Accounts

34. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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, but costs are charged out of the Comprehensive Income and Expenditure Statement.

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

Notes to the Accounts

Service Group Income & Expenditure 2013/14	Resources: Finance, HR & Governance £'000	Resources: Public Access £'000	Adult Social Care & Health £'000	Housing & Community £'000	Children & Families: Education, Effectiveness & £'000	Children & Families: Integrated Support £'000	Planning & Transport £'000	Public Realm £'000	Corporate Core £'000	Total Carried Forward to Below
Government Grants & Contributions	(105,160)	(2)	(8,952)	(152)	(12,636)	(10,108)	(8,436)	(342)	(51)	(145,839)
Fees, Charges & Other Service Income	(1,928)	(2,763)	(12,687)	(1,349)	(5,431)	(1,015)	(14,602)	(6,436)	(247)	(46,458)
TOTAL INCOME	(107,088)	(2,765)	(21,639)	(1,501)	(18,067)	(11,123)	(23,038)	(6,778)	(298)	(192,297)
Employee Costs	5,151	1,743	22,372	1,550	10,707	20,560	3,415	10,218	2,357	78,073
Other Operating Expenses	130,417	5,852	57,210	3,517	18,453	25,494	12,880	27,918	522	282,263
Support Service Recharges	(22,210)	(7,538)	6,488	74	6,191	6,230	3,917	5,168	(1,414)	(3,094)
TOTAL EXPENDITURE	113,358	57	86,070	5,141	35,351	52,284	20,212	43,304	1,465	357,242
Contributions to/(from) Reserves	325	204	(1,108)	(801)	860	(555)	5,301	(412)	(105)	3,709
NET EXPENDITURE	6,595	(2,504)	63,323	2,839	18,144	40,606	2,475	36,114	1,062	168,654

Service Group Income & Expenditure 2013/14	Total Brought Forward from Above £'000	Debt Financing £'000	Housing Revenue Accounts £'000	Public Health £'000	Schools £'000	Corporate Resources £'000	All Service Groups Total £'000
Government Grants & Contributions	(145,839)	0	(28)	(8,101)	(146,384)	(70,993)	(371,345)
Fees, Charges & Other Service Income	(46,458)	(1,115)	(55,710)	(107)	(5,257)	(131,932)	(240,579)
TOTAL INCOME	(192,297)	(1,115)	(55,738)	(8,208)	(151,641)	(202,925)	(611,924)
Employee Costs	78,073	0	3,649	1,091	120,172	0	202,985
Other Operating Expenses	282,263	23,410	36,767	6,063	33,991	(1,775)	380,719
Support Service Recharges	(3,094)	(4,340)	6,994	442	0	0	2
TOTAL EXPENDITURE	357,242	19,070	47,410	7,596	154,163	(1,775)	583,706
Contributions to/(from) Reserves	3,709	253	8,461	660	305	14,734	28,122
NET EXPENDITURE	168,654	18,208	133	48	2,827	(189,966)	(96)

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	Children & Families: Education, Effectivness & £'000	Children & Families: Integrated Support £'000	Planning & Transport £'000	Public Realm £'000	Corporate Core £'000	Total Carried Forward to Below £'000
Government Grants & Contributions	(120,301)	(46)	(6,664)	(692)	(19,015)	(1,675)	(5,011)	(1,113)	(64)	(154,581)
Fees, Charges & Other Service Income	(1,859)	(1,844)	(14,717)	(1,811)	(5,006)	(1,987)	(1,756)	(17,992)	(121)	(47,093)
TOTAL INCOME	(122,160)	(1,890)	(21,381)	(2,503)	(24,021)	(3,662)	(6,767)	(19,105)	(185)	(201,674)
Employee Costs	7,084	1,504	21,118	1,192	10,371	20,847	2,611	12,076	2,264	79,067
Other Operating Expenses	151,554	5,530	54,041	3,901	26,343	19,077	1,111	40,254	476	302,287
Support Service Recharges	(22,383)	(6,840)	5,984	91	5,882	5,822	1,683	5,910	(1,592)	(5,443)
TOTAL EXPENDITURE	136,255	194	81,143	5,184	42,596	45,746	5,405	58,240	1,148	375,911
Contributions to/(from) Reserves	(3,410)	541	2,104	(141)	(2,286)	258	2,909	(605)	(24)	(654)
NET EXPENDITURE	10,685	(1,155)	61,866	2,540	16,289	42,342	1,547	38,530	939	173,583

Service Group Income & Expenditure 2012/13	Total Brought Forward from Above £'000	Debt Financing £'000	Housing Revenue Accounts £'000	Public Health £'000	Schools £'000	Central Resources £'000	All Service Groups Total £'000
Government Grants & Contributions	(154,581)	0	(56)	0	(150,043)	(103,971)	(408,651)
Fees, Charges & Other Service Income	(47,093)	(1,974)	(55,528)	0	(5,119)	(99,327)	(209,041)
TOTAL INCOME	(201,674)	(1,974)	(55,584)	0	(155,162)	(203,298)	(617,692)
Employee Costs	79,067	0	3,713	0	121,457	0	204,237
Other Operating Expenses	302,287	22,617	43,147	0	35,314	(665)	402,700
Support Service Recharges	(5,443)	(2,935)	8,132	0	0	246	0
TOTAL EXPENDITURE	375,911	19,682	54,992	0	156,771	(419)	606,937
Contributions to/(from) Reserves	(654)	2,420	845	0	571	6,612	9,794
NET EXPENDITURE	173,583	20,128	253	0	2,180	(197,105)	(961)

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.

Restated 2012/13 £'000	2013/14 £'000
(961) Net expenditure in the Analysis	(96)
7,154 Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Amount Reported for Resource Allocation Decisions	(45,450)
185,768 Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	164,265
191,961	118,719
Cost of Services in Comprehensive Income and Expenditure Statement	118,719

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.

2013/14	Analysis £'000	Services & Support Services not in analysis £'000	Amounts not reported to management in decision making £'000	£'000 Amounts not included in I&E £'000	£'000 Allocation of recharges £'000	£'000 Cost of Services £'000	£'000 Corporate Amounts £'000	£'000 Total £'000
Fees, Charges & Other Service Income	(155,791)	0	0	42,004	0	(113,787)	(42,004)	(155,791)
Interest and Investment Income	(1,116)	0	0	1,116	0	0	(1,116)	(1,116)
Income from Council Tax	(83,671)	0	0	83,671	0	0	(83,671)	(83,671)
Government Grants	(371,310)	0	0	103,179	0	(268,131)	(103,179)	(371,310)
TOTAL INCOME	(611,888)	0	0	229,970	0	(381,918)	(229,970)	(611,888)
Employee Expenses	202,985	0	19,182	(10,730)	0	211,437	10,730	222,167
Other Service Expenses	383,031	0	(37,167)	(29,199)	0	316,665	898	317,563
Support Service Recharges	0	0	0	0	0	0	0	0
Depreciation, Amortisation & Impairment	0	0	(27,465)	0	0	(27,465)	0	(27,465)
Interest Payments	19,845	0	0	(19,845)	0	0	19,845	19,845
Precepts and Levies	5,931	0	0	(5,931)	0	0	5,931	5,931
Payments to the Housing Capital Receipts Pool	0	0	0	0	0	0	676	676
Gain/Loss on Disposal of Non-current Assets	0	0	0	0	0	0	4,828	4,828
TOTAL EXPENDITURE	611,792	0	(45,450)	(65,705)	0	500,637	42,908	543,545
Surplus/Deficit on the Provision of Services	(96)	0	(45,450)	164,265	0	118,719	(187,062)	(68,343)

Notes to the Accounts

2012/13 Comparators Restated	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)
TOTAL INCOME	(617,692)	0	0	233,251	0	(384,441)	(233,251)	(617,692)
Employee Expenses	206,179	0	18,548	(11,773)	0	212,954	11,774	224,728
Other Service Expenses	385,089	0	(48,983)	(10,247)	0	325,859	1,253	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
TOTAL EXPENDITURE	616,731	0	7,154	(47,483)	0	576,402	61,776	638,178
Surplus/Deficit on the Provision of Services	(961)	0	7,154	185,768	0	191,961	(171,475)	20,486

Notes to the Accounts

35. 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		Short Term	
	31 Mar 2013 £'000	31 Mar 2014 £'000	31 Mar 2013 £'000	31 Mar 2014 £'000
Loans and Receivables	0	0	75,231	124,662
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
Total Investments	0	0	75,231	124,662
Loans and Receivables	31,881	31,800	14,744	9,309
Financial Assets at Fair Value through Profit or Loss	0	0	0	0
Total Debtors	31,881	31,800	14,744	9,309
Financial Liabilities at Amortised Cost	(420,565)	(400,564)	(26,775)	(27,087)
Financial Liabilities at Fair Value Through Profit and Loss	0	0	0	0
Soft Loans Received	(4,806)	(6,349)	0	0
Total Borrowings	(425,371)	(406,913)	(26,775)	(27,087)
PFI and Finance Lease Liabilities	(1,137)	(642)	(655)	(485)
Total Other Long Term Liabilities	(1,137)	(642)	(655)	(485)
Financial Liabilities at Amortised Cost	(25,090)	(26,595)	(26,519)	(24,789)
Financial Liabilities carried at Contract Amount	0	0	0	0
Total Creditors	(25,090)	(26,595)	(26,519)	(24,789)

At the 31st March 2014, the council had £124,662,000 (£75,231,000 in 2012/13) invested with various financial institutions classified as Current Loans and Receivables. Of this amount £89,579,000 (£14,897,000 in 2012/13) has been classified as cash equivalent as per Accounting Policy note 6 leaving £35,083,000 (£60,334,000 in 2012/13) on the Balance Sheet as Short Term Investments.

Notes to the Accounts

b. 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.

c. 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.

d. 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.

e. Defaults and Breaches

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

f. 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:

2012/13 Financial Liabilities Measured at Amortised Cost £'000	2012/13 Financial Assets: Loans and Receivables £'000	2013/14 Financial Liabilities Measured at Amortised Cost £'000	2013/14 Financial Assets: Loans and Receivables £'000
(19,732)	0	(19,884)	0
0	0	0	0
0	0	0	0
0	0	0	0
(19,732)	0	(19,884)	0
0	2,025	0	1,288
0	0	0	0
0	0	0	0
0	0	0	0
0	2,025	0	1,288
(19,732)	2,025	(19,884)	1,288

Notes to the Accounts

g. 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 the Public Works Loan Board (PWLB) at 31st March 2014 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 31st March 2014) 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 31st March 2014) 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 2013			31 Mar 2014	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
432,082	461,057	Public Works Loan Board (PWLB)	412,395	414,457
15,258	16,663	Market Borrowing	15,256	15,739
4,806	4,807	Other Loans	6,349	6,349
26,519	26,519	Short Term Trade Creditors	24,789	24,789
478,665	509,046	Financial Liabilities at Amortised Cost	458,789	461,334
75,231	75,516	Investments	124,662	124,721
14,744	14,744	Short Term Trade Debtors	9,309	9,309
89,975	90,260	Loans and Receivables	133,971	134,030

h. 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

- 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 2013/14 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 31st March 2014 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;

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- 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. Individual credit limits are 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 and adjusted to reflect current market conditions.

	Amount at 31 Mar 2014 £'000 A	Historical Experience of Default % B	Historical Experience Adjusted for Market Conditions at 31 Mar 2014 % C	Estimated Maximum Exposure to Default and Uncollectability £'000 D
Deposits with Banks and Financial Institutions	124,662	0.00%	0.00%	0
Bonds	0	0.00%	0.00%	0
Customers	4,860	13.22%	13.22%	642
Total				642

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

2012/13 £'000		2013/14 £'000
4,849	Less than three months	3,004
203	Three to six months	280
955	Six months to one year	2,601
715	More than one year	1,075
6,722		6,960

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

2012/13 £'000		2013/14 £'000
0	Less than three months	0
240	Three to six months	179
211	Six months to one year	169
906	More than one year	1,260
1,357		1,608

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.

2012/13 £'000		2013/14 £'000
23,000	Less than one year	27,087
20,000	Between one and two years	21,150
21,150	Between two and five years	6,351
384,221	More than five years	379,412
448,371		434,000

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.

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

2012/13 £'000		2013/14 £'000
0	Increase in interest payable on variable rate borrowings	0
(515)	Increase in interest receivable on variable rate investments	(815)
(4,714)	Increase in government grant receivable for financing costs	(5,434)
<u>(5,229)</u>	Surplus or Deficit on the Provision of Services	<u>(6,249)</u>
<u>(2,446)</u>	Share of overall impact debited to the HRA	<u>(2,546)</u>
<u>(202)</u>	Decrease in fair value of fixed rate investment assets Impact on Other Comprehensive Income and Expenditure	<u>72</u>
<u>50,417</u>	Decrease in fair value of fixed rate borrowings liabilities	<u>38,003</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.

36. 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 2013 £'000		31 Mar 2014 £'000
1,286	Vehicles, Plant, Furniture and Equipment	825
613	Intangibles	409
<u>1,899</u>		<u>1,234</u>

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

Notes to the Accounts

the council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 Mar 2013		31 Mar 2014
£'000		£'000
	Finance lease liabilities (net present value of minimum lease payments):	
655	- current	642
1,137	- non-current	485
263	Finance costs payable in future years	133
2,055	Minimum Lease Payments	1,260

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 Mar 2013	31 Mar 2014	31 Mar 2013	31 Mar 2014
	£'000	£'000	£'000	£'000
Not later than one year	788	763	655	642
Later than one year and not later than five years	1,267	497	1,137	485
Later than five years	0	0	0	0
	2,055	1,260	1,792	1,127

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 2013/14 there were no contingent rents payable by the council (2012/13 £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 2013		31 Mar 2014
£'000		£'000
667	Not later than one year	498
723	Later than one year and not later than five years	596
1,431	Later than five years	1,350
2,821		2,444

Notes to the Accounts

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

At 31st March 2014 the future minimum sub-lease payments expected to be received under non-cancellable sub-leases was £59,200 (£24,100 31st March 2013).

The expenditure charged in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

31 Mar 2013 £'000		31 Mar 2014 £'000
1,061	Minimum Lease Payments	1,579
0	Contingent Rents	0
(1)	Sublease Payments Receivable	(2)
1,060		1,577

b. Council as Lessor

Finance Leases

The council has leased out property on finance leases to six schools which have become academies and three properties which are used as education centres. 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.

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 2013 £'000		31 Mar 2014 £'000
1,972	Not later than one year	2,143
5,068	Later than one year and not later than five years	5,180
14,037	Later than five years	13,852
21,077		21,175

Notes to the Accounts

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 2013/14 £60,000 contingent rents were receivable by the council (£87,000 in 2012/13).

37. LONG TERM CONTRACTS

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 £42,000,000. The contract has been extended, and is now due to end in March 2016.

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 ended in November 2013.

The council entered into a new contract with Potton Windows Ltd for replacement windows and doors to council housing stock which commenced in April 2013, the contract is valued at £12,000,000 and runs to 31st March 2017. This contract replaced similar contract which ended in March 2013 with the value of £8,000,000.

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 Ltd is £84,000,000 and it is due to end in March 2019.

Provision of Temporary Workers

This contract was awarded to Manpower UK Ltd in February 2011. All requirements for temporary staff are routed via this contract and the contract guarantees no minimum value or volume. The contract is due to expire in February 2015. The estimated value of this contract is £18,000,000.

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.

Notes to the Accounts

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 £197,400,000.

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 1st October 2012 and runs for four years. The annual value of the contract is in the region of £2,300,000, depending on gas usage in the period. Total value over the contract period is therefore £9,200,000. 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.

Gas Maintenance Services

The council entered into a contract with Wheldons Contracts and Services on 1st April 2007 and is due to expire on 31st March 2017. The total contract value is £70,000,000 and covers gas servicing, repairs, callout and new heating installations to the council's Housing portfolio.

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 1st 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 £3.0m; 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.

38. RELATED PARTY TRANSACTIONS

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.

Notes to the Accounts

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 18 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 Clinical Commissioning Group. Full details of the transactions for each of the pooled arrangements can be found at note 15.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid during 2013/14 is shown in note 12. During 2013/14, works and services to the value of £635,000 were commissioned from organisations in which 11 members had an interest. Of this sum, £69,000 was paid to The Milton Keynes Art Centre (formally Artwork MK) to promote, maintain and improve arts and crafts within the borough and £37,000 was paid to the City Discovery Centre as a contribution to the educational activities of the charity.

In addition, the council paid grants totalling £557,000 to voluntary and charitable organisations in which 13 members had positions on the governing body. Of this sum, £253,000 was paid to National Energy Foundation to fund improvements in energy use in buildings and £75,000 was paid to Wolverton and Watling Way Pools Leisure 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 2013/14 totalled £24,000 (£15,000 in 2012/13) from 9 organisations in which 10 members had an interest.

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 2013/14, 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.

Notes to the Accounts

Assisted Organisations

During 2013/14, 135 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 £5.330m during the year.

Of this sum, £872,000 was paid to 84 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, 37 organisations engaged in supporting people received a total of £3,364,000 and 12 organisations whose activity supports the council's cultural agenda received £369,000.

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 £225,000 in 2013/14 to ensure support for vulnerable adults at risk of losing their accommodation.

MK Women's Aid work to prevent and protect women and children from domestic violence. During 2013/14, the council paid £500,000 for refuge places, a floating support service and crisis intervention support.

Outstanding Balances

The outstanding amounts owed by related parties at the end of 31st March 2014 totalled £2,500 (£1,000 at 31st March 2013).

The outstanding amount owed to related parties at the end of 31st March 2014 totalled £24,000 (£134,000 at 31st March 2013).

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.

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 2012/13 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 Sport Education Trust, which is a charitable

Notes to the Accounts

company, limited by guarantee. The company's net assets as at 30th June 2013 were £221,018 (£220,451 at 30th June 2012) and the surplus reported as at 30th June 2013 was £567 (surplus of £62,291 at 30th June 2012).

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 2013/14, the council provided the MK Dons Sport and Education Trust with £400,000 for works and services which includes £300,000 for Early Help Funding which provides parenting, mentoring and brief intervention services and a Falls Prevention Scheme amounting to £24,000 and owed them £11,000 as at 31st March 2014. The council received £13,000 from the MK Dons Sport and Education Trust in 2013/14 and £2,426 was owed to Milton Keynes Council as at the 31st march 2014.

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 31st March 2013 the company's net assets were £86,672,002 (£84,096,339 at 31st March 2012), and the net movement of funds in the year resulted in surplus of 2012/13 was £2,575,663 (£10,057,339 reported for 2011/12).

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 2013/14, the council paid the Milton Keynes Parks Trust Ltd £76,000 which includes a grant for £1,600 for Water Safety, and received income totalling £4,000. The balance owed to the Milton Keynes Parks Trust at 31st March 2014 was £31.

Shenley Leisure Centre Trust Limited

Milton Keynes Council has 20% representation (three members appointed by the council) on the Board of Directors of the Shenley Leisure Centre Trust Limited which is a charitable company limited by guarantee and not having share capital. At 31st March 2013 the company's net movement of funds in the year resulted in a surplus of £104,430 (£71,892 at 31st March 2012) and the net assets for 2012/13 were £1,107,678 (£1,003,248 for 2011/12).

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 2013/14, the council paid the Shenley Leisure Centre Trust Leisure Trust £17,000 for works and services and a further £143,000 in grant funding. The council received income of £350 from the Trust.

The council has identified a further 30 organisations to which councillors, 16 in total have been appointed on behalf of the council and where the councillors concerned may be

Notes to the Accounts

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.

Milton Keynes Service Partnership and Milton Keynes Development Partnership

Milton Keynes Council has 100% representation on the Board of Directors and therefore controls two Limited Liability Partnerships. Details of both Milton Keynes Service Partnership and Milton Keynes Development Partnership are disclosed in the Group Accounts Note on the following page. Further details can also be found in the Group Accounts section on page 159.

39. GROUP ACCOUNTS

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 31st 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 14th 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 purchased from the Homes and Communities Agency by the council, in line with the 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 159 (Group Accounts).

Connect MK

Connect MK provided a broadband service to residents and businesses within the borough of Milton Keynes. During 2013/14 the company was wound up and the work and staff were transferred into MKSP from 1st April 2014. The council has therefore not included Connect MK within their Consolidated Group Accounts disclosures.

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40. TRUST FUNDS

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 31st March 2014 was £10,974 (£10,974 at 31st March 2013). Expenditure of £Nil was incurred in 2013/14 (£Nil in 2012/13).

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 2013/14, expenditure on the Tower totalled £372 (£310 in 2012/13).

c. The Simpson and Fenny Stratford/Bletchley War Memorial Trusts

The 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 2013/14 there were no costs incurred (£Nil in 2012/13).

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 31st March 2014 was £100,522 (£96,000 in 2012/13). In 2013/14 dividends and donations received generated an income of £3,651 (£3,615 in 2012/13) and expenditure totalling £500 was paid out in grants (£4,750 in 2012/13). The council acts as administrator for the trust.

Notes to the Accounts

41. CONTINGENT GAINS AND LOSSES

- a. 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 was 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.
- b. Land connected with the Radcliffe School was sold on 18th February 2011. Guaranteed amounts were payable to the council on sale completion and on 1st July 2013 the council received 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 18th February 2014 dwellings had been sold however the price did not exceed the threshold. The next assessment date is February 2015. There is also a mechanism in the contract for dealing with the payment of overage for any remaining dwellings unsold on the 8th anniversary of the sale to close down the topic of overage.
- c. The council is progressing a legal claim on a contingent fee agreement (no win no fee) in respect of legal advice provided on the failed Radcliffe land sale. The claim is being refuted and amounts cannot be estimated at this time.
- d. 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 has now implemented 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.

Potential equal pay liabilities as a result of the Job Evaluation exercise are currently unknown. Collective agreement has been reached with Trade Unions to implement the new Job Evaluation scheme, revised pay structure and terms and conditions of service with effect from 1st April 2014. Any financial effect will be dependent on effective implementation and the outcome of any appeals process which we anticipate will be complete by December 2014.

- e. As a major employer the council is, from time to time in receipt of employment tribunal claims. There are currently six claims lodged with the employment tribunal, two of which are from current employees. Of the six cases there are two race discrimination and two disability discrimination claims; only one of these cases has proceeded to tribunal and has been partially heard. In the event that these claims continue and

Notes to the Accounts

damages awarded for injury to feelings, the initial estimate of total liability for all four discrimination cases is £46,000. The remaining two claims relate to unfair dismissal and employment tribunals have taken place with judgement reserved.

- f. In January 2013 the council took over the management of the Milton Keynes Tariff, which is a framework Section 106 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.
- g. 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. The estimated amount that would be owed to Milton Keynes Council if the claim was resolved would be £70,000.
- h. A claim has been pursued against a contractor who was employed on the construction of Wolverton Station; the claim was for inadequate professional advice provided to Milton Keynes Council. A settlement of £40,000 was agreed on 9th July 2014 during the audit of the 2013/14 accounts.
- i. 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 element is required to be repaid. Any repayment due will be subject to interest 4% above the base rate at the date of expiry. At the 31st March 2014 the value of receipts that were not allocated to a specific project was £1,283,000.
- j. A claim is being pursued against the council's professional advisors who were engaged on the Waste Management Contract; the claim is for incorrect documentation prepared in the final contract document and consequential financial loss of income to the council. The value of the claim cannot be estimated at this time.
- k. A claim is being pursued against the operators of the Materials Recycling Factory for indexation on the rental income due to Milton Keynes Council. There is an issue in the legal documentation regarding the rent which should have stated that the rent was subject to annual inflation. However, in the final issuing of the documents an incorrect page was included, which failed to state that the rent was index linked. The council are pursuing the financial advisors and the legal representatives who prepared the document along with the operators to try to recover the money that would have been due to date and ensure that the rent is at the higher level for the remainder of the contract. If the claim was successful the council would expect to receive £232,000 up to 31st March 2014 and a further £1,800,000 over the life of the contract.

Notes to the Accounts

- i. A claim is being pursued against Her Majesty's Revenue and Customs (HMRC) in respect of landfill tax mistakenly paid to HMRC by Waste Operators, and subsequently recharged to Milton Keynes Council, for waste that was used for the purposes of engineering and producing gas for electricity generation. The value of the claim is expected to exceed £300,000.
- m. There is a dispute between various health organisations and Milton Keynes Council over responsibility for contraceptive prescribing costs. An accrual has been made for recharges to Milton Keynes Council Public Health where the responsibility is acknowledged. However the council does not accept responsibility for other costs estimated at £328,000 for 2013/14.
- n. Following an audit of the council's leasing advisor, it has been found that a refund will be due to the council for savings relating to termination deals in 2005/6. The amount of £61,000 has been verified during the audit of the 2013/14 Statement of Accounts and therefore the council is no longer required to treat this as a contingency.
- o. A family member of an Adult Social Care client is pursuing a claim for costs in respect of a court ruling; this is being contested. An estimate of the costs is up to £100,000.
- p. Following the demise of the Municipal Mutual in September 1993, the Administrators implemented a 'Scheme of Arrangement' called the Municipal Mutual Scheme of Arrangement. Under the scheme the insurers would continue to meet the costs of known claims, which had not yet been settled and claims that had been incurred, but not yet been reported.

The Administrators calculated that by selling off Company assets and investing wisely, all claims could be paid. Any money left following the final completing of all claims, would be distributed between the policy holders including Milton Keynes Council known as a 'solvent run-off'

However if this could not be achieved, each policyholder would be requested to contribute a percentage of all claims paid/outstanding since the appointment of the administrators.

In 2012 and 2013, Municipal Mutual were involved in a lengthy court hearing to obtain legal judgement on where responsibility for work related asbestos claims sat.

Municipal Mutual lost the case and therefore Milton Keynes Council is potentially liable for up to £625,000 in respect of claims inherited from Buckingham County Council and the previous demise of Municipal Mutual Insurance.

- q. Due to the uncertainty in terms of both timing and amounts, a provision was not made in the Collection Fund accounts for appeals which have not yet been made at the 31st March 2014 or where Milton Keynes Council does not have prior intelligence. As such, the potential for further appeals is a potential liability to Milton Keynes Council which cannot be estimated at this time.
- r. Milton Keynes Council has not been able to disclose an asset in the Collection Fund accounts for rating amendments which have not yet been completed by the Valuation

Notes to the Accounts

Office. This is because they are uncertain both in terms of amount and timing; as such, the potential for further income is unknown and so a contingent asset is disclosed within the Statement of Accounts.

42. RETIREMENT BENEFITS

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, administered locally by Buckinghamshire County Council. This is a funded defined benefits final salary scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities 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 and Housing Revenue Account via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance and Housing Revenue Account via the Movement in Reserves Statement during the year:

Notes to the Accounts

Restated 2012/13 £'000		2013/14 £'000
	<u>Comprehensive Income and Expenditure Statement</u>	
	Cost of Services	
	<i>Service cost comprising:</i>	
20,232	Service Cost	22,383
564	Past Service Costs	610
243	Administration expenses	426
	<i>Financing and Investment Income and Expenditure</i>	
11,774	Net interest expense	10,730
32,813	Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	34,149
	<i>Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</i>	
	Remeasurement of the net defined benefit liability comprising:	
	Return on plan assets (excluding the amount included in the net interest expense)	
(46,876)		(7,567)
0	Actuarial (gains) and losses arising on changes in demographic assumptions	18,526
127	Actuarial (gains) and losses arising on changes in financial assumptions	34,171
0	Experience gain/ (loss) on defined benefit obligation	(57,584)
0	Other actuarial gains/ (losses) on assets	8,767
(46,749)	Total Actuarial (Gain)/Loss on Pension Assets	(3,687)
(13,936)	Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	30,462
	<u>Movement in Reserves Statement</u>	
(32,813)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in accordance with the code.	(34,149)
	<i>Actual Amount Charged Against the General Fund Balance for Pensions in Year:</i>	
14,254	Employers Contributions Payable to Scheme	15,076

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the council's obligation in respect of its defined benefit plan as follows:

Restated 2012/13 £'000	Defined benefit plans	2013/14 £'000
(599,444)	Present Value of the defined obligations	(636,496)
363,702	Fair Value of plan assets	385,367
(235,742)	Net Liability arising from Defined Benefit Obligations	(251,129)

Notes to the Accounts

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

Restated 2012/13 £'000		2013/14 £'000
302,292	Opening fair value of scheme assets	363,702
13,847	Interest on assets	17,228
	<i>Remeasurement (gain)/loss:</i>	
46,876	The return on plan assets, excluding the amount included in the net interest expense	7,567
0	Other actuarial (gains)/losses	(8,767)
14,254	Contribution by employer	15,076
4,678	Contribution by Scheme participants	4,663
(15,325)	Estimated Benefits paid	(13,398)
(2,677)	Settlement prices received/(paid)	(278)
(243)	Administration expenses	(426)
<u>363,702</u>	Closing fair value of scheme assets	<u>385,367</u>

Reconciliation of Present Value of scheme Liabilities (Defined Benefit Obligation)

Restated 2012/13 £'000		2013/14 £'000
566,225	Opening balance at 1st April	599,444
22,548	Current Service Cost	22,728
25,621	Interest Cost	27,958
4,678	Contribution by scheme participants	4,663
	<i>Measurement (gain)/loss:</i>	
0	Actuarial (gains)/losses arising from changes in demographic assumptions	18,526
127	Actuarial (gains)/losses arising from changes in financial assumptions	34,171
0	Experience loss/(gain) on defined benefit obligation	(57,584)
564	Past Service cost, including curtailments	610
(4,994)	Liabilities assumed / (extinguished) on settlements	(623)
(14,738)	Estimated benefits paid net of transfer in	(12,812)
(587)	Unfunded pension payments	(585)
<u>599,444</u>	Closing balance at 31st March	<u>636,496</u>

Local Government Pension Scheme assets comprised:

The return on the pension fund for the year to 31st March 2014 is estimated to be 7%. The actual return on Fund assets over the year may be different.

The estimated assets allocation for Milton Keynes Council as at 31st March 2014 is as follows:

Notes to the Accounts

31 Mar 2013			31 Mar 2014		
£'000	%		£'000	%	
14,548	4%	Gilts	19,268	5%	
254,592	70%	UK Equities	73,220	19%	
0	0%	Oversea Equities	158,000	41%	
0	0%	Private Equity	30,829	8%	
32,733	9%	Other Bonds	38,537	10%	
29,096	8%	Property	30,829	8%	
3,637	1%	Cash	3,854	1%	
29,096	8%	Alternative Assets	0	0%	
0	0%	Hedge Funds	15,415	4%	
0	0%	Absolute return Portfolio	15,415	4%	
363,702	100%	Total Assets	385,367	100%	

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method. An estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme have been estimated by Waddingham Public Sector Consulting, an independent firm of actuaries, estimates for the council fund being based on the latest full valuation of the scheme as at 31st March 2014.

The significant assumptions used by the actuary have been:

Restated 2012/13 £'000		2013/14 £'000
6%	Long term expected rate of return on assets in the scheme:	4.5%
	<i>Mortality assumptions:</i>	
	Longevity at 65 for current pensioners:	
20.1	Men	23.6
24.1	Women	26.0
	Longevity at 65 for future pensioners	
22.1	Men	25.8
26.0	Women	28.3
3.4%	Rate of inflation (RPI)	3.6%
2.6%	Rate of inflation (CPI)	2.8%
4.8%	Rate of increase in salaries	4.6%
2.6%	Rate of increase in pensions	2.8%
4.7%	Rate for discounting scheme liabilities	4.5%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analyses changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that the life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The

Notes to the Accounts

estimations in the sensitive analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in previous period.

Sensitivity Analysis	£'000	2013/14 £'000	£'000
Adjustment to discount rate	+0.1%	0.00%	-0.10%
Present value of total obligation	624,955	636,496	648,262
Projected service cost	16,836	17,227	17,627
Adjustment to discount rate	+0.1%	0.00%	-0.10%
Present value of total obligation	638,281	636,496	634,722
Projected service cost	17,227	17,227	17,227
Adjustment to discount rate	+0.1%	0.00%	-0.10%
Present value of total obligation	646,661	636,496	626,529
Projected service cost	17,633	17,227	16,830
Adjustment to discount rate	+ 1 year	None	- 1 year
Present value of total obligation	614,774	636,496	658,402
Projected service cost	16,654	17,227	17,805

Risks associated with investments

In general, participating in a defined benefit pension scheme means that the council is exposed to a number of risks:

- Investment risk - The fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk - The fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk - All of the benefits under the fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk - In the event that the members live longer than assumed a deficit will emerge in the fund. There are also other demographic risks.

Notes to the Accounts

43. 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 2013/14 the council paid £8,149,000 (£8,330,000 in 2012/13) to Teachers Pensions in respect of teachers' retirement benefits, equivalent to 14.1% (14.1% in 2012/13) 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.

Restated 2012/13 £'000		2013/14 £'000
	Expenditure	
11,434	Repairs and Maintenance	10,628
7,598	Supervision and Management	7,918
2,941	Special Services	2,803
332	Rent, Rates, Taxes and Other Charges	335
(53)	Negative Housing Revenue Account Subsidy Payable	0
	Depreciation of Non-Current Assets	
6,186	Dwellings	7,413
534	All Other HRA Assets	587
	Impairment of Non-Current Assets	
7,603	Dwellings	(41,410)
(726)	All Other HRA Assets	42
14	Amortisation of Intangible Fixed Assets	1
417	Revenue Expenditure Funded by Capital Under Statute	160
144	Debt Management Costs	58
307	Movement in allowance for bad debts	526
169	Rent Rebate Subsidy Limitation Transfer to the General Fund	7
683	Exceptional Item Contract Re-negotiations	0
0	HRA Self Financing Debt Settlement	0
37,583	Total Expenditure	(10,932)
	Income	
(49,915)	Dwelling Rents	(51,833)
(1,857)	Non-Dwelling Rents	(1,879)
	Charges for Services and Facilities	
(810)	Tenants	(896)
(1,212)	Leaseholders	(772)
(19)	Contribution towards expenditure	(47)
(188)	Reimbursement Costs	(215)
0	Housing Revenue Account Subsidy Receivable	0
(54,001)	Total Income	(55,642)
(16,418)	Net Expenditure of HRA Services as included in the whole authority	(66,574)
	Comprehensive Income and Expenditure Statement	
310	HRA Share of Corporate and Democratic Core	299
(16,108)	Net Expenditure of Housing Revenue Account Services	(66,275)
(864)	(Gain) / Loss on Sale of HRA Non-Current Assets	(2,505)
10,613	Interest Payable and Similar Charges	9,935
(194)	HRA Interest and Investment Income	(148)
235	Net Interest on the Defined Benefit Liability (Asset)	185
0	Capital Grants and Contributions Receivable	0
(6,318)	Surplus / Deficit for the Year on HRA Services	(58,808)

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.

Restated 2012/13 £'000	2013/14 £'000
(5,511) Housing Revenue Account Balance as at 1 April 2013	(4,568)
(6,318) (Surplus) / Deficit on HRA Income and Expenditure Statement	(58,808)
6,030 Adjustments between Accounting Basis and Funding Basis Under Regulations	50,244
(288) Net (Increase) / Decrease before Transfers to/from Earmarked Reserves	(8,564)
1,231 Transfer to / (from) Reserves	8,491
943 Decrease in year on Housing Revenue Account	(73)
(4,568) Housing Revenue Account Balance as at 31 March 2014	(4,641)

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.

Restated 2012/13 £'000	2013/14 £'000
(14,324) Difference between any other items of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	33,410
(3) Revenue Expenditure Funded from Capital Under Statute	(160)
0 Capital Grants & Contributions credited to the Housing Revenue Income & Expenditure Account	0
864 Net Gain or Loss on Sale of Non-Current Assets	2,505
20 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	12
(588) Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	(330)
6,967 Capital Expenditure funded from the Housing Revenue Account	420
1 Accumulated Absence Account	(9)
12,997 Transfer to/(from) the Major Repairs Reserve	14,300
96 Prudential Borrowing Principal Repayment	96
0 HRA Self Financing Debt Settlement	0
6,030 Adjustments between accounting basis & funding basis under regulations	50,244

Supplementary Financial Statements

4. TRANSFERS TO/FROM EARMARKED RESERVES

The following Reserves were held at 31st March 2014.

	Balance at 31 March 2012 £'000	Transfers Out 2012/13 £'000	Transfers In 2012/13 £'000	Balance at 31 March 2013 £'000	Transfers Out 2013/14 £'000	Transfers In 2013/14 £'000	Balance at 31 March 2014 £'000
Allow for Non-Payment of Debt Reserve	(561)	0	0	(561)	0	0	(561)
Other Earmarked Reserves	(510)	9	(854)	(1,355)	467	(2,158)	(3,046)
Capital Reserve - HRA	(3,497)	6,967	(7,353)	(3,883)	420	(7,219)	(10,682)
Total HRA Earmarked Reserves	(4,568)	6,976	(8,207)	(5,799)	887	(9,377)	(14,289)

5. HOUSING STOCK

At 1st April 2013 the HRA housing stock was 12,374. During the 2013/14 financial year 67 properties were sold to tenants (includes part-sales of shared ownership dwellings), 1 demolished, 9 dwellings were disposed of through open market sales and 4 properties were transferred from general Milton Keynes Council stock to Milton Keynes Council HRA Housing. Therefore as at 31st March 2014 the council's HRA was responsible for managing a housing stock of 12,301 dwellings of which 992 is the council's portion of shared ownership dwellings. The analysis of the remaining 11,309 dwellings is as follows:

	Houses	Flats	Total	Houses Built	No. of Houses
1 Bedroom	1,467	2,339	3,806	Pre - 1919	46
2 Bedrooms	1,785	844	2,629	1919 - 1944	341
3 or more Bedrooms	4,695	179	4,874	1945 - 1964	1,507
				Post - 1964	6,053
Total	7,947	3,362	11,309		7,947

Supplementary Financial Statements

6. ASSET VALUES

The Balance Sheet values of the assets held within the Housing Revenue Account are as follows:

	31 March 2013 £'000	1 April 2013 £'000	31 March 2014 £'000
<u>Operational Assets</u>			
Council Dwellings	415,864	415,864	456,548
Other Land & Buildings	20,105	20,105	20,191
Equipment	33	33	20
<u>Non Operational Assets</u>			
Surplus Assets	1,225	1,225	702
Assets Under Construction	0	0	73
Assets Held for Sale	139	139	139
Investment Properties	43	43	22
	<u>437,409</u>	<u>437,409</u>	<u>477,695</u>

The increase of £40,286,000 between 1st April 2013 and 31st March 2014 is due to further revaluations in the year along with disposals, depreciation and impairment losses.

As at 1st April 2013, the vacant possession value of the council's dwellings is estimated at £1,338,919,000 compared with the Balance Sheet value of £415,864,000 shown above. This variance reflects the economic cost to the Government of providing council housing at less than open market rents.

7. MAJOR REPAIRS RESERVE

The authority is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows capital resources that have yet to be applied at the year-end.

2012/13 £'000		2013/14 £'000
0	Opening Balance at 1 April 2013	(4,614)
(12,997)	Amounts transferred to the Major Repairs Reserve from the HRA during the year	(14,300)
8,383	Debits to the Major Repairs Reserve during the financial year in respect of capital expenditure on land, houses, and other properties within the HRA	8,365
<u>(4,614)</u>	Balance Carried Forward at 31 March 2014	<u>(10,549)</u>

Supplementary Financial Statements

8. CAPITAL EXPENDITURE

Total capital spending within Housing and Other Housing Revenue Account resources and the funding of that expenditure in 2013/14 is shown in the table below.

2012/13 £'000		2013/14 £'000
	<u>Capital Spending</u>	
19,044	- Dwellings	9,073
0	- Other HRA Assets	106
417	- Revenue Expenditure Funded from Capital Under Statute	160
<u>19,461</u>		<u>9,339</u>
	<u>Funded By</u>	
(1,612)	- Usable Capital Receipts	(510)
0	- Supported Borrowing	0
0	- Unsupported Borrowing	0
(8,383)	- Major Repairs Allowance	(8,365)
(2)	- Government Grant	(20)
(2,080)	- Third Party Contributions	(24)
(7,384)	- Revenue Contributions	(420)
<u>(19,461)</u>		<u>(9,339)</u>

9. CAPITAL RECEIPTS

The following capital receipts were received during 2013/14:

2012/13 £'000		2013/14 £'000
	Sales of Dwellings*:	
2,451	Council Houses	3,822
417	Shared Ownership	654
12	Recovered Discount	0
14	Mortgage Receipts	0
0	Other Sales	0
676	Non RTB Sales	1,229
0	Capital Improvement receipts	0
<u>3,570</u>	HRA Receipts in Year	<u>5,705</u>
(586)	Less: Statutory Pooling	(676)
<u>2,984</u>	Total HRA Useable Receipts in year	<u>5,029</u>

* Sales of dwellings are shown net of administrative costs and clawback.

Supplementary Financial Statements

10. DEPRECIATION

The total charge for depreciation within the Housing Revenue Account for the year is made up as follows:

2012/13 £'000		2013/14 £'000
	<u>Operational Assets</u>	
6,186	Dwellings	7,413
484	Other Land and Buildings	565
45	Equipment	13
	<u>Non Operational Assets</u>	
5	Surplus Properties	9
<u>6,720</u>	Gross Balance Sheet Value	<u>8,000</u>

The charge for depreciation on dwellings from 1st April 2013 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.

11. IMPAIRMENT

The total charge for impairment within the Housing Revenue Account for the year is made up as follows:

Total Impairment 2012/13 £'000		Impairment Loss Charged to HRA 2013/14 £'000	Reversal of Impairment Loss charged to HRA 2013/14 £'000	Revaluation - on 2013/14 £'000	Reversal of Revaluation- on Loss charged to HRA 2013/14 £'000	Total Impairment 2013/14 £'000
	Operational Assets					
7,603	Dwellings	10,360	(32,152)	309	(19,927)	(41,410)
(719)	Other Land & Buildings	0	0	49	0	49
<u>6,884</u>	Balance Sheet Value - Operational Assets	<u>10,360</u>	<u>(32,152)</u>	<u>358</u>	<u>(19,927)</u>	<u>(41,361)</u>
(7)	Non-Operational Assets	0	0	0	0	0
<u>(7)</u>	Balance Sheet Value - Non-Operational Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>6,877</u>	Total Impairment	<u>10,360</u>	<u>(32,152)</u>	<u>358</u>	<u>(19,927)</u>	<u>(41,361)</u>

The impairment charge on Council Dwellings is recognising the works identified for the HRA 2013/14 Capital Programme.

Supplementary Financial Statements

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 2013/14, expenditure of this nature totalled £160,000.

Intangible Fixed Assets comprise of purchased software licences and custom built software prepared for use for a period of at least one year and amortised over their useful economic lives. In 2013/14, intangible fixed assets of £1,000 were written down to the Housing Revenue Account.

13. PENSION RESERVE

The transfer to the Pensions Reserve in respect of the Housing Revenue Account is (£330,000). Details of the background to, and reasons for this adjustment, may be found in note 9 to the Statement of Accounting Policies, and note 42 to the Financial Statements.

14. RENTS ARREARS

The total rent income for the year, after allowance is made for empty properties is known as Gross Rent Income. The loss of income as a result of empty properties & garages was £989,000 (£1,031,000 in 2012/13). At 31st March 2014, 0.76% of the housing stock was vacant (0.91% at 31st March 2013).

Rents are expressed in terms of a 50-week year and were increased from 1st April 2013 by an average of 4%. The average weekly rent at the end of 2013/14 was £84.17 (£80.95 in 2012/13).

The Housing Revenue Account shows rent income and other miscellaneous charges (for example service charges). Arrears of all charges at 31st March 2014 amounted to £4,987,000 (£5,017,000 at 31st March 2013). During the year ending 31st March 2014 arrears of £266,000 were written off as irrecoverable, which includes rent debt written off amounting to £252,000.

The council has made a total provision against all housing-related debts of £1,685,000. This figure includes a provision against rent arrears, in the sum of £1,193,000.

Supplementary Financial Statements

15. SUBSIDY LIMITATION TRANSFER TO THE GENERAL FUND

Rent Rebates are available under the Housing Benefit scheme for those on low incomes. 64.21% of the council's tenants receive some help with the cost of their rent.

From 1st 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 2013/14 the cost to the HRA was £7,000.

Supplementary Financial Statements

16. 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.

Restated 2012/13 £'000		Business Rates £'000	Council Tax £'000	2013/14 £'000
INCOME				
(119,080)	Council Tax Receivable	0	(109,210)	(109,210)
(146,322)	Business Rates Receivable	(147,667)	0	(147,667)
(265,402)		(147,667)	(109,210)	(256,877)
EXPENDITURE				
Apportionment of Previous Year Surplus				
0	Central Government	0	0	0
1,402	Billing Authority	0	1,891	1,891
0	County Council	0	0	0
70	Fire Authority	0	95	95
184	Police Authority	0	237	237
1,656		0	2,223	2,223
Precepts, Demands and Shares				
142,701	Central Government	69,300	0	69,300
99,327	Billing Authority	67,914	89,928	157,842
4,984	Fire Authority	1,386	4,428	5,814
13,005	Police Authority	0	11,784	11,784
260,017		138,600	106,140	244,740
Charges to Collection Fund				
1,833	Less write offs of uncollectable amounts	1,148	387	1,535
1,846	Less: Increase/ Decrease(-) in Bad Debt Provision	1,090	392	1,482
	Less: Increase/ Decrease(-) in Provision for Appeals	23,200	0	23,200
377	Less: Cost of Collection	374	0	374
30	Less: Disregarded Amounts	0	0	0
4,086		25,812	779	26,591
357	Surplus (-) /Deficit arising during the year	16,745	(68)	16,677
(2,498)	Surplus (-) /Deficit b/fwd 1st April	0	(2,140)	(2,140)
(2,141)	Surplus (-) /Deficit c/fwd 31st March	16,745	(2,208)	14,537

17. RATEABLE VALUE

The total rateable value of business property as at the end of 2013/14, was £361,117,657 (as compared to £359,108,247 in 2012/13) and the rate multiplier applied was £0.471 (as compared to £0.458 in 2012/13) with a reduced multiplier of £0.462 for those businesses receiving Small Business Relief (as compared to £0.45 in 2012/13).

Supplementary Financial Statements

18. TAX BASE

The Council Tax base for 2013/14, 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	10.57
A	6/9	8,732.24
B	7/9	20,029.06
C	8/9	22,053.67
D	9/9	11,734.90
E	11/9	11,944.45
F	13/9	7,185.06
G	15/9	4,291.43
H	18/9	203.60
		86,184.98
Anticipated changes during the year		1,274.70
Provision for non-collection		(1,224.40)
		86,235.28
Impact of Council Tax Reductions		(10,828.57)
Provision for Non Collection		(527.49)
Council Tax Base		74,879.22

19. 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 2013/14 the Fund is in surplus for Council Tax and deficit for Business Rates this is attributable to:

2012/13 Total £'000	2013/14 Council Tax £'000	2013/14 NDR £'000	2013/14 Total £'000
(1,812) Milton Keynes Council	(1,869)	8,205	6,336
0 Central Government	0	8,373	8,373
(237) Thames Valley Police Authority	(247)	0	(247)
(91) Buckinghamshire and Milton Keynes Fire Authority	(92)	167	75
(2,140)	(2,208)	16,745	14,537

The Council Tax element of the Collection Fund had an estimated surplus of (£1,200,000) when the 2014/15 Council Tax was set. The final outturn as shown above was a surplus of (£2,208,000), leaving the balance of (£1,008,000) to be a contribution to the Collection Fund in 2014/15.

Supplementary Financial Statements

The Business Rates element of the Collection Fund reported a deficit of £16,746,000 which will need to be funded in 2014/15.

20. WRITE OFFS

Council Tax debt of £475,739 was written off in 2013/14 (£574,449 in 2012/13).

Supplementary Financial Statements

21. PRECEPTS AND DEMANDS ON THE COLLECTION FUND

Restated 2012/13 Total		2013/14 Council Tax Precept / Demand	2013/14 NDR Precept / Demand	2013/14 Total Precept / Demand	Council Tax Share of 2013/14 Surplus	NDRShare of 2013/14 Deficit	Total Share of 2013/14 (Surplus)/ Deficit	2013/14 Total
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000
101,138	Milton Keynes Council	89,928	67,914	157,842	(1,869)	8,205	6,336	164,178
142,701	Central Government	0	69,300	69,300	0	8,373	8,373	77,673
13,242	Police & Crime Commissioner for Thames Valley	11,784	0	11,784	(247)	0	(247)	11,537
5,075	Buckinghamshire and Milton Keynes Fire Authority	4,428	1,386	5,814	(92)	167	75	5,889
262,156		106,140	138,600	244,740	(2,208)	16,745	14,537	259,277

GROUP ACCOUNTS

Group Accounts

INTRODUCTION

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 31st 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 14th 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.

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:

- The Group Movement in Reserves Statement; incorporating the movement in year on all the different reserves held by the Group;
- The Group Comprehensive Income and Expenditure Statement; which summarises resources which have been applied and generated in providing services and managing the group during the last year;
- The Group Balance Sheet which sets out the assets and liabilities recognised by the group as at 31st March 2014, and;
- Group Cash Flow Statement, which summarises the changes in cash and cash equivalents of the council during the reporting period.

These statements, together with explanatory notes are set out in the pages that follow.

Notes to the Group Financial Statements

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

Group Accounts

- 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.

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	Earmarked General Fund	Schools Balances	Housing Revenue Account	Earmarked HRA Reserves	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Group Reserves	Reserves Of Group Entities	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2013/14													
Balance at 31 March 2013 Restated	(9,757)	(37,006)	(9,848)	(4,568)	(5,799)	(4,614)	(30,596)	(5,984)	(108,172)	(218,815)	(326,987)	0	(326,987)
(Surplus) or Deficit on Provision of Services (Accounting Basis)	(14,092)	0	0	(58,808)	0	0	0	0	(72,900)	0	(72,900)	0	(72,900)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	0	0	(9,301)	(9,301)	0	(9,301)
Total Comprehensive Expenditure and Income	(14,092)	0	0	(58,808)	0	0	0	0	(72,900)	(9,301)	(82,201)	0	(82,201)
Adjustments between Group Accounts and authorities accounts	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Increase/Decrease before Transfers	(14,092)	0	0	(58,808)	0	0	0	0	(72,900)	(9,301)	(82,201)	0	(82,201)
Adjustments between Accounting Basis & Funding Basis under Regulations	(6,590)	4	0	50,244	0	(5,935)	(21,103)	(4,731)	11,889	(9,921)	1,968	0	1,968
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(20,682)	4	0	(8,564)	0	(5,935)	(21,103)	(4,731)	(61,011)	(19,222)	(80,233)	0	(80,233)
Transfers (to) / from Earmarked Reserves	20,587	(20,286)	(302)	8,491	(8,490)	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers (to) / from Other Reserves													
(Increase) / Decrease in Year	(95)	(20,282)	(302)	(73)	(8,490)	(5,935)	(21,103)	(4,731)	(61,011)	(19,222)	(80,233)	0	(80,233)
Balance at 31 March 2014	(9,852)	(57,288)	(10,150)	(4,641)	(14,289)	(10,549)	(51,699)	(10,715)	(169,183)	(238,037)	(407,220)	0	(407,220)

Group Movement in Reserves Statement

	General Fund	Earmarked General Fund	Schools Balances	Housing Revenue	Earmarked HRA	Major Repairs	Capital Grants	Capital Receipts	Total Usable Reserves	Unusable Reserves	Total Group Reserves	Reserves Of Group Entities	Total Group Reserves
Restated 2012/13	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2012	(8,796)	(26,412)	(10,755)	(5,511)	(4,568)	0	(32,493)	(4,881)	(93,416)	(217,706)	(311,122)	0	(311,122)
(Surplus) or Deficit on Provision of Services (Accounting Basis)	38,647	0	0	(6,318)	0	0	0	0	32,329	0	32,329	0	32,329
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	0	0	(50,095)	(50,095)	0	(50,095)
Total Comprehensive Expenditure and Income	38,647	0	0	(6,318)	0	0	0	0	32,329	(50,095)	(17,766)	0	(17,766)
Adjustments between Group Accounts and authorities accounts	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Increase/Decrease before Transfers	38,647	0	0	(6,318)	0	0	0	0	32,329	(50,095)	(17,766)	0	(17,766)
Adjustments between Accounting Basis & Funding Basis under Regulations	(48,317)	0	0	6,030	0	(4,614)	1,897	(1,918)	(46,922)	48,986	2,064	0	2,064
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(9,670)	0	0	(288)	0	(4,614)	1,897	(1,918)	(14,593)	(1,109)	(15,702)	0	(15,702)
Transfers (to) / from Earmarked Reserves	9,524	(10,594)	907	1,231	(1,231)	0	0	0	(163)	0	(163)	0	(163)
Transfers (to) / from Other Reserves	(815)	0	0	0	0	0	0	815	0	0	0	0	0
(Increase) / Decrease in Year	(961)	(10,594)	907	943	(1,231)	(4,614)	1,897	(1,103)	(14,756)	(1,109)	(15,865)	0	(15,865)
Balance at 31 March 2013	(9,757)	(37,006)	(9,848)	(4,568)	(5,799)	(4,614)	(30,596)	(5,984)	(108,172)	(218,815)	(326,987)	0	(326,987)

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.

Restated 31 March 2013	Net Exp £'000	31 March 2014		
		Gross Exp £'000	Gross Income £'000	Net Exp £'000
60,353	Adult Social Care	79,700	(21,081)	58,619
8,805	Central Services	11,607	(2,735)	8,872
74,322	Children & Education Services	242,648	(177,656)	64,992
20,840	Culture & Related Services	13,260	(1,541)	11,719
24,414	Environmental & Regulatory Unit	27,806	(3,843)	23,963
15,187	Highways and Transport Services	27,470	(15,094)	12,376
11,618	Housing Services	116,292	(107,438)	8,854
(17,151)	Housing Revenue Account	(11,151)	(55,564)	(66,715)
(604)	Planning Services	6,707	(10,021)	(3,314)
0	Public Health	7,450	(8,206)	(756)
6,150	Exceptional Item - HRA Self Financing	0	0	0
203,934	Cost of Services	521,790	(403,179)	118,611
	Other Operating Expenditure			
5,243	Precepts			5,488
445	Levies			443
587	Payment to the Housing Capital Receipt Pool			676
22,699	(Gain)/Loss on Disposal of non-Current Assets			4,828
28,974	Total Other Operating Expenditure			11,435
19,775	Interest Payable and Similar Charges			19,845
(2,075)	Interest and Investment Income			(1,116)
1,314	(Surplus)/Deficit on Trading Operations			951
(190)	Income, expenditure and changes in the fair value of investment properties			(4,993)
11,774	Pension Interest Cost and Expected Return on Pension Assets			11,221
30,598	Total Financing and Investment Income and Expenditure			25,908
(100,426)	Council Tax Income			(83,671)
(80,016)	Non-Domestic Rate Income			(42,004)
(28,965)	Capital Grants & Contributions			(33,949)
(21,769)	Non-Ringfenced Government Grants			(69,230)
(231,176)	Total Taxation and Non-Specific Grant Income			(228,854)
32,330	(Surplus) or Deficit on Provision of Services			(72,900)
(3,346)	(Surplus) or deficit on revaluation of Non-Current Assets			(4,617)
(46,749)	Actuarial (gains) / losses on pension assets / liabilities			(4,684)
(50,095)	Other Comprehensive Income and Expenditure			(9,301)
(17,765)	Total Comprehensive Income and Expenditure			(82,201)

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'.

Restated 31 March 2013		Note	31 March 2014
£'000			£'000
941,538	Property, Plant & Equipment		984,894
610	Heritage Assets		744
51,897	Investment Property	5	55,874
931	Intangible Assets		650
0	Long Term Investments		0
15,979	Long Term Debtors		13,887
1,010,955	Long Term Assets	4	1,056,049
60,334	Short Term Investments	4	35,317
1,563	Assets held for sale	4	1,515
267	Inventories	4	410
47,887	Short Term Debtors	6	41,410
2,580	Cash and Cash Equivalents		86,734
112,631	Current Assets		165,386
(26,775)	Short Term Borrowing	4	(27,087)
(53,909)	Short Term Creditors	7	(57,933)
(649)	Short Term Provisions	4	(10,026)
(3,415)	Short Term Capital Grants & Contributions Receipts in Advance	4	(2,394)
(10,182)	Short Term Revenue Grants & Contributions Receipts in Advance	4	(10,580)
(94,930)	Current Liabilities		(108,020)
(1,256)	Long Term Provisions	4	(3,156)
(425,371)	Long Term Borrowing	4	(406,913)
(1,137)	Other Long Term Liabilities	4	(485)
(247,352)	Liability Related to Defined Benefit Pension Scheme	4	(263,717)
(817)	Long Term Capital Grants & Contributions Receipts in Advance	4	(564)
(25,736)	Long Term Revenue Grants & Contributions Receipts in Advance	4	(31,360)
(701,669)	Long Term Liabilities		(706,195)
326,987	Net Assets		407,220
(108,172)	Usable reserves	9	(169,183)
(218,815)	Unusable Reserves	9	(238,037)
(326,987)	Total Reserves		(407,220)

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.

Restated 2012/13 £'000		2013/14 £'000
(32,330)	Net surplus or (deficit) on the provision of services	72,900
56,435	Adjustments to net surplus or deficit on the provision of services for non cash movements	(9,742)
(957)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(4,519)
23,148	Net Cash flow from Operating Activities (Note 9)	58,639
	<u>Investing Activities</u>	
(93,856)	Purchase of Property, Plant & Equipment, Investing Properties and Intangible Fixed Assets	(38,154)
(284,665)	Purchase of short-term and long-term investments	(35,235)
(587)	Other payments for investing activities	(676)
3,733	Proceeds of Property, Plant & Equipment, Investing Properties and Intangible Fixed Assets	7,739
324,312	Proceeds of short-term and long-term investments	60,000
47,578	Other receipts from investing activities	43,047
(3,485)	Net cash flows from investing activities	36,721
	<u>Financing Activities</u>	
4,807	Cash receipts of short and long-term borrowing	1,542
(1,646)	Other receipts from financing activities	4,624
0	Cash payments for the reduction of the outstanding liability relating to finance leases and on Balance Sheet PFI Contracts	0
(10,000)	Repayment of short and long-term borrowing	(18,000)
(2,263)	Other payments for financing activities	628
(9,102)	Net cash flows from financing activities	(11,206)
10,561	Net increase or (decrease) in cash and cash equivalents	84,154
(7,981)	Cash and cash equivalents at the beginning of the reporting period	2,580
2,580	Cash and cash equivalents at the end of the reporting period	86,734

Notes to the Group Accounts

1. ACCOUNTING POLICIES

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.

2. 2012/13 COMPARATOR RESTATEMENTS

In 2012/13 the Milton Keynes Service Partnership (MKSP) had not received any actuarial valuation information in respect of the MKSP contributions to the Local Government Pension Scheme. It was anticipated that the Actuary Report would have been received during audit of the 2012/13 accounts, however, at the date the accounts were signed off and published, the report had not been issued, meaning that the 2012/13 Statement of Accounts did not reflect the requirements of International Accounting Standard (IAS) 19 for MKSP and therefore within the Consolidated Accounts.

The Actuary report for the Milton Keynes Service Partnership has now been received and the resulting entries have been made to the 2012/13 comparator figures in the 2013/14 Statement of Accounts.

The table below represents a reconciliation of the 2012/13 Published Statement of Accounts to the restated Accounts used in the 2013/14 accounts.

Comprehensive Income and Expenditure Statement	Published 31 March 2013 Net Exp £'000	Revised Pension Benefits IAS19 £'000	MKSP Pension Benefits IAS19 £'000	Restated 31 March 2013 Net Exp £'000
Adult Social Care	57,448	(354)	3,259	60,353
Central Services to the Public	6,120	2,209	476	8,805
Children & Education Services	71,405	(1,098)	4,015	74,322
Culture & Related Services	19,822	(108)	1,126	20,840
Environmental & Regulatory Services	23,196	(101)	1,319	24,414
Highways and Transport Services	14,426	(59)	820	15,187
Other Housing Services	11,062	(72)	628	11,618
Housing Revenue Account	(17,085)	(66)	0	(17,151)
Planning Services	(488)	(83)	(33)	(604)
Exceptional Item - Contract Renegotiation	6,150	0	0	6,150
Cost of Services	192,056	268	11,610	203,934
Total Other Operating Expenditure	28,974	0	0	28,974
Total Financing and Investment Income and Expenditure	26,247	4,351	0	30,598
Taxation and Non-Specific Grant Income				
Total Taxation and Non-Specific Grant Income	(231,176)	0	0	(231,176)
(Surplus) or Deficit on Provision of Services	16,101	4,619	11,610	32,330
Other Comprehensive Income and Expenditure	(45,477)	(4,619)	1	(50,095)
Total Comprehensive Income and Expenditure	(29,376)	0	11,611	(17,765)

Notes to the Group Accounts

Movement In Reserves Statement	Published 31 March 2013 Net Exp £'000	Revised Pension Benefits IAS19 £'000	MKSP Pension Benefits IAS19 £'000	Restated 31 March 2013 Net Exp £'000
Balance at 31 March 2012	(311,122)	0	0	(311,122)
Surplus or (Deficit) on Provision of Services (Accounting Basis)	16,101	4,619	11,609	32,329
Other Comprehensive Expenditure and Income	(45,476)	(4,619)	0	(50,095)
Total Comprehensive Expenditure and Income	(29,375)	0	11,609	(17,766)
Adjustments between Accounting Basis & Funding Basis under Regulations (Note 6)	2,064	0	0	2,064
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(27,311)	0	11,609	(15,702)
Transfers (to) / from Earmarked Reserves (Note 7)	0	(163)	0	(163)
Transfers (to) / from Other Reserves	0	0	0	0
(Increase) / Decrease in Year	(27,311)	(163)	11,609	(15,865)
Balance at 31 March 2013	(338,433)	(163)	11,609	(326,987)

Balance Sheet	Published 31 March 2013 Net Exp £'000	Revised Pension Benefits IAS19 £'000	LGR Debt Repayment in Advance £'000	Bank Overdraft £'000	MKSP Pension Benefits IAS19 £'000	Restated 31 March 2013 Net Exp £'000
Long Term Assets	995,279	0	15,676	0	0	1,010,955
Current Assets	140,760	0	(15,676)	(12,510)	0	112,574
Current Liabilities	(107,440)	0	0	12,510	0	(94,930)
Long Term Liabilities	(690,059)	0	0	0	(11,553)	(701,612)
Net Assets	338,540	0	0	0	(11,553)	326,987
Net Worth	(338,540)	0	0	0	11,553	(326,987)
Balance at 31 March 2013	0	0	0	0	0	0

For further details of the single entity 2012/13 comparator restatements see Note 1 on Page 49

3. 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 on the following page. Each organisation is shown prior to the elimination of intra-group transactions (the transactions that took place between the subsidiaries and the council):

Notes to the Group Accounts

Restated						
Group Total 2012/13 £'000	Milton Keynes Council 2013/14 £'000	Milton Keynes Service Partnership 2013/14 £'000	Milton Keynes Development Partnership 2013/14 £'000	Intra- Company Transactions 2013/14 £'000	Group Total 2013/14 £'000	
1,010,955	1,052,039	0	35,624	(31,614)	1,056,049	Long Term Assets
60,334	35,083	0	234	0	35,317	Short Term Investments
1,563	1,515	0	0	0	1,515	Assets held for sale
267	410	0	0	0	410	Inventories
47,887	41,883	443	596	(1,512)	41,410	Short Term Debtors
2,580	81,549	4,145	1,040	0	86,734	Cash and Cash Equivalents
(26,775)	(27,087)	0	0	0	(27,087)	Short Term Borrowing
(53,909)	(55,326)	(2,478)	(1,641)	1,512	(57,933)	Short Term Creditors
(649)	(10,026)	0	0	0	(10,026)	Short Term Provisions
						Short Term Grants & Contributions Receipts in
(13,597)	(12,974)	0	0	0	(12,974)	Advance
(1,256)	(3,156)	0	0	0	(3,156)	Long Term Provisions
(425,371)	(406,913)	0	0	0	(406,913)	Long Term Borrowing
(1,137)	(485)	0	(31,614)	31,614	(485)	Other Long Term Liabilities
						Liability Related to Defined
(247,352)	(251,129)	(12,572)	(16)	0	(263,717)	Benefit Pension Scheme
						Long Term Grants & Contributions Receipts in
(26,553)	(31,924)	0	0	0	(31,924)	Advance
326,987	413,459	(10,462)	4,223	0	407,220	Net Assets

Notes to the Group Accounts

4. 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.

Group Total		Milton		Milton Keynes Development Partnership	Intra-Company Transactions	Group Total
		Milton Keynes Council	Keynes Service Partnership			
2012/13		2013/14	2013/14	2013/14	2013/14	2013/14
£'000		£'000	£'000	£'000	£'000	£'000
473	Rental income arising from investment property	57	0	2,037	0	2,094
(283)	Direct operating expenses arising from investment property	0	0	2,115	784	2,899
190	Net Gain / (Loss)	57	0	4,152	784	4,993

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

Group Total		Milton		Milton Keynes Development Partnership	Intra-Company Transactions	Group Total
		Milton Keynes Council	Keynes Service Partnership			
2012/13		2013/14	2013/14	2013/14	2013/14	2013/14
£'000		£'000	£'000	£'000	£'000	£'000
20,283	Balance at the start of the year	20,283	0	31,614	0	51,897
	Additions:					
31,614	Purchases	0	0	0	0	0
0	Construction	0	0	0	0	0
0	Subsequent Expenditure	0	0	0	0	0
0	Disposals	0	0	0	0	0
0	Net gains / (losses) from fair value adjustments	27	0	4,011	0	4,038
	Transfers					
0	(To) / from Inventories	0	0	0	0	0
0	(To) / from Property, Plant and Equipment	(61)	0	0	0	(61)
0	Other changes	0	0	0	0	0
51,897	Balance at the end of the year	20,249	0	35,625	0	55,874

Notes to the Group Accounts

5. DEBTORS

Long term debtors held by the group at 31st March 2014 are detailed below.

Restated					
Group Total 2012/13 £'000	Milton Keynes Council 2013/14 £'000	Milton Keynes Service Partnership 2013/14 £'000	Milton Keynes Development Partnership 2013/14 £'000	Intra- Company Transactions 2013/14 £'000	Group Total 2013/14 £'000
34 Mortgages	26	0	0	0	26
1 Home Computer Initiative	1	0	0	0	1
0 Partnership Loans Bodies External to Central	31,614	0	0	(31,614)	0
268 Government Local Government Reorganisation Debt Payments	143	0	0	0	143
15,676 in Advance	13,717	0	0	0	13,717
15,979 Total Long Term Debtors	45,501	0	0	(31,614)	13,887

Short term debtors including payments in advance held by the group at 31st March 2014 are detailed in the table below.

Restated					
Group Total 2012/13 £'000	Milton Keynes Council 2013/14 £'000	Milton Keynes Service Partnership 2013/14 £'000	Milton Keynes Development Partnership 2013/14 £'000	Intra- Company Transactions 2013/14 £'000	Group Total 2013/14 £'000
11,433 Central Government Bodies	11,391	(141)	9	82	11,341
750 Other Local Authorities	1,813	391	0	(1,448)	756
3,172 NHS Bodies Public Corporations and	5,399	0	0	0	5,399
2 Trading Funds Bodies External to Central	57	0	0	0	57
13,339 Government	7,729	52	563	0	8,344
3,267 Council Tax Arrears	3,235	0	0	0	3,235
27 NNDR Arrears	476	0	0	0	476
3,566 Housing Rents Landfill Allowances Asset	3,742	0	0	0	3,742
161 Account	0	0	0	0	0
5 Staff Debtors	9	0	0	0	9
Total Short Term Debtors					
35,722 before Payments in Advance	33,851	302	572	(1,366)	33,359
12,108 Payments in Advance	8,032	141	24	(146)	8,051
47,830 Total Short Term Debtors	41,883	443	596	(1,512)	41,410

Notes to the Group Accounts

6. CREDITORS

Creditors held by the group at 31st March 2014 are detailed below.

Group Total 2012/13 £'000		Milton Keynes Council 2013/14 £'000	Milton Keynes Service Partnership 2013/14 £'000	Milton Keynes Development Partnership 2013/14 £'000	Intra- Company Transactions 2013/14 £'000	Group Total 2013/14 £'000
(9,277)	Central Government Bodies	(8,521)	0	(7)	0	(8,528)
(2,696)	Other Local Authorities	(3,287)	(1,406)	(67)	839	(3,921)
(1,881)	NHS Bodies	(1,482)	0	0	0	(1,482)
(73)	Public Corporations and Trading Funds	(60)	0	0	0	(60)
(33,645)	Bodies External to Central Government	(31,963)	(631)	(1,103)	673	(33,024)
(5,046)	Staff Creditors	(5,173)	(441)	0	0	(5,614)
(1,141)	Housing Rent Prepayments	(1,611)	0	(464)	0	(2,075)
(31)	Council Tax Prepayments	(2,261)	0	0	0	(2,261)
0	NDR Prepayments	(968)	0	0	0	(968)
(119)	Liability for Actual BMW Landfill Usage	0	0	0	0	0
(53,909)	Total Short Term Creditors	(55,326)	(2,478)	(1,641)	1,512	(57,933)

7. PROVISIONS

There are no provisions set up within the Milton Keynes Service Partnership or the Milton Keynes development Partnership in 2013/14.

8. RESERVES

The reserves held by the Milton Keynes Council, Milton Keynes Service Partnership and Milton Keynes Development Partnership at 31st March 2014 are detailed below:

Group Total 31 Mar 2013 £'000		Milton Keynes Council 31 Mar 2014 £'000	Milton Keynes Service Partnership 31 Mar 2014 £'000	Milton Keynes Development Partnership 31 Mar 2014 £'000	Group Total 31 Mar 2014 £'000
(108,009)	Milton Keynes Council's Usable Reserves	(166,470)	0	0	(166,470)
(106)	LLP Retained Earnings	0	(2,486)	(227)	(2,713)
(108,115)	Total Usable Reserves	(166,470)	(2,486)	(227)	(169,183)
(218,815)	Milton Keynes Council's Unusable Reserves	(246,989)	0	0	(246,989)
0	LLP Non-Distributed Reserves	0	12,948	(3,996)	8,952
(218,815)	Total Unusable Reserves	(246,989)	12,948	(3,996)	(238,037)
(326,930)	Total Reserves	(413,459)	10,462	(4,223)	(407,220)

Notes to the Group Accounts

9. NET CASH FLOW FROM OPERATING ACTIVITIES

The table on the 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.

Restated Group Total 31 Mar 2013	Milton Keynes Council 31 Mar 2014	Milton Keynes Service Partnership 31 Mar 2014	Milton Keynes Development Partnership 31 Mar 2014	Intra- Company Transactions 31 Mar 2014	Group Total 31 Mar 2014
(32,330)	68,343	405	4,152	0	72,900
	Net Surplus/(Deficit) on the provision of services				
	<u>deficit on the provision of services for non-cash movements</u>				
41,491	(13,124)	0	(4,012)	0	(17,136)
	Depreciation and Impairment of Non-Current Assets				
0	(19)	0	0	0	(19)
	Investment Assets Revaluation Gains & Losses				
(28,965)	(33,949)	0	0	0	(33,949)
	Capital Grants and Contributions				
5,611	9,368	398	1,292	162	11,220
	(Increase) / Decrease in Creditors				
2,802	3,960	1,112	(227)	(162)	4,683
	Increase / (Decrease) in Debtors				
80	(143)	0	0	0	(143)
	Increase / (Decrease) in Inventories and Work in Progress				
11,266	11,287	(10)	0	0	11,277
	(Increase) / Decrease in Provisions				
18,559	19,074	1,963	11	0	21,048
	Movement of pension liabilities				
22,699	4,828	0	0	0	4,828
	Carrying Amount of Non-Current Assets Sold				
587	676	0	0	0	676
	Housing Capital Receipts Pool				
(8,401)	0	0	0	0	0
	Revenue Expenditure Funded from Capital Under Statute				
(1,959)	(1,959)	0	0	0	(1,959)
	Local Government Reorganisation Transferred Debt				
(7,335)	(10,268)	0	0	0	(10,268)
	Other non-cash items charged to the net surplus or deficit on the Provision of Service				
56,435	(10,269)	3,463	(2,936)	0	(9,742)
	Total Non-Cash Items in the Provision of Services				
0	0	0	0	0	0
	Total Investing and Financing activities included in the Provision of Services				
17,700	18,729	0	0	0	18,729
	Reversal of operating activity items included in the net surplus or deficit on the Provision of Services that are shown separately				
	<u>Cash flow from interest received and paid</u>				
(20,589)	(24,742)	0	0	0	(24,742)
	Interest Paid				
(76)	(127)	0	0	0	(127)
	Interest element of Finance Leases				
2,008	1,621	0	0	0	1,621
	Interest Received				
(18,657)	(23,248)	0	0	0	(23,248)
	Total Cash Flow from Interest Received and Paid				
23,148	53,555	3,868	1,216	0	58,639
	Net Cash flow from Operating Activities				

Glossary

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

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 (HRA)

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

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.

Non-Domestic Rate (NDR)

Under the revised arrangements for uniform business rates, that came into effect on 1st 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.