

MILTON KEYNES COUNCIL

DRAFT
STATEMENT
OF ACCOUNTS

For the year ended 31st March 2006



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STATEMENT OF RESPONSIBILITIES

1. 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 Head of Finance;
- b) to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- c) to approve a statement of accounts.

On behalf of the Council:

Councillor Brin Carstens
Chairman of the Council

2. THE RESPONSIBILITIES OF THE HEAD OF FINANCE

The Head of Finance 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 2005 ("the Code of Practice").

In preparing this Statement of Accounts, the Head of Finance has:

- a) selected suitable accounting policies and then applied them consistently;
- b) made judgements and estimates that were reasonable and prudent, unless considered immaterial or otherwise stated in this Statement;
- c) complied with the Code of Practice.

The Head of Finance has also:

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

The Statement of Accounts presents fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2006.

Isabell Procter FCCA
Head of Finance
Date:

FOREWORD BY THE HEAD OF FINANCE

1. INTRODUCTION

The Accounts of the Council have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

This Statement includes details of the accounting principles in accordance with which the Council has prepared the financial statements and balance sheet. There are sections in the Statement showing details of the Council's revenue expenditure, including sections on the Housing Revenue Account (HRA) and the Collection Fund, as well as the Consolidated Revenue Account. These accounts are then incorporated into the Consolidated Balance Sheet of the Council, which, together with its associated notes, reflects the Council's financial position as at 31st March 2006.

2. GENERAL FUND

Given the level of Government support, and consistent with a reasonable level of council tax, the net revenue expenditure limit for 2005/06 set by the Council was £259,997,000. This was significantly less than the Council's projected need to spend. Measures to reduce expenditure through service efficiencies and savings targets were therefore introduced.

Refinement to the budget during the year and the allocation of targets for further savings resulted in the formulation of a Latest Approved Budget. The outturn for 2005/2006 against this budget is set out in the Table below with comments set out in the following paragraphs. The summary financial position in relation to the other major funds of the Council are set out in the subsequent sections of this Foreword. Further details can be found in the body of the Statement of Accounts.

FOREWORD BY THE HEAD OF FINANCE

The table below shows how actual spending compared with the Latest Approved Budget:

	2005/06 Latest Approved Budget £'000	Movement £'000	2005/06 Actual £'000
General Fund Balance B/fwd at 1st April 2005	9,034	0	9,034
Contribution to/(from) General Fund Balance	(974)	5,596	4,622
	<u>8,060</u>	<u>5,596</u>	<u>13,656</u>
		Movement £'000	
Analysis of Movement on General Fund Balance:			
Learning and Development		(135)	
Environment		(411)	
Neighbourhood Services		(1,353)	
Chief Executives		(3)	
Debt Financing		<u>(3,090)</u>	
		<u>(4,992)</u>	
Removal of VFM element from the above		<u>(604)</u>	
		<u>(5,596)</u>	

In 2005/06, Milton Keynes Council received income from the following sources: Revenue Support Grant, Targeted Support Income, Council Tax Payers and redistributed Non-Domestic Rates.

Revenue Support Grant received in 2005/06 was £113,898,000 (£107,315,000 in 2004/05), whilst Targeted Support Income was £3,000,000 (£3,000,000 in 2004/05).

Council Tax income collected from domestic householders is received into the Collection Fund, through which the appropriate precepts are passed to the Police and Fire Authorities and to Milton Keynes Council. The Council Tax income called by Milton Keynes Council from the Collection Fund for 2005/06 was £74,162,000 (£69,223,000 2004/05).

Non-Domestic Rates are collected by local authorities and passed to the Office of the Deputy Prime Minister. The ODPM makes an appropriate distribution to each authority from the central pool. The amount distributed to Milton Keynes Council in 2005/06 was £71,887,000 (£58,782,000 2004/05).

Net expenditure for the year was £5,596,000 under the Latest Approved Budget. Of this underspend, 50% of the aggregate underspend for Learning & Development, Environment, Neighbourhood Services and Chief Executives, is to be transferred to the Spend-to-Save Fund, in accordance with financial regulations. The table above details the underspends by Directorate, and these are further analysed below where exceeding (£200,000).

FOREWORD BY THE HEAD OF FINANCE

Learning and Development

Learning and Development's underspend of (£135,000) is mainly due to:

- a. Child Services Management and Administration £2,195,000 – Primarily comprising overspends on Short Term Fostering £1,278,000 and on Residential Placements £850,000;
- b. Quality Assurance, Service Development and Business Support (£230,000) – (Includes underspends on old Quality Protects commitments £145,000);
- c. Head of Education (£242,000) – Saving on vacant posts in management restructuring (£131,000), plus unused contingent budget (£110,000);
- d. Policy, Planning and Resources (£508,000) – Including savings on Home to School Transport (£193,000) and Standards Fund (£169,000);
- e. Partnership (£290,000) – Key items include savings on 3-4 year old grant (£509,000), partially offset by Sure Start grant incorrectly budgeted for in 2005/06 £117,000 and AER overspend £100,000;
- f. Special Education (£400,000) – Including savings on Early Intervention (£164,000) and Independent School Fees (£100,000);
- g. Individual School Budgets (£577,000) – Reduction in School System Review Staff Protection (£433,000) and a saving on Alternative Education (£285,000), partially offset by an AER overspend of £140,000.
- h. Movement of £433,000 of the Individual School Budget surplus to Earmarked Reserves.

Environment

Environment's underspend of (£411,000) is mainly due to:

- a. Safer Communities Unit (£203,000) – Mainly comprising staff savings of (£83,000) and underspends on Abandoned Vehicles (£108,000);
- b. Landscape Services (£214,000) – Key items include Recharges (£222,000), an insurance underspend of (£137,000) and an overspend on Other Supplies and Services £241,000;
- c. Passenger Transport £242,000 – Mainly comprising a £259,000 overspend on contracts;
- d. Urban Design and Landscape Architecture £211,000 – Includes the under achievement of Urban Design income £107,000 and additional supplies and services expenditure £101,000;
- e. A number of smaller but significant underspends in categories such as Property (£174,000), Highway Networks (£151,000) and Waste and Energy Management (£145,000);

FOREWORD BY THE HEAD OF FINANCE

Neighbourhood Services

Neighbourhood Services' underspend of (£1,352,000) is mainly due to:

- a. Directorate Management (£232,000) – Key items include an underspend on Corporate Director (£100,000) plus recharges (£167,000) partially offset by project carry forwards of £175,000;
- b. Physical Disability (£410,000) – Includes underspends on Domiciliary Care (£124,000) and Nursing (£157,000). A significant part of this relates to prior year costs refunded by a client in 2005/06 following a court settlement. This was compounded by an atypical reduction in the number of clients receiving care;
- c. Older People (£472,000) – Largely comprises underspends on FE Residential (£117,000), EMH Residential (£120,000) and FE Nursing (£133,000);
- d. Contingent Budget (£219,000) – Of the total contingent budget of £2,186,000, the following amounts did not need to be utilised: Homelessness (£96,000), Physical Disability (£69,000), Older People (£35,000) and Commissioning and Customer Care (£18,000).

Debt Financing

Debt Financing achieved a surplus of (£3,090,000). Significant variations within this area are as follows:

- a. The early repayment of debt previously held on the Council's behalf by Buckinghamshire County Council together with the subsequent replacement borrowing at a lower interest rate, thereby producing a net saving overall;
- b. An increase in income due to higher cash balances and interest rates;
- c. New borrowing for the 2005/06 Capital Programme at a rate lower than budgeted;
- d. Lower repayments of principal (MRP) due to slippage in the 2004/05 Capital Programme;
- e. Partial offset in respect of an increased contribution to the Debt Financing Equalisation Reserve to cover known liabilities.

The net position in terms of General Fund Reserves at 31 March 2006 was therefore £5,596,000 more than assumed in the Latest Approved Budget. Further information on the overall financial performance of the Council in 2005/2006 is disclosed in the Consolidated Revenue Account and its supporting notes on page 39.

FOREWORD BY THE HEAD OF FINANCE

3. HOUSING REVENUE ACCOUNT

The original budget for the year showed a (£2,971,000) surplus. The budget was revised in-year to a deficit of £360,000. The actual outturn was a deficit of £973,000, which represents a variance of £613,000 against the revised budget. The in-year budget revisions were made to reflect the following:

1. A revenue contribution to capital of £2,931,000, in order to maximise investment in dwellings to meet the Government's Decent Homes Standard;
2. A further £400,000 in respect of Vanguard special project.

The main elements of the variance between revised budget and actual outturn were:

a. Transfer to Capital

A further transfer to capital of £1,737,000 was made, to fund gas boiler replacements and a shortfall of right-to-buy receipts below the revised budgeted level.

b. HRA Subsidy

HRA Subsidy was over budget by £297,000, because of an increase in Debt Financing charges.

c. Dwelling Rents

Income from Dwelling Rents was (£274,000) in excess of budget due to lower than expected right-to-buy sales.

d. Special Services

Special Services expenditure was (£429,000) below budget because of large underspends on cleaning, caretaking and utilities.

e. Bad Debt Provision

The Bad Debt Provision was (£206,000) within budget, due to significant reductions in the level of provision required in respect of rents and rechargeable works.

f. Capital Financing Costs

Capital Financing costs were (£210,000) less than budget due to reduced debt charges net of mortgagors' interest.

The outturn monitoring data reports that the HRA is showing an overall surplus of (£5,375,000) as at 31st March 2006.

FOREWORD BY THE HEAD OF FINANCE

4. CAPITAL EXPENDITURE

The Council's total capital expenditure for 2005/06 including amounts accrued for works completed but not paid for at 31st March 2006 was £89,549,000 (£55,537,000 2004/05). The amount funded through grants was £29,281,000 (£7,925,000 2004/05). The balance of £60,268,000 (£47,612,000 2004/05) was funded from the Major Repairs Reserve, Capital Reserves, Capital Receipts, supported and unsupported borrowing and Revenue and Third Party Contributions.

5. COLLECTION FUND

The Collection Fund is a statutory fund, which shows the transactions relating to Council Tax, Non-Domestic Rates and residual Community Charge and illustrates the way in which these have been distributed to preceptors and the General Fund.

The income to the fund is the amount collectable from Council Tax and Non-Domestic Rate payers. Expenditure from the fund comprises payments in respect of precepts raised by Thames Valley Police Authority, the Buckinghamshire and Milton Keynes Fire Authority, by Milton Keynes Council for its own General Fund requirements and Parish/Town Council requirements, and payment to the Government for Non-Domestic Rates collected.

It was estimated that the fund would have a deficit of £700,000 at 31st March 2006. However due to a lower taxbase than anticipated, the surplus for the year was less than anticipated, resulting in a deficit balance of £866,000

A summary of the Collection Fund Account can be found on Page 71.

6. BORROWING FACILITIES

During 2005/2006 the Council borrowed £75,000,000 from the Public Works Loan Board and £10,000,000 from Barclays Bank to fund expenditure on capital projects in 2005/06 and 2006/07. At the end of the financial year the Council had outstanding long-term borrowing in respect of the funding of capital projects of £266,204,000. Further details of the composition of this sum can be found in the note 10 to the Consolidated Balance Sheet on Page 86.

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 2006, although at this date, the Council had £98,500,000 invested with various financial institutions.

FOREWORD BY THE HEAD OF FINANCE

7. CHANGE IN HOW SERVICES ARE PROCURED

The Council entered into a long term (twelve years) contract with Hyder Business Services (HBS) with effect from 1st January 2004 to provide a wide range of functions across eighteen service streams including Finance, Human Resources, IT, Revenues and Benefits. The Council has retained a client/core team for these functions and a team has been created to monitor the overall performance of the contract.

8. SIGNIFICANT CHANGE IN ACCOUNTING POLICY

This is the third year in which the Council has been required to implement in its accounts the requirements of Financial Reporting Standard (FRS) 17 - Retirement Benefits. The purpose of this is to ensure that the accounts show the operating costs of providing retirement benefits to the Council's employees in the accounting periods in which the benefits are earned by them, and to ensure that the related finance costs and changes in the values of assets and liabilities are recognised in the accounting period in which they arise.

The Council and its staff are members of the Buckinghamshire County Council Pension Fund and their actuary has provided all relevant information to enable the Council to reflect this accounting change in its accounts.

The major change is that the service costs shown in the Consolidated Revenue Account are reduced, but this change is mirrored by a compensating entry in the appropriations section of that account. There is no impact on the budget requirement or levels of Council Tax.

The accounts show a Pensions Liability of £124.392m, which is equivalent to 1098% of the Council's General Fund Reserve. In practice the deficit will be funded through reassessment of employer contributions as a result of the three-yearly Fund valuations by the actuary.

FOREWORD BY THE HEAD OF FINANCE

9. FINANCIAL STATEMENTS

The financial performance for 2005/06 for the activities undertaken by the Council is set out in the financial statements set out on pages 13 to 116. The statements consist of the following:

- a) Statement of Accounting Policies**
Details the legislation and principles on which the Statement of Accounts has been prepared;
- b) Statement of Internal Control**
Details the manner in which the Council addresses the risks inherent within its operation;
- c) Consolidated Revenue Account**
The Council's main revenue account covering income and expenditure on all services;
- d) Housing Revenue Account**
Details income and expenditure on Council housing and the change to the fund balance at the end of the year;
- e) Collection Fund Account**
Details income and expenditure in respect of Council Tax and Non-Domestic Rates and the change to the fund balance at the year end;
- f) Consolidated Balance Sheet**
Sets out the financial position of the Council as at 31st March 2006;
- g) Statement of Total Movement in Reserves**
Analyses the changes that have taken place in the Council's Capital and Revenue reserves;
- h) Cash Flow Statement**
Summarises the total movement of the Council's funds.



Isabell Procter FCCA
Head of Finance

STATEMENT OF AUDITORS OPINION

STATEMENT OF AUDITORS OPINION

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL PRINCIPLES

This Statement of Accounts has been prepared in accordance with the Best Value Accounting Code of Practice on Local Authority Accounting (BVACOP) and the Statement of Recommended Practice: Code of Practice on Local Authority Accounting in the United Kingdom (SORP), which are published by the Chartered Institute of Public Finance and Accountancy. The current BVACOP and SORP apply to Statements of Accounts prepared with effect from 1st April 2005.

2. INTANGIBLE FIXED ASSETS

Intangible Fixed Assets comprise systems development, software licences and associated expenditure, and are stated at cost less a provision for amortisation.

Amortisation of software licences is based on an estimated useful life of one year, which is reviewed annually. On this basis, all purchased software licences are amortised in full in the accounting period in which they are purchased.

Due to uncertainty regarding the future economic benefits to be derived from systems development projects, and the lack of a readily ascertainable market value, it is the policy of the Council to charge all costs to revenue in the accounting period in which they are incurred.

3. TANGIBLE FIXED ASSETS

All expenditure on the following has been capitalised on an accruals basis:

- a. Acquisition, reclamation, enhancement or laying out of land;
- b. Acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures;
- c. Acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels.

Expenditure that may be properly capitalised, but which does not represent expenditure on the Council's tangible fixed assets, are included as deferred charges (See Accounting Policy 5).

Operational assets have been included in the Consolidated Balance Sheet at net current replacement cost derived from existing use value or the depreciated replacement cost. Non-operational assets have been included in the Consolidated Balance Sheet at depreciated replacement cost or open market value. Council dwellings have been valued on the

STATEMENT OF ACCOUNTING POLICIES

basis of existing use - social housing - in accordance with the Department of Transport, London and the Regions Guidance on Stock Valuation and the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards.

When assets are sold or disposed of, the usable amounts of the capital receipts are held in a Usable Capital Receipts Reserve until utilised to finance further capital expenditure or to repay debt. The usable part of Housing capital receipts is net of claw back payments to English Partnerships on ex Milton Keynes Development Corporation properties and net of amounts subject to pooling arrangements under the Local Government Act 2003. See note 5 to the Statement of Total Movement in Reserves.

Other housing properties are classified as Other Land and Buildings or Non-operational Assets as appropriate.

4. DEPRECIATION

Depreciation is provided in accordance with the following policy on all fixed assets 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.
- b. In accordance with the SORP 2005, all operational buildings are depreciated.
- c. Depreciation is calculated at rates expected to write off cost less the estimated residual value of the relevant assets on a straight line basis over their estimated useful economic lives. This is deemed to be the most appropriate method given the nature of the assets held by the Council.

STATEMENT OF ACCOUNTING POLICIES

- d. The bases for calculating the lives of different classes of assets are as follows:

Operational Buildings	60 years life from the completion date.
Vehicles, Plant and Equipment	Varies from 3 to 40 years according to the estimated life of each asset.
Infrastructure	40 years in respect of highways, 20 years for other assets.
Non-operational buildings	Not depreciated.
Land	Not depreciated.

- e. Council dwellings – the average life of all council dwellings in 2005/2006 has been estimated at 45 years from 1st April 2005 and the depreciation charge has been calculated on this basis.

5. DEFERRED CHARGES

Deferred Charges represent expenditure that may properly be capitalised, but which does not represent expenditure on the Council's Tangible Fixed Assets, such as improvement grants to owner-occupiers to improve the quality of the housing stock in the area. All expenditure of this nature is written off in the year in which it is incurred.

Expenditure on software licences is recognised as expenditure on Intangible Fixed Assets in accordance with the SORP 2005.

6. RELATIONSHIPS WITH COMPANIES

Information previously disclosed in this section is now disclosed in note 20 to the Consolidated Balance Sheet under the heading "Investments in Companies". A further significant relationship with a company is disclosed in note 19 to the Consolidated Revenue Account under the heading "Long Term Contract".

STATEMENT OF ACCOUNTING POLICIES

7. CHARGING FOR THE USE OF CAPITAL ASSETS

General Fund service revenue accounts, central support services and trading accounts are charged with a capital charge for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation and any related impairment cost, plus a capital financing charge determined by applying a specified notional rate of interest to the net amount at which each fixed asset was held at 1st April 2005. The notional rates of interest used in 2005/2006 are 3.5% (3.5% 2004/05) for assets included in the Consolidated Balance Sheet at current value and 4.95% (4.8% 2004/05) for assets included in the Consolidated Balance Sheet at historic cost.

The charge made to the Housing Revenue Account is calculated in accordance with the Item 8 Credit and Item 8 Debit (General) Determination, 2005/2006 and The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, issued under the Local Government Act 2003. Included in the total is the cost of capital charge, and charges for depreciation and impairment. These are netted off by means of the capital asset charges accounting adjustment.

External interest payable and the provision for depreciation are charged to the Asset Management Revenue Account, which is credited with capital charges charged to services. This ensures that the impact of these charges on the level of Council Tax is therefore neutral.

8. REDEMPTION OF DEBT

a. Minimum Revenue Provision (MRP)

In accordance with the Local Government Act 2003, the Council is required to set aside a Minimum Revenue Provision for the repayment of debt. This represents 4% of the adjusted General Fund Capital Financing Requirement at the end of the preceding year. An adjustment is made through the Capital Financing Account in respect of any under or over provision for depreciation.

The calculation of the Minimum Revenue Provision also provides for:

- i. The repayment of capitalisation directions issued by the relevant Secretary of State in respect of expenditure incurred at Local Government Reorganisation; and
- ii. An adjustment in respect of commuted payments of grant in respect of commuted payments made to or for the benefit of the Council in 1992/1993.

STATEMENT OF ACCOUNTING POLICIES

b. 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:

- i. Additional revenue contributions;
- ii. Use of capital receipts; and
- iii. Use of the Major Repairs Allowance.

c. 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 over the life of the new loans in the General Fund or over a maximum of 10 years in the Housing Revenue Account in accordance with the Housing Subsidy determination.

9. INVESTMENTS

All of the Council's investments are deposited with banks and building societies and are accounted for at their nominal value. Investments are regulated by the Code of Practice for Treasury Management in the Public Services published by the Chartered Institute of Public Finance and Accountancy, and the Office of the Deputy Prime Minister Guidance on Local Authority Investments issued in March 2004.

10. INTEREST

Interest payable on external borrowings and interest earned on investments is included in the Council's accounts on an accruals basis.

STATEMENT OF ACCOUNTING POLICIES

11. PROVISIONS

Provisions are amounts set aside for losses or liabilities that are likely or certain to be incurred, but where the Council is uncertain as to the precise amounts required or dates on which the liabilities will arise. Details of all material provisions can be found in the notes to the Consolidated Balance Sheet (see Page 87). Provisions are required to be recognised when:

- a. The local authority has a present obligation as a result of a past event;
- b. It is probable that a transfer of economic benefits will be required to settle the obligation; and
- c. A reliable estimate can be made of the amount of the obligation.

When expenditure is incurred to which the provision relates, it is charged directly to the provision. Provisions are reviewed at each Consolidated Balance Sheet date and adjusted to reflect the current best estimate of the liability.

12. RESERVES

Amounts set aside for purposes falling outside the definition of provisions are classified as reserves. The Council has established a number of reserves to fund possible future expenditure. The nature of these reserves is set out in the notes to the Statement of Total Movements in Reserves (see Page 104).

Capital reserves are not available for revenue purposes, and are accounted for separately. The Council maintains the following capital reserves, some of which can only be used for specific statutory purposes and, in accordance with SORP 2005, have been re-designated as accounts:

- a. Major Repairs Reserve – Note 3 to the Housing Revenue Account on page 67.
- b. Fixed Asset Restatement Account – Note 1 to the Statement of Total Movements in Reserves on page 105.
- c. Capital Financing Account – Note 2 to the Statement of Total Movements in Reserves on page 105.
- d. Usable Capital Receipts Reserve – Note 5 to the Statement of Total Movements in Reserves on page 106.
- e. Third Party and Revenue Contribution Capital Reserve – Note 3 to the Statement of Total Movements in Reserves on page 106.

STATEMENT OF ACCOUNTING POLICIES

13. INTERNAL INSURANCE ARRANGEMENTS

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 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 provision has been set up from the Council's internal funds to cover uninsured risks. This provision has been based on the total potential liability that could accrue up to 31 March 2006.

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

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

STATEMENT OF ACCOUNTING POLICIES

14. LEASES

The Council as a Lessee:

Lease agreements that transfer substantially all the risks and rewards of ownership of an asset to the Council are treated as finance leases. Assets acquired under finance leases are accounted for as Tangible Fixed Assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The finance element of the rentals is charged to the Asset Management Revenue Account and the assets are depreciated over the shorter of the lease terms or the useful lives of the assets.

All other leases are treated as operating leases and the annual rentals payable are charged to revenue on a straight-line basis over the lease term.

The Council as a Lessor:

Rentals receivable from operating leases are credited to revenue over the life of the lease.

15. GOVERNMENT GRANTS AND CONTRIBUTIONS

Government grants are accounted for on an accruals basis, and income has been credited to the appropriate revenue account. Grants and contributions used either wholly or in part to acquire fixed assets are credited to the Government Grants Deferred Account and written off to the Asset Management Revenue Account over the useful life of the asset.

16. CAPITAL RECEIPTS

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

New Regulations introduced from April 2004 require that a percentage of the receipts from the sale of housing land must be paid to the ODPM under the Government's new pooling arrangements. The percentage equates to 75% for dwellings (including the sale of council houses and shared ownership properties) and 50% of any other interest in housing land.

The small number of de-minimis capital receipts received in 2005/2006 with an individual value of less than £10,000, have been treated as capital receipts.

STATEMENT OF ACCOUNTING POLICIES

17. WORK IN PROGRESS, STOCKS AND STORES

a. Work in Progress

Certain repair works undertaken by the Council are rechargeable to private concerns and individuals. Incomplete works and works not yet recharged are accounted for at cost.

b. Stocks and Stores

Stocks held by the Council's catering organisation, the main Council Stores and the Transport division (Fuel) are included in the Consolidated Balance Sheet at cost of purchase prices. This is not in accordance with the requirements of the Code of Practice but the differences are not considered material.

18. PENSIONS

The Council pays contributions to the Buckinghamshire County Council Pension Fund (BCCPF) and to the Teachers' Pension Fund in respect of its employees. The accounting policies of the schemes are in accordance with the appropriate provisions of SORP 2005.

The future liabilities of the BCCPF are assessed in accordance with the advice of a professionally qualified actuary, and the last formal actuarial review was carried out as at 31 March 2004. The employer's contribution rate will increase to 325% of the employees' rate with effect from 1st April 2006. The Annual Report of the BCCPF is available from the Head of Finance, Buckinghamshire County Council, County Hall, Aylesbury. Details of the Council's contributions and other information can be found in the Note 9 to the Consolidated Revenue Account on page 52, Note 15 to the Consolidated Balance Sheet on page 92, and Note 8 to the Statement of Total Movements in Reserves on page 112.

The Council has been required to account for its notional share of the BCCPF's assets and liabilities in accordance with the requirements of Financial Reporting Standard 17 (FRS17) - Retirement Benefits since 2003/2004. Previous policy was to recognise liabilities in relation to retirement benefits only when employer's contributions became payable to the relevant pension fund or payments fell due to pensioners for which the Council was directly responsible. Current policy better reflects the Council's commitment in the long term to increase contributions to make up any shortfall in attributable net assets in BCCPF. The amount to be met from Government grant and local taxation remains the same but the costs disclosed for individual services are adjusted to replace employer's contributions by current service costs. More information is disclosed in the Notes to the Consolidated Revenue Account, Notes to the Housing Revenue

STATEMENT OF ACCOUNTING POLICIES

Account, Consolidated Balance Sheet and Statement of Total Movements in Reserves.

In assessing liabilities for retirement benefits at 31 March 2005 for the 2004/2005 Statement of Accounts, the actuary was required by SORP 2004 to use a discount rate of 2.4% real (5.4% actual). For the 2005/2006 Statement of Accounts, a rate based on the current rate of return on a high-quality corporate bond of equivalent currency and term to scheme liabilities was required to be used. The actuary has advised that a rate of 1.8% real (4.9% actual) is appropriate. Application of this rate is the main factor leading to an increase in liabilities measured at today's prices of £0.324m, adjusted for by an increase in actuarial losses recognised for the year in the Statement of Total Movements on Reserves.

19. DEBTORS AND CREDITORS

- a. All revenue and capital transactions are recorded in the accounts on an accruals basis. Payment of wages to weekly paid employees is included in the accounts on the basis of a 52-week year, except in the case of Homecare staff where wages have been accrued. This accounting treatment, other than in respect of Homecare staff, is not in accordance with the Code of Practice, although any difference is not considered material. Similarly, issues from the Council's stores and all other internal recharging systems have been treated in the same way.
- b. All sums due to the Council are accounted for when they are due. The debtors appearing on the balance sheet represent sums due to the Council that had not been received by the year-end.

STATEMENT OF ACCOUNTING POLICIES

20. OVERHEADS

The Government requires local authorities to achieve and demonstrate Best Value in their operations. One of the aims of this requirement is to improve consistency and comparability between reporting bodies. To achieve this, the BVACOP requires that all Support Services costs are fully allocated either to service users or to the Corporate and Democratic Core on the most appropriate basis. Similarly the cost of service management has been apportioned to those accounts representing the services managed.

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

- | | |
|------------------------------------|--|
| a. Human Resources | Pro rata to number of staff. |
| b. Payroll | Per payslip. |
| c. Administrative Buildings | Pro rata to number of staff. |
| d. Computer Services | Pro rata to number of PC's for Information Technology Hardware.

By system for other Information Technology areas. |
| e. Payments and Income | Per transaction. |

21. BAD DEBT PROVISIONS

In 2005/2006, a prudent provision has been made for bad debts in respect of the General Fund, the Collection Fund and the Housing Revenue Account. The adequacy of these provisions is reviewed annually.

22. IMPAIRMENT

The carrying values of fixed assets are reviewed for impairment when there is an indication that the assets might be impaired. Any provision for impairment is charged against revenue in the year.

STATEMENT OF ACCOUNTING POLICIES

23. GROUP ACCOUNTS

The Council has no sufficiently significant interests in subsidiary or associated companies that give rise to the need to prepare accounts on a group basis. Group Accounts as required under SORP 2005, and in accordance with Financial Reporting Standard 2 - Accounting for Subsidiary Undertakings and Financial Reporting Standard 9 - Associates and Joint Ventures, are therefore not necessary.

STATEMENT OF INTERNAL CONTROL

1 STANDARDS OF GOVERNANCE

- 1.1 The Council expects all of its Members, officers and contractors to adhere to the highest standards of public service with particular reference to the formally adopted Codes of Conduct and policies of the Council as well as the applicable statutory requirements.

2 RESPONSIBILITIES

- 2.1 Milton Keynes Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to value for money.
- 2.2 In discharging this overall responsibility, the Council (elected Members and officers) is responsible for ensuring there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

3 PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

- 3.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance. The system of internal control is based on an ongoing process designed to:
- 3.1.1 Identify and prioritise the risks to the achievement of the Council's policies, aims and objectives;
 - 3.1.2 Evaluate the likelihood of those risks being realised;
 - 3.1.3 Assess the impact should they be realised; and
 - 3.1.4 Manage risks efficiently, effectively and economically.
- 3.2 The system of internal control has been in place for the year ended 31st March 2006 and up to the date of approval of the annual accounts. With the exception of those significant internal control issues referred to in section 6, the system of internal control accords with proper practice.

4 THE INTERNAL CONTROL ENVIRONMENT

- 4.1 As stated in the 2004/05 Statement of Internal Control (SIC), the review of MKC processes using the CIPFA/SOLACE best practice system of

STATEMENT OF INTERNAL CONTROL

internal control was completed by Internal Audit during 2005/06. The recommendations were agreed and submitted to the Corporate Leadership Team (CLT) and Heads of Service. It was submitted to the Council's Corporate Policy Development Committee for comment on 26th January 2006.

4.2 The review found that on average MKC maintained 78% compliance with best practice. Strengths included:

4.2.1 Structures and Processes (scoring 87% compliance)

4.2.2 Standards of Conduct (scoring 77% compliance)

4.3 The key area for improvement was Service Delivery Arrangements which scored 67% compliance which partnerships highlighted as a strength within this area. Resourcing of priorities was the lowest score, a reflection, in Internal Audit's opinion of the funding pressures MKC operates within.

4.4 Management agreed the action plan and recommendations will be implemented throughout 2006/07 with some already addressed in 2005/06, notably the Cabinet adopted a formal Code of Corporate Governance on 7th March 2006. In accordance with Internal Audit processes a follow up will be undertaken during 2006/07.

4.5 The policy and procedural guidance to support the Council's governance includes:

4.5.1 Council Constitution;

4.5.2 Codes of Conduct for Members and officers;

4.5.3 Financial Regulations and other Procedure Rules;

4.5.4 Scheme of Delegation;

4.5.5 Registers of Interests;

4.5.6 Specific corporate policies, for example Confidential Reporting Policy, Anti-Fraud and Prosecution Policy;

4.5.7 Medium Term Service Planning and organisational priorities.

4.6 Specifically:

4.6.1 Measures to establish and monitor the Council's organisational objectives

The Council launched the ChangingMK project during 2003/04 to communicate and implement the Council's Vision and Corporate Objectives and to drive forward several specific projects. This

STATEMENT OF INTERNAL CONTROL

programme was completed in December 2005. Projects included:

- a. Medium Term Planning;
- b. Customer Services;
- c. Housing;
- d. Overview and Scrutiny; and
- e. Members Training and Development.

This programme was kept under ongoing review to ensure objectives were reviewed and progress towards achieving them was monitored. CLT received regular reports on this in addition to the reporting through the formal Council Committees in those specific areas prioritised through the vision and objectives. A new ChangingMK programme will be launched in 2006/07 reflecting the current needs of and priorities of the Council.

The Council has also established a set of corporate priorities that are published within the Council Plan, cast over three years and will be monitored four times a year by Cabinet and CLT.

4.6.2 Facilitation of policy and decision making

The Council operates a Leader and Cabinet model of policy and decision-making. A Forward Plan of decisions to be taken by the Cabinet or individual Cabinet Members is published monthly. There were seven Overview and Scrutiny bodies in 2005/06 dealing with Policy Development, Performance Review, Executive Scrutiny and External Scrutiny. In 2006/07, the External Scrutiny Panel has been divided into one to deal with Health matters, and another to consider growth and other external issues. The Agendas and Minutes of these bodies demonstrate the process to properly control the development and adoption of policy and decision-making.

A formal Scheme of Delegation is in place to govern the operational decisions in line with agreed policy. The Council has appointed a group of Members to review the Scheme of Delegation, and to advise the Leader of the Council on potential changes in the light of the new political balance of the Council. The group will also conduct a review of the Constitution and make recommendations to the Council.

STATEMENT OF INTERNAL CONTROL

4.6.3 Ensuring compliance with policies, procedures, laws and regulations

The Council's Legal and Internal Audit Services maintain an ongoing review of such matters. Including:

- a. All Committee reports/decisions must be approved by both the Head of Legal and the Head of Finance;
- b. Legal Services have identified an Internet resource (Lawtel), which is available to all managers to maintain ongoing up to date knowledge of legal requirements. Lawtel training has been provided. Legal Services are available to all managers for advice and support.
- c. Internal Audit maintains a four-year Strategic Plan designed to enable every service/activity of the Council to be audited every four years. This plan is prioritised to ensure audits are carried out at a frequency that reflects the service risk assessment. For example, key systems are audited every year. All audits review compliance to policies, procedures, laws and regulations.
- d. Council procedures are reviewed as appropriate (usually annually) to ensure ongoing compliance with policies, procedures, laws and regulations. Control arrangements during 2005/06 identified other policies that would benefit from review, such as Human Resources policies, and these were revised during 2004/05 and 2005/06. Examples of procedures already reviewed and improved include:
 - Financial Regulations;
 - Anti-Fraud and Publicity Policy;
 - Risk Management Policy; and
 - Benefits Vision and objectives;
- e. The Council is also audited by the Audit Commission, which specifically reviews the adequacy of Corporate Governance arrangements. This is conducted through the Use of Resources assessment that feeds into the Comprehensive Performance Assessment (CPA) process. The Council has action plans in place to address required improvements identified through the Use of Resources.
- f. The Council is subject to formal inspection in many areas by external bodies. These include the Audit Commission, Commission for Social Care Inspection, Housing Inspectorate,

STATEMENT OF INTERNAL CONTROL

Ofsted, and Benefits Fraud Inspectorate (BFI). Such inspections are reported to Cabinet and Overview and Scrutiny Committees as appropriate. The Audit Committee will also receive copies of these reports as appropriate from 2006/07 onwards.

- g. The Council also operates a formal training programme (including Financial Regulations and Control and Corporate Induction) to support staff in ensuring that the Council's services comply with this area.
- h. The various specialist services are responsible for ensuring specific technical knowledge in those service areas. For example, Benefits Fraud Team staff have obtained formal PINS qualification during 2004/05, obtaining accreditation that the service shall apply all regulatory and legislative Social Security requirements.

4.6.4 Risk Management

The Council has been developing its Risk Management approach since 2003/04. Full details of this service area are given in the Annual Risk Management Report 2005/6 submitted to Councillors with the SIC.

The Council's Risk Register is a dynamic database that is published annually. The 01/04/06 Risk Register and Annual Risk Management Report 2005/06 represent only a snap shot in time. The database and thus the Register itself is constantly being revised on a daily basis to reflect the latest risk profiles throughout the Council.

Whilst the workshops themselves are programmed through the Risk Management service, the content (i.e. the risks themselves) are owned by service managers and this has formed part of the key training concepts.

Additionally, each workshop identifies the responsible manager to ensure the risks and management tools identified are owned by the service responsible and embedded within service delivery.

The Risk Register is maintained by the Risk Management service with a copy provided to the Chief Executive and Leader. Directorate Risk Registers are provided to each Corporate Director and individual Heads of Service are provided with the Risk Register entries for their services.

The Risk Register now highlights 3 categories of risk to enable relevant management levels to focus on relevant issues : (1) Strategic Risk, (2) Corporate Risk and (3) Operational Risk.

STATEMENT OF INTERNAL CONTROL

During 2005/6 dedicated workshops with CLT were undertaken on each of the 5 Strategic Risk issues. The work arising is ongoing to maintain progress in ensuring defined opportunities are achieved and defined threats mitigated where possible.

Reports are submitted to CLT throughout the year highlighting the top risk areas and progress in managing those risks. During 2005/06 each Director was provided with a Risk Dossier that is updated throughout the year in conjunction with the regular CLT briefings. During 2006/07 this will continue and will also include regular updates from a Business Continuity Dossier to address the Civil Contingencies Act requirements for Council services.

The Corporate Priorities/Objectives have also been mapped to the Risk Register to provide a visual representation of the Risk Register as the management of those risks contributes to the achievement of the Council Plan.

The restructure proposals highlighted in the 2004/05 SIC were implemented in 2005/06 and a Risk Officer was appointed, commencing duties in November 2005. Since November 2005 much work has been done to revisit the risk profiles of many services to ensure service managers are aware and managing their risks as agreed. This has improved the ownership of risks across the Council and thus embedded the management of risks within relevant services.

4.6.5 The processes to ensure value for money and continuous improvement are achieved including Best Value

In addition to those measures already outlined, the Council's financial pressures have produced an active environment to constantly review and search for value for money (VFM) savings and efficiencies. A new medium term planning process covering 2005-2008 developed this VFM culture further by targeting specific efficiency proposals. This process has been refined for the 2006-2009 medium term planning process, which has been further streamlined with the budget, so that the targeting of efficiency and VFM savings proposals is driven by the Council's priorities. All these processes seek to address Best Value issues.

The medium term planning process is an integral part of the budget process. There is a system of budget and service scrutiny through challenge meetings, the Policy Development committees and public consultation.

ChangingMK also targeted specific areas for improvements and VFM possibilities to be focused on.

STATEMENT OF INTERNAL CONTROL

A formal programme to address the Gershon efficiency and savings issues has also been prepared.

Additionally, Internal Audit work includes consideration of VFM improvements within every service audited.

4.6.6 The proper financial management and reporting of the Council's affairs

The senior management reorganisation during 2004/05 replaced the Chief Officer Board structure with a Corporate Leadership Team (CLT) that meets weekly. This comprises the Chief Executive as Head of Paid Service, the Assistant Chief Executive (Governance and Finance), the Assistant Chief Executive (Strategy and Performance), the Corporate Director Neighbourhood Services, the Corporate Director Environment, the Corporate Director Learning and Development, the Director of Public Health and the Head of Finance. Whilst not part of the inner core of CLT, the S151 Officer and Monitoring Officer are part of the weekly meetings.

CLT monitors and reviews Council activity to ensure compliance with Governance, Legal and Financial requirements. In addition, all formal reports and associated proposed activities are reviewed as part of the adopted management procedures to test for compliance in these areas.

4.6.7 The performance management arrangements

The Council has continued to make progress in developing its approach to performance management and service improvement. Key features include:

- a. Further development of medium term planning;
- b. Mainstreaming cross cutting issues such as equalities as part of service planning;
- c. Involving CLT in wide ranging reviews of the performance of individual services;
- d. Using Systems Thinking as a tool to undertake fundamental service reviews;
- e. Targeting training and support for all managers and staff;
- f. Developing new Information Technology systems to monitor performance;

STATEMENT OF INTERNAL CONTROL

- g. Raising awareness regarding the importance of performance management; and
- h. Enhancing the role of Overview and Scrutiny in examining performance issues.

5 REVIEW OF EFFECTIVENESS

5.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. That review is informed by:

- a. The work of Internal Audit;
- b. The work of External Audit and other review agencies; and
- c. Senior managers (including Corporate Directors, Heads of Service and Third Tier Managers) throughout the Council.

5.2 Specifically:

5.2.1 The Council maintains the strategic systems of control through the formal review and adoption of the Council's Constitution. The Council, in accordance with the Local Government Act 2000 has a formal scheme of delegation in place for all decisions.

5.2.2 The Cabinet is the executive decision making body at member level, taking all decisions except those properly delegated in accordance with the Constitution or those decisions reserved by legislation for others, for example Development Control. Reports on Corporate Governance arrangements requiring action are submitted to the Cabinet or to the newly established Audit Committee.

5.2.3 Revised overview and scrutiny arrangements were implemented in 2004/05 to reflect more effective and robust arrangements in scrutinising corporate governance arrangements, services and decisions made throughout the Council.

During 2005/6 the Council resolved to create a dedicated Audit Committee. Formal training for Committee Members will be provided by specialists.

5.2.4 Internal Audit is provided through the Head of Audit and Risk Management (HARM) with a team of 17 officers. The Audit service is delivered through three teams each managed by an Audit Manager, reporting to the Head of Audit and Risk Management. Following the formal recommendations of the Audit Commission, Internal Audit resources are protected from being diverted to adhoc work to the detriment of the planned work

STATEMENT OF INTERNAL CONTROL

through corporate agreement that any significant fraud or consultancy work (in excess of five days) is paid for internally by the commissioning service. This enables external resources to be procured to complete the plan.

Full details of this service area are given in the Annual Audit Report 2005/6 submitted to Councillors with the SIC.

Unplanned pressures on Internal Audit resources were higher than previous years including staff turnover levels, consultancy / special investigations required and significant new systems introduced eg SAP. Despite this 78% of the original Annual Audit Plan was completed and provides wide ranging assurance regarding the adequacy of internal controls throughout the Council. The majority of unstarted audits were deferred at the request of clients (for legitimate reason) and all deferred audits were scheduled for completion in early 2006/7.

Audit strategy, plans and resourcing will be reported to the Audit Committee as well as regular reports highlighting progress by management in implementing agreed recommendations and matters of serious concern. This includes:

- a. Every Audit Report is now published following agreement with the relevant client
- b. An Annual Audit Plan for each financial year, as part of the four year plan, that is prepared in consultation with the Chief Finance Officer and other Corporate Directors and Heads of Service; and
- c. An Annual Report for consideration by the Council's Audit Committee. This contains the Head of Audit and Risk Management's professional and formal opinion on the adequacy of the Council's systems of internal control.

5.2.5 The Prevention of Fraud and Corruption

The Council maintains an Anti-Fraud and Corruption Policy together with a formal Whistleblowing policy. Reporting to the Head of Audit & Risk Management the Corporate Anti Fraud Unit investigate suspected benefit and other frauds committed against the Council.

A summary of corporate fraud referrals is provided in the Annual Audit Report submitted with the SIC to Members.

The service maintains staff professionally qualified in fraud investigation which the BFI complemented in its most recent report. Changes to the sanction income regime in 2006/07 will

STATEMENT OF INTERNAL CONTROL

also enable the service to focus on targeted areas of fraud as opposed to being encouraged by DWP incentives towards income generating cases.

As stated in last years SIC the service maintains a comprehensive Policy and Procedures manual based on best practice including the adoption of a revised Anti-Fraud and Corruption Policy to include formal publicity considerations;

As well as reactive fraud investigations the service also undertook several anti fraud projects including:

- a. Development of Fraud Awareness publicity
- b. Promotion of the external FraudWatch service
- c. Liaison with Police on specific criminal investigations
- d. Postal Votes system/data review

The Council has investigated all allegations of fraud and corruption and these have resulted in appropriate action being taken to protect the Council's interests, including the successful prosecution of a number of cases through criminal proceedings.

6 SIGNIFICANT INTERNAL CONTROL ISSUES

- 6.1** Milton Keynes Council is successfully implementing good corporate governance arrangements to identify and address control weaknesses throughout its operations. The Annual Risk Management report (previously presented to the Performance Review and Audit Panel (PRAP)), is presented to the Audit Committee. The report provides significant assurance that the Council's services and their control are kept under constant review and all areas are subject to continual improvements wherever possible.

A summary of key risk management issues is presented below. These items must be considered as a positive identification of areas identified for improvement. The identification of such matters represents positive reassurance to the Council that its services are self aware and have active measures in place to improve those issues shown.

STATEMENT OF INTERNAL CONTROL

RISK MANAGEMENT ISSUES ARISING	
ISSUE	ACTION
<p>Five Strategic Risk Areas. IT, CPA, Business Continuity, Growth, Partnerships. Although the risks have been identified additional work is required to define the risks, who is “risk owner” and what mitigation methods can be employed</p>	<p>In Business Continuity the work schedule has been agreed and the Services are being approached to design their own Plans. This will continue during 06/07. The other risk areas will be reviewed, the risk analysed and mitigation methods employed as appropriate. The residual risks will be advised and agreed by CLT and Cabinet.</p>
<p>Civil Contingencies Act. Part 2 of the Act makes the Council responsible for providing training and assistance to local businesses to allow them to develop their own Plans. The lack of resources has not allowed this work to take place.</p>	<p>It was originally agreed that a forum for local businesses should be held in MKC, with the assistance of a private company specialising in Business Continuity Planning. However, this has not been successful in other areas and revised plans have been developed, with the help of the Federation of Small Businesses, Business Link and the local Chamber of Commerce</p>
<p>Estates/Architecture MK. A complex set of circumstances has combined to create internal work pressures, resulting in stress, illness and resignations</p>	<p>A comprehensive system of succession planning to be established.</p>
<p>School Build. Correct information for pupil numbers in existing areas. Introducing the managing change and diversity into School ownership</p>	<p>Carry out additional work to review during 06/07.</p>
<p>Moving MK. Cutting of budget for necessary maintenance, but proceeding with the project.</p>	<p>Review cost effectiveness of the process and long term savings.</p>
<p>Milton Keynes Recycling Facility. Lack of sprinkler system installation</p>	<p>Ensure sprinkler system installed at earliest opportunity.</p>
<p>Building Closures. No Contingency Plans for the short or long term closure of a Council Office. Difficulty in agreeing where responsibility lies.</p>	<p>Carry out full review and assign risk owner during early 06/07. Plans to be drafted during 06/07.</p>
<p>Finance. Issues raised following appointment of Risk Management Officer at the end of 05/06. Lack of resource in the Risk Section prevented this being addressed with greater alacrity.</p>	<p>The Risk Workshops have been scheduled for the first quarter of 06/07.</p>
<p>Media/Communications. RM Workshops have established that there is a lack of appreciation by other Departments of the opportunities available by media/communications</p>	<p>Being developed by the Risk Management process.</p>

STATEMENT OF INTERNAL CONTROL

- 6.2** Given the nature of Council services, it must be recognised that the Council cannot control and/or eliminate all risk. The Risk Register provides evidence across the Council regarding how Risk Management is being embedded throughout services including;
- 6.2.1** During 2005/06 a quarterly risk dossier was introduced and submitted to CLT. This dossier is indicative of the greater adoption of risk issues across the Council.
 - 6.2.2** Also requests for new risk workshops by clients increased throughout 2005/06, again evidencing that services are embracing risk management as a tool to deliver high quality services.
 - 6.2.3** Whilst it was disappointing that the new post of Risk Officer did not commence work until November 2005, this appointment is illustrative of the Council's commitment to this important issue.
 - 6.2.4** Much work has been done throughout the year to embed risk management throughout the Council. This is illustrated by the issues listed in the table above which have been identified (together appropriate actions) through a proactive risk management process.
- 6.3** Internal Audit issued reports throughout the year. The Annual Audit Report is an integral part of the Council's Statement of Internal Control. The Annual Audit Report was presented to the Council's committees together with the SIC.

A summary of key issues is presented below.

STATEMENT OF INTERNAL CONTROL

AUDIT ISSUES ARISING	
ISSUE	ACTION
<p>PPP – Three reviews of this issue were completed. Controls in respect of the PPP were found to have improved and continue to improve since January 2004. The audits did however identify a need to improve the ability of the Council's Client Officers to effectively manage and monitor the services being delivered through the Partnership.</p>	<p>The PPP will continue to be a focus for audit in 2006/7 given its significance to MKC.</p> <p>The Partnership Delivery Manager has agreed the recommendations made which are scheduled for implementation in combination with the ongoing work of the Planning Delivery Team to continually improve this area.</p>
<p>Salaries & Wages – A confidential issue is reported to the Audit Committee that cannot be detailed within the SIC. A fundamental weakness in control has been identified that needs to be addressed as soon as practicable.</p>	<p>The HR Client Officer is discussing with HBS the most practicable solution to this control weakness. It is not possible to resolve this immediately. A manual interim solution is currently in place.</p>
<p>Learning Disabilities Day Services & Transport Available records showed that only a few of the Officers working with service users had undergone a CRB check, therefore there is no assurance that all officers in post are appropriate to care for clients with learning disabilities. It is highlighted that CRB checks are not a legal requirement in this area.</p>	<p>The service has provided assurances that outstanding checks have now been completed.</p>
<p>Corporate Properties - The audit found that there is currently no formal process or policy within MKC to ensure that condition surveys are undertaken of all properties and that funding is available to enable repairs and maintenance works to be prioritised, costed, planned and completed.</p>	<p>The Valuer to the Council & Corporate Property Officer has proposed a Property Strategy and Asset Management Plan to Cabinet, but it has not yet been agreed.</p>
<p>Grant Claims – Grant claims continue to be qualified by the Audit Commission demonstrating that the relevant officers are not fully aware of the significance of their responsibilities. This results in increased charges from the Audit Commission.</p>	<p>At follow up the Head of Finance noted that improvements had been made in both these areas of weakness so that officers are now aware of their responsibilities and claims are being submitted on a timely basis. The grants process and guidance notes are being reviewed as part of the Financial Strategy Group work packages and revised guidance will be sent out in June 2006.</p>
<p>Procurement – Savings of at least £3.7m have been defined over the course of the 12 Year Public Private Partnership (PPP) contract. These savings should arise through various mechanisms including better co-ordinated spending allowing the Council to benefit from economies of scale. Current weaknesses prevent information being readily available to ensure the savings are achieved.</p>	<p>Systems reviews are underway to produce the necessary information on a regular basis that can both direct purchasing officers to corporate suppliers and evaluate spending patterns to maximise corporate procurement.</p>

STATEMENT OF INTERNAL CONTROL

7 CONCLUSION

- 7.1** We (see below) have been advised on the implications of the review of the effectiveness of the system of internal control and a plan to address weaknesses and ensure continuous improvement of the system is in place.
- 7.2** The Council is committed to delivering high quality services, which focus on the needs of individuals in Milton Keynes. It welcomes feedback on how it is achieving against that aim and wishes to involve people in improving services further.

Isobel McCall Leader of the Council

John Best Chief Executive

Isabell Procter Head of Finance

CONSOLIDATED REVENUE ACCOUNT

2004/05 Net £'000		2005/06 Expenditure £'000	2005/06 Income £'000	2005/06 Net £'000	Note
STATEMENT OF NET EXPENDITURE					
1,219	Central Services to the Public	14,577	(13,245)	1,332	
34,385	Cultural, Environmental and Planning Services	57,097	(15,711)	41,386	
134,588	Education Services	349,029	(197,439)	151,590	
12,496	Highways, Roads and Transport Services	23,716	(10,604)	13,112	
3,674	Housing Services	56,071	(51,053)	5,018	
49,703	Social Services	88,083	(31,107)	56,976	
266	Court and Probation Services	330	0	330	
5,324	Corporate and Democratic Core	5,557	(427)	5,130	
776	Non-Distributed Costs	906	0	906	
242,431	Net Cost of General Fund Services	595,366	(319,586)	275,780	
24,432	Housing Revenue Account			24,319	
266,863	Net Cost of Services			300,099	
(995)	Net Surplus on Trading Operations			(868)	1
(2,270)	Interest and Investment Income - General Fund			(3,037)	
4,022	Interest and Investment Expenditure - HRA			3,871	
(5,562)	Transfer from Asset Management Revenue Account - General Fund			(4,716)	11
(31,766)	Transfer from Asset Management Revenue Account - HRA			(31,026)	
5,179	Contribution of Housing Capital Receipts to Government Pool			2,115	
2,731	Parish Precepts			3,422	
12,406	Pensions Interest Cost			14,499	9
(8,295)	Expected Return on Pension Assets			(9,722)	9
611	Levies			356	12
242,924	Net Operating Expenditure			274,993	
APPROPRIATIONS					
3,424	HRA Surplus transferred from HRA Balances			(973)	
(5,708)	Contribution from Capital Reserves			(13,152)	
Appropriations to/(from) Reserves:					
1,842	General Fund Earmarked Reserves			131	
1,665	LMS Reserves			206	
(123)	HRA			3,809	
(5,179)	Appropriations from Housing Useable Capital Receipts			(2,115)	
(3,898)	Movement on Pension Reserve - General Fund			(4,968)	9
11	Movement on Pension Reserve - HRA			3	9
234,958	Amounts to be met from Government Grants & Local Taxation			257,934	
SOURCES OF FINANCE					
(107,315)	Revenue Support Grant			(113,898)	
(3,000)	Targeted Support Income			(3,000)	
(58,782)	Non-Domestic Rates - Redistributed Sum			(71,887)	
(69,223)	Net Call on Collection Fund (incl. Special Fund)			(74,162)	
151	Transfers (from)/to the Collection Fund in respect of (surpluses)/deficits			391	
(3,211)	Net General Fund (Surplus)/Deficit			(4,622)	
(5,823)	Balance on General Fund at 1 April 2005			(9,034)	
(9,034)	Balance on General Fund at 31 March 2006			(13,656)	

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

The areas of expenditure shown as Net Cost of General Fund Services on the Consolidated Revenue Account have been analysed further into Divisions of Service as follows:

	2005/06 Expenditure £'000	2005/06 Income £'000	2005/06 Net £'000
Central Services to the Public:			
Elections	175	0	175
Emergency Planning	136	(1)	135
Local Land Charges	106	(973)	(867)
Local Tax Collection	13,648	(12,005)	1,643
Registration of Births, Deaths & Marriages	512	(266)	246
Total Central Services to the Public	14,577	(13,245)	1,332

	2005/06 Expenditure £'000	2005/06 Income £'000	2005/06 Net £'000
Cultural, Environmental & Planning Services:			
Building Control	1,046	(695)	351
Cemetery, Cremation and Mortuary Services	798	(856)	(58)
Community Development	1,681	(1,151)	530
Community Safety (Crime Reduction)	2,090	(714)	1,376
Consumer Protection	1,036	(78)	958
Culture & Heritage	2,145	(437)	1,708
Development Control	2,292	(1,488)	804
Economic Development	702	(207)	495
Environmental Health	2,607	(878)	1,729
Environmental Initiatives	311	(286)	25
Library Service	3,737	(581)	3,156
Open Spaces	6,925	(524)	6,401
Planning policy	3,090	(429)	2,661
Recreation & Sport	7,869	(1,406)	6,463
Street Cleansing	(2)	139	137
Waste Collection	12,820	(1,265)	11,555
Waste Disposal	7,950	(4,855)	3,095
Total Cultural, Environmental & Planning Services	57,097	(15,711)	41,386

	2005/06 Expenditure £'000	2005/06 Income £'000	2005/06 Net £'000
Education Services:			
Non-School Funding	58,264	(16,295)	41,969
Primary Schools	149,221	(90,118)	59,103
Secondary Schools	121,236	(81,743)	39,493
Special Schools	16,400	(8,843)	7,557
Nursery Schools	3,908	(440)	3,468
Total Education Services	349,029	(197,439)	151,590

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

	2005/06 Expenditure £'000	2005/06 Income £'000	2005/06 Net £'000
Highways, Roads & Transport Services:			
Highways/Roads (Routine)	3,713	(267)	3,446
Highways/Roads (Structural)	1,098	(853)	245
Parking Services	3,837	(8,450)	(4,613)
Public Transport	4,662	(300)	4,362
Street Lighting	2,480	(47)	2,433
Traffic Management & Road Safety	1,589	(590)	999
Transport Planning, Policy & Strategy	5,825	(83)	5,742
Winter Maintenance	511	(13)	498
Total Highways, Roads & Transport Services	23,715	(10,603)	13,112

	2005/06 Expenditure £'000	2005/06 Income £'000	2005/06 Net £'000
Housing Services:			
Homelessness	1,649	(305)	1,344
Housing Benefit Administration	2,114	(1,339)	775
Housing Benefit Payments	48,094	(47,824)	270
Housing Strategy	233	0	233
Other Welfare Services	2,891	(1,583)	1,308
Private Sector Housing Renewal	1,090	(2)	1,088
Total Housing Services	56,071	(51,053)	5,018

	2005/06 Expenditure £'000	2005/06 Income £'000	2005/06 Net £'000
Social Services:			
Adults Aged Under 65 with Learning Disabilities	13,059	(3,795)	9,264
Adults Aged Under 65 with Mental Health Needs	4,826	(1,837)	2,989
Adults Aged Under 65 with Physical Disabilities	4,461	(1,143)	3,318
Asylum Seekers	822	(556)	266
Children Looked After	14,920	(742)	14,178
Childrens Services	496	(69)	427
Childrens Services - Commissioning & Social Work	2,268	(54)	2,214
Family Support Services	9,629	(6,377)	3,252
Older People	29,848	(9,601)	20,247
Other Adult Services	5,701	(5,748)	(47)
Other Childrens & Families Services	586	(611)	(25)
Supported Employment	308	(31)	277
Youth Justice	1,160	(544)	616
Total Social Services	88,084	(31,108)	56,976

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

	2005/06 Expenditure £'000	2005/06 Income £'000	2005/06 Net £'000
Court Services:			
Coroners Court	330	0	330
Total Court Services	330	0	330

	2005/06 Expenditure £'000	2005/06 Income £'000	2005/06 Net £'000
Corporate & Democratic Core:			
Corporate Management	8	(142)	(134)
Democratic Representation & Management	5550	(286)	5,264
Total Corporate & Democratic Core	5,558	(428)	5,130

	2005/06 Expenditure £'000	2005/06 Income £'000	2005/06 Net £'000
Non-Distributable Costs:			
Non-Distributable Costs	906	0	906
Total Non-Distributable Costs	906	0	906

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. TRADING SERVICES

2004/05 (Surplus)/ Deficit £'000		2005/06 Expenditure £'000	2005/06 Income £'000	2005/06 (Surplus)/ Deficit £'000
14	a) Bletchley Market	67	(46)	21
(335)	b) Commercial Properties	593	(591)	2
(190)	c) Architecture MK	3,753	(4,043)	(290)
(82)	d) Building	1,552	(1,614)	(62)
40	e) Catering	1,394	(1,226)	168
(482)	f) Transport Fleet	2,260	(2,393)	(133)
3	g) Emberton Park	231	(252)	(21)
0	h) Stores	311	(311)	0
142	i) Highways	4,514	(4,679)	(165)
(28)	j) Vehicle Maintenance	457	(518)	(61)
(88)	k) Landscape	2,152	(2,409)	(257)
(5)	l) Play Areas	116	(126)	(10)
(15)	m) Green Waste	0	0	0
31	n) Broadband	172	(232)	(60)
(995)	Total	17,572	(18,440)	(868)

a. Bletchley Market

The Authority has a retail off-street market undertaking at Bletchley. The collection of rent from the stallholders is handled directly by the Council. The turnover for 2005/2006 was £46,000 (£55,000 2004/2005) which resulted in a deficit to the General Fund of £21,000 (£14,000 2004/2005).

There has been a general decline in market trading activities around the country and hence fewer traders have used the Bletchley Market during 2005/2006. The decision made by the Council during the year to transfer the market to the local Town Council from 1st April 2006 has secured the market's future.

b. Commercial Properties

The Council received a number of commercial properties in June 1992, following the wind-up of the Development Corporation. The income from these properties is used to offset the net expenditure on "Community Related Assets" transferred to the Council from the Corporation at the same time.

The deficit in 2005/2006 is £2,000 (£335,000 surplus 2004/2005). The reduction is mainly due to increased notional interest charges against 2004/2005.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

c. Architecture MK

Architecture MK works within the Council providing a professional multi-disciplinary service designing new schools and other buildings as part of the capital programme, as well as providing a maintenance service for corporate buildings. Architecture MK also carries out work for outside bodies providing an income to the Council. The turnover for 2005/2006 was £4,043,000, which resulted in a surplus to the General Fund of £290,000. This compares with 2004/2005 where a turnover of £3,640,000 resulted in a surplus of £190,000 to the General Fund.

A number of factors have contributed to the increase in surplus, the primary cause being the increase in fees from 12.5% to 13.5% on new build programmes. Architecture MK also had a number of staff vacancies during the year.

d. Building

Streetcare continued to carry out a range of minor repairs, small refurbishments projects and the void property contract for West Bletchley and the Lakes Estate. The turnover for 2005/2006 was £1,614,000 (£1,304,000 for 2004/2005), which resulted in a surplus to the General Fund of £62,000 (£82,000 for 2004/2005). In 2005/2006 all income relating to the year has been accounted for. The service has produced a surplus for 2005/2006 through cost reduction efficiency measures and extra income achieved.

e. Catering

Catering services continued to be provided for Council staff in the main office buildings of the Civic Offices and Saxon Court. Streetcare also provided a catering service to several schools in the area, as well as operating the schools packed lunch service. The turnover for 2005/2006 was £1,226,000, which resulted in a deficit to the General Fund of £168,000. The management carried out a complete review and reorganisation of all the operations during 2004/2005. This included restructuring, streamlining, terminating non-profitable contracts and starting new contracts during 2005/2006. However, a disproportionate increase in costs has resulted in the large deficit in 2005/2006, prompting the management to carry out a further review of the operation.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

f. Transport Fleet

Streetcare continued to provide a successful Fleet Management Service for the Council. Due to cutbacks in other areas the demand for fleet vehicle rental has dropped. The turnover for 2005/2006 was £2,393,000, which resulted in a surplus to the General Fund of £133,000. This figure is not comparable with the surplus reported for 2004/2005 (£482,000), which was due to accounting changes in the treatment of lease costs.

g. Emberton Park

Streetcare continued to manage the operation of Emberton Park. The turnover for 2005/2006 was £252,000 (£236,000 for 2004/2005), which resulted in a surplus to the General Fund of £21,000 (£3,000 deficit for 2004/2005). The improvement in the trading position is mainly due to improvements and developments made to the park and also due to cost efficiency measures introduced.

h. Stores

The stores area provides a wide range of materials for all the trading activities within Streetcare. It also provides a service for all other areas of Milton Keynes Council on a commercial basis. In 2005/06, the turnover was £311,000 (£142,000 turnover in 2004/05), resulting in a nil surplus to the General Fund.

i. Highways

Work carried out by Streetcare during the year is part of the Council's agency agreements for the maintenance of roads in the Milton Keynes area, which includes winter gritting. The turnover for 2005/2006 was £4,679,000 (£4,081,000 for 2004/05), which resulted in a surplus to the General Fund of £165,000 (£142,000 deficit for 2004/2005). This surplus is attributable to the increase in more profitable areas of work awarded to the Council's workforce, a review of contracted rates and a continuous improvement in performance through cost efficiency measures implemented.

j. Vehicle Maintenance

Streetcare operated the vehicle maintenance contract for the Council. This section also operated the contract for the collection of abandoned vehicles. The turnover for 2005/2006 was £518,000, which resulted in a surplus to the General Fund of £61,000. Greater management control including cost reduction efficiency measures and careful cost allocation monitoring has resulted in an improvement on the surplus reported for 2004/2005.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

k. Landscape

Streetcare carried out landscape maintenance work for the Council. Additional work was also carried out at schools and for some public bodies in the area. The turnover for 2005/2006 was £2,409,000 (£2,221,000 for 2004/2005), which resulted in a surplus to the General Fund of £257,000 (£88,000 for 2004/2005). The surplus has increased from 2004/2005 due to improved cost efficiency measures implemented. The final surplus exceeds that originally budgeted for, illustrating an improved performance by this area.

l. Play Areas

Streetcare carried out maintenance work on play areas within the borough for the Council. The turnover for 2005/2006 was £126,000, which resulted in a surplus to the General Fund of £10,000. The increased surplus compared to 2004/2005 is attributable to improved cost efficiency measures introduced.

m. Green Waste

This operation was introduced to implement the Council's policy to support the residents in recycling Green Waste. The contract was awarded to Streetcare and took place for ten months of each year. The operation ceased in March 2005.

n. Broadband

This service relates to the provision of broadband services (MKSchools.net) to schools and receives subscription income from schools. The capital costs are funded by schools from Standards Fund monies, which have the option to use MKSchools.net as their provider. Turnover was £232,000, which resulted in a surplus for the year of £60,000.

2. SECTION 137 EXPENDITURE

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom, and mayoral appeals. The expenditure is limited to £3.80 per head of population. The Council was permitted to spend £842,000 under this power in 2005/2006 (£813,700 2004/2005), and its actual expenditure was £295,000 (£133,805 2004/2005) for the provision of grants for the arts and to voluntary organisations.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

3. PUBLICITY

Total expenditure on publicity during 2005/2006 is detailed below:

2004/05 £'000		2005/06 £'000
1,246	Recruitment Advertising	1,038
54	Statutory and Public Notices	5
51	Housing Stock - Tenant Consultation	0
19	Publishing LiveMK	67
0	Publishing Mk@Work	19
176	Other Advertising and Publicity Expenditure	237
<u>1,546</u>		<u>1,366</u>

Other Advertising and Publicity Expenditure totalling £237,000 was mainly spent on advertising and promotional items relating to planning and transport, highways and traffic and transportation special events along with brochures for Adult Education.

4. BUILDING CONTROL TRADING ACCOUNT

Building Regulations Charging Account 2005/06	Chargeable 2005/06 £'000	Non- Chargeable 2005/06 £'000	Total Building Control 2005/06 £'000
Expenditure			
Employee Expenses	447	67	514
Premises	0	0	0
Transport	18	3	21
Supplies and Services	77	12	89
Central and Support Service Charges	167	25	192
Total Expenditure	<u>709</u>	<u>107</u>	<u>816</u>
Income			
Building Regulation Charges	725	0	725
Miscellaneous Income	0	1	1
Total Income	<u>725</u>	<u>1</u>	<u>726</u>
(Surplus)/Deficit for the year	<u>(16)</u>	<u>106</u>	<u>90</u>
Three Year Rolling Programme			
2003/2004	68	111	179
2004/2005	(14)	106	92
2005/2006	(16)	106	90
Total Deficit	<u>38</u>	<u>323</u>	<u>361</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function – ‘details of scheme for setting charges’. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement above shows the total cost of operating the building control unit divided between chargeable and non-chargeable activities with comparative figures for the previous two years.

The surplus earned in 2005/2006 has been credited to the Building Control Reserve.

Building Control Scheme and Scale of Charges

In accordance with the Building (Local Authority Charges) Regulations 1998 the Council has determined its Building Control Scheme and Scale of Charges. The Scheme came into operation on 1st April 1999 and incorporates all the relevant principles set out under Regulations 6 to 11. Revisions to the scheme and scale of charges were made and implemented as from 1st April 2005.

The Scheme and the Scale of Charges covers the following types of work:

- a. Small domestic buildings (houses, bungalows and flats);
- b. Small domestic extensions, garages and carports;
- c. All other work.

Milton Keynes Council and all Buckinghamshire District Councils decided to use the same scale of charges, with minor variations based on the model scheme produced by the Local Government Association. The Regulations require a local authority to determine a scale of charges such that the expected income shall not be less than the costs directly or indirectly incurred in performing Building Regulation functions over a continuous three-year period.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

5. PERMITTED AND SPECIAL PARKING AREA ACCOUNT

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.

2004/05 £'000		2005/06 £'000
	Expenditure	
1,718	Contractors Management Fee	1,521
166	Pay and Display Installation Costs	0
27	Pay and Display Maintenance Costs	0
4	Digital Cameras	3
3	Van Cost	0
141	Staffing Cost	144
22	Supplies and Services	79
204	Support Costs	205
17	Surveys and Fees	13
33	Decriminalised Costs	43
42	CMK Pay to Park	52
0	Landscaping	13
0	Street Lighting	96
0	Cleansing	207
0	Highway Management	9
0	Gully Emptying	23
0	Infrastructure Maintenance	5
0	Winter Maintenance	20
2,377	Total Expenditure	2,433
	Income	
(1,157)	Excess Charge/Penalty Charge Notices	(1,173)
(601)	Business Permits	(651)
0	Residents Permits	0
(10)	Suspensions	(8)
(239)	Scratch Cards	(261)
(5,718)	Pay and Display Income	(5,866)
(14)	Sale of Meters to English Partnerships	0
0	Court Costs Recovered	(1)
0	Default Notifications	(4)
(7,739)	Total Income	(7,964)
<u>(5,362)</u>	Surplus for the year	<u>(5,531)</u>

The surplus of £5,531,000 has been fully spent during the year to fund a variety of traffic and transportation projects. Projects undertaken include provision and maintenance of off-street car parking (£571,000), residential parking grant (£28,000), road safety administration (£229,000), and traffic management (£490,000). £4,213,000 has been allocated to Public Transport services, including rural and community transport (£2,627,000), passenger transport subsidy administration (£141,000), concessionary fares (£1,413,000) and publicity (£32,000).

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

6. AGENCY EXPENDITURE

The Council acts as an agent for English Partnerships in providing Street Lighting. The costs are fully recovered and the net cost to the Council is nil.

2004/05 Net Sum Recovered £'000		2005/06 Expenditure £'000	2005/06 Net Sum Recovered £'000
14	English Partnerships Street Lighting	21	21
1,112	Primary Care Trust Care Home Placements	1,297	1,297
<u>1,126</u>	Total	<u>1,318</u>	<u>1,318</u>

Since 2003, the Council has acted as an agent for Milton Keynes Primary Care NHS Trust in respect of the provision of nursing care to residents in care homes and the payment for that care. The costs are fully recovered and the net cost to the Council is nil.

7. LEASES

a. The Council as Lessee

The Council uses a number of capital items, principally Information Technology equipment and vehicles, financed under the terms of operating leases. The Council also has a number of property operating leases with the significant holdings being for office accommodation in Central Milton Keynes.

In 2005/2006 the Council acquired Information Technology and catering equipment under finance leases.

The amounts paid under these arrangements were as follows:

2004/05 £'000		2005/06 £'000
	Operating Leases	
1,337	Vehicles, Plant and Equipment	1,169
1,709	Land and Buildings	1,616
	Finance Leases*	
217	Vehicles, Plant and Equipment	217
<u>3,263</u>	Total	<u>3,002</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

*The rentals payable under Finance Leases in 2005/2006 were split as follows:

- i. £20,000 – relates to finance costs charged to the Asset Management Revenue Account (AMRA).
- ii. £197,000 – relates to the capital element of the payment, which reduces the obligation to the Lessor.

b. The Council as Lessor

The Council has granted a number of leases which are accounted for as operating leases. The total amount of rentals receivable in 2005/06 is £1,600,000 (£1,900,000 in 2004/05). The Council has not granted any finance leases.

8. MINIMUM REVENUE PROVISION FOR DEBT REPAYMENT

The Local Government Act 2003 requires the Council to set aside from General Fund revenue accounts, a minimum revenue provision towards the repayment of external debt arising from the financing of capital expenditure.

There is no longer a requirement to set aside a minimum revenue provision from the Housing Revenue Account in respect of housing debt.

The amounts set aside in 2005/2006 were:

2004/05 £'000		2005/06 £'000
3,576	General Fund Account	3,663
<u>3,576</u>	Total	<u>3,663</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

9. PROVISION FOR EMPLOYEES' PENSIONS

As part of the terms and conditions of employment of its staff, the Council offers retirement benefits. Although these benefits are not payable until employees retire, the Council reflects the cost of this future commitment in its annual accounts.

The Council participates in two pension schemes: the Buckinghamshire County Council Pension Fund in respect of local government employees and the Teachers' Pension Fund in respect of teachers (Statement of Accounting Policies Note 18, Page 21).

The Council has implemented the requirements of FRS17 in reporting the Current Service Costs of pensions within the Consolidated Revenue Account. This means that the cost of retirement benefits has been recognised in the Net Cost of Services when earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Consolidated Revenue Account after Net Operating Expenditure.

a. Buckinghamshire County Council Pension Fund (BCCPF)

The BCCPF is a defined benefit scheme, which means that employees, on retirement, are entitled to a pension and other benefits calculated by means of a formula, based on their length of service and final salary, rather than a relationship to their contributions and the performance of the Fund.

The BCCPF is built up from contributions paid by employees and by the constituent councils as employers, together with interest and dividends received from the Fund's investments. The scheme pays defined benefits to employees determined by Pensions Regulations and calculated according to pay and length of service.

The Council is required to include in its revenue accounts the Current Service Costs (CSC) of pensions for those staff currently in service. The CSC reflects the estimated cost of the ongoing pension liability of those staff and the Fund's actuaries calculate this figure annually. As the age and length of service of staff increases the CSC will also increase and this will be assessed annually as part of the actuary's information to the Council.

Payments to BCCPF in 2005/2006 are based on contribution rates agreed in the 2004 actuarial valuation. They totalled £11,514,000, equivalent to 18.9% of total pensionable pay for officers and 15.8% of total pensionable pay for manual workers. The following transactions have been made in the Consolidated Revenue Account:

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

2004/05 £'000		2005/06 £'000
	Net Cost of Services	
10,182	Current Service Cost	11,593
47	Past Service Cost	59
36	Gains and Losses on Settlements or Curtailments	50
10,265		11,702
	Net Operating Expenditure	
12,406	Interest Cost	14,499
(8,295)	Expected Return on Assets	(9,722)
4,111		4,777
(3,887)	Movement on Pensions Reserve	(4,965)
10,489	Actual Contributions Paid to Fund	11,514

In 2005/2006 the Council also paid additional sums in respect of employees permitted to retire early in past years and entitled to unfunded benefits, amounting to £499,000. There was no early retirement in the interest of efficiency of the service during 2005/2006.

An independent actuary assesses constituent councils' contribution rates every three years. The last valuation of the BCCPF by Punter, Southall & Co – Consulting Actuaries – took place as at 31st March 2004. The valuation takes account of the age profile of both pensioners and active members of each employer member of the Fund. As the age profile rises, it impacts on the costs of current service provision through the review of employer contributions by the actuary.

Note 15 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note. Note 8 to the Statement of Total Movements in Reserves details the net effect of changes during 2005/2006 together with the effect of any revisions to estimates used in preparing figures for previous years.

b. Teachers Pension Fund (TPF)

This Scheme is not funded but the Teachers Pensions Agency uses a notional fund to assess the national rate of employers' contributions. Payments to the TPF are based on percentages of pay detailed in the Teachers Pensions Regulations. In 2005/2006 the Council paid £8,867,000 in contributions, equivalent to 13.5% of total pensionable pay. The Council also paid additional sums in respect of added years awarded to former employees amounting to £416,000.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

10. SUPPLY OF GOODS AND SERVICES TO OTHER LOCAL AUTHORITIES AND BODIES

The Council received income of £1,942,000 in 2005/2006 in respect of the provision of professional services under the Local Government (Goods and Services) Act 1970 (£1,241,000 2004/2005). The income received in 2005/2006 was greater than the costs incurred of £1,734,000.

11. ASSET MANAGEMENT REVENUE ACCOUNT

This account allows an authority to offset the impact of the capital charges in arriving at the total level of expenditure financed from government grants and local taxpayers. The transactions during 2005/2006 on this account are detailed below:

2004/05 £'000		2005/06 £'000
	Income	
(23,583)	Capital Charges - General Fund	(24,830)
(33,217)	- Housing Revenue Account	(31,720)
(1,029)	- Intangible Fixed Assets	(1,498)
(574)	- Government Grants	(355)
(58,403)		(58,403)
	Expenditure	
17,615	Provision for Depreciation	17,868
11,138	External Interest Charges	13,377
3,179	BCC Debt Charges	1,959
19,860	HRA Asset Charges	18,864
0	Impairment of Fixed Assets	101
1,029	Intangible Fixed Assets	1,498
20	Finance Leases Interest	20
52,841		53,687
(5,562)	Balance to Consolidated Revenue Account	(4,716)

12. LEVIES

Levies are payments made to other organisations that are funded by local authorities. The table below shows the levies paid by Milton Keynes Council during 2005/2006:

2004/05 £'000		2005/06 £'000
109	Flood Defence	109
238	Drainage Board	247
264	Magistrates Court	0
611	Total	356

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

13. EMOLUMENTS

The Accounts and Audit Regulations 2003 (Regulation 7(2)) require disclosure of officers' emoluments above a set threshold. The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000, was:

2004/05 Number of Employees	£ Band	2005/06 Number of Employees
73	50,000 - 59,999	111
24	60,000 - 69,999	36
4	70,000 - 79,999	7
6	80,000 - 89,999	6
2	90,000 - 99,999	3
0	100,000 - 109,999	1
0	110,000 - 119,999	0
1	120,000 - 129,999	0
0	130,000 - 139,999	1
<u>110</u>		<u>165</u>

There were no redundancies in the above bands for 2005/06 or 2004/05.

14. MEMBERS ALLOWANCES

Total Members' Allowances paid during 2005/2006 were as follows:

2004/05 £'000		2005/06 £'000
301	Basic Allowance	465
128	Special Responsibility Allowance	174
<u>429</u>	TOTAL	<u>639</u>

Details of each Member's individual payments are published annually.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

15. 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.

Central Government has effective control over the general operations of the Council – it is responsible for the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of the transactions with Government departments are set out in the notes to the Cash Flow Statement.

All Members of the Council, Chief Officers and Heads of Service were sent a questionnaire asking them to disclose any transactions with related parties. Material transactions have been identified using both the Related Party Transaction Questionnaires and the Register of Members Interests.

A summary of transactions of the Council with organisations declared by the Council's Members, Chief Officers and Heads of Services is shown in the table below. These transactions relate to payments for works and services, payments of grants and assistance by means of discretionary rate relief.

	No of Organisations	Total Value of Payments £'000	No. of Members /Officers Involved
Organisations Receiving Payments for Works & Services	52	2,657	40
Organisations Receiving Grants from the Council	23	1,863	20
Organisations Making Payments to the Council	27	(1,129)	28
Organisations in Receipt of Discretionary Rate Relief	35	89	29
Number of Schools with Council Members as Governors	18	N/a	25

Payments for works and services totalled £2,657,000 in 2005/2006 (£1,837,000 2004/2005). Of this amount £303,000 was paid over to Milton Keynes College. This figure comprises a large number of smaller payments relating to a variety of services, for example course fees and room hire. The Council has appointed a Member as a Governor of the College. A further £339,000 was paid over to the Milton Keynes Council of

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

Voluntary Organisations. This figure comprises a large number of smaller payments predominantly relating to the Children's Fund Mobiliser Unit.

Grants awarded in 2005/2006 totalled £1,863,000 (£1,534,000 2004/2005).

Grants totalling £432,000 (£549,000 2004/2005) were awarded to Woughton Leisure Trust for the provision and management of leisure activities. The Leisure Trust also received from the Council payments for works and services totalling £2,000 and £8,000 in discretionary rate relief. Two Councillors are members of Woughton Leisure Trust and of these, one has also been appointed to Woughton Trading Ltd. There were no transactions in 2005/2006 between the Council and the Trading Company.

Grants totalling £276,000 (£276,000 2004/2005) were awarded to the Citizens Advice Bureau (CAB) as a contribution towards core costs. The CAB also received from the Council payments for works and services totalling £7,000 and £3,000 in discretionary rate relief.

One Member is chairman of both Shenley Leisure Centre Trust and Shenley Leisure Centre Trading Ltd, with a further Member representing the Council on the board of the Leisure Centre Trust. Transactions between the Council and the Leisure Trust in 2005/2006 totalled £184,000 and £7,000 in discretionary rate relief. There were no transactions in 2005/2006 between the Council and the Trading Company.

Income received during 2005/06 totalled £1,129,000. Of this sum, £362,000 was received from Woughton Leisure Trust for the provision of payroll services and various leisure related services, and £337,000 was received from Sure Start to fund schemes designed to assist children and families in deprived areas.

Details of all the transactions summarised in the table are available for inspection on request and are included in the Consolidated Revenue Account on Page 39. No other material related party transactions have been disclosed.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

16. EXTERNAL AUDIT COSTS

The total amount paid to the Audit Commission during 2005/2006 is as follows:

2004/05 £'000		2005/06 £'000
365	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed Auditor	382
85	Fees payable to the Audit Commission in respect of statutory inspection	108
162	Fees payable to the Audit Commission for the certification of grant claims and returns	104
<u>612</u>		<u>594</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

17. POOLED BUDGET SCHEMES ESTABLISHED UNDER THE HEALTH ACT 1999

Section 31 of the Health Act 1999 allows partnership arrangements between NHS bodies, local authorities and other agencies in order to improve and co-ordinate services. A pooled budget is established to which each partner contributes. The aim of the partnership is to provide a service to a target client group and allows the organisations to work in a more unified way.

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

a. 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 efficiencies of scale and improved delivery.

The Council's share of income and expenditure is included within the Consolidated Revenue Account. The note below summarises the financial performance of the scheme:

b.

2004/05 £'000	Integrated Community Equipment Service (ICES)	2005/06 £'000
	Gross Funding	
(181)	Milton Keynes Council	(261)
(117)	Milton Keynes Primary Care Trust	(117)
(298)	Total Funding	(378)
	Expenditure	
119	Medical Loans	153
79	Aids to Daily Living	164
20	Minor Aids	11
8	Access and Systems Capacity Grant	164
226	Total Expenditure	492
(72)	Net (Surplus)/Deficit	114
(42)	Net Surplus Brought Forward	(114)
(114)	Net Surplus Carried Forward	0

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

Mental Health

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

The Council's share of income and expenditure is included within the Consolidated Revenue Account, whilst the Council's share of the surplus of £665,000 is included in the Consolidated Balance Sheet (Page 75). The note below summarises the financial performance of the scheme:

2004/05 £'000	Mental Health	2005/06 £'000
	Gross Funding	
(1,829)	Milton Keynes Council	(3,196)
(6,886)	Milton Keynes Primary Care Trust	(10,092)
(2)	Miscellaneous	(11)
<u>(8,717)</u>	Total Funding	<u>(13,299)</u>
	Expenditure	
2,486	Commissioning	2,601
6,050	Provider	10,214
<u>8,536</u>	Total Expenditure	<u>12,815</u>
<u>(181)</u>	Net Surplus	<u>(484)</u>
0	Net Surplus Brought Forward	(181)
<u>(181)</u>	Net Surplus Carried Forward	<u>(665)</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

c. Learning Disability

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

The Council's share of income and expenditure is included within the Consolidated Revenue Account, whilst the Council's share of the total surplus of £171,000 is included in the Consolidated Balance Sheet (Page 75). The note below summarises the financial performance of the scheme:

Learning Disability	2005/06 £'000
Gross Funding	
Milton Keynes Council	(4,604)
Milton Keynes Primary Care Trust	(1,156)
Total Funding	(5,760)
Expenditure	
Senior Management	156
Team A	674
Training & Development, QA & Policy	111
Team B	286
Mencap	78
MacIntyre	264
Group Homes	4
Internal Day Care	2,025
Purchased Day Care	250
Thrift Farm	128
External Domiciliary	170
Direct Payments	107
Peripatetic	576
Psychology & Challenging Behaviour	206
Medical Services	202
Supported Employment	216
Learning Disability Development Fund	136
Total Expenditure	5,589
Net Surplus	(171)
Net Surplus Brought Forward	0
Net Surplus Carried Forward	(171)

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

18. PARTNERSHIPS

a. Active Sports Buckinghamshire

Milton Keynes Council is in partnership with Buckinghamshire County Council, Aylesbury Vale District Council (the host authority), Chiltern District Council and Wycombe District Council. The partnership has been established to co-ordinate, develop and promote sporting opportunities in Buckinghamshire. This work is undertaken in co-operation with Sport England which provides lottery funding to Aylesbury Vale District Council. The Council's contribution to the partnership is £17,000 plus officer time spent attending courses, establishing programmes and attendance at regular Sport Action Group meetings and county forums.

b. Central Milton Keynes Partnership

This is a joint arrangement whereby all parties with an interest in ensuring that Milton Keynes is a safe and welcoming environment for all are involved in policy discussions. The Partnership has a trading arm, Central Milton Keynes Trading Ltd.

c. Central Milton Keynes Project Board

Milton Keynes Council and English Partnerships signed a joint venture agreement, which formally established the CMK Project Board on 23rd September 2003. The Board draws on expertise from the Council, English Partnerships, MK Parks Trust, South East of England Development Agency and the CMK Partnership to lead long term plans for the development of the city centre. The Joint Venture Agreement states that English Partnerships will reimburse the Council for specific costs previously agreed. In 2005/2006, the Council received reimbursement of £100,000.

d. Milton Keynes Children's Fund

The Children's Fund is a national programme aimed at enhancing and developing preventive services for children and young people aged 5 to 13 and their families. The Milton Keynes Children's Fund commenced in April 2003 and will conclude by April 2008. The programme is overseen by a local Children's Fund Board and managed by NCH, the children's charity (formerly known as National Children's Homes). Services developed and supported by the Children's Fund so far include: the Community Mobilisers, the Health Visitor for Travellers, Relate (Neighbourhood) Family Counselling, and services to Young Carers and Youth Crime Prevention Workers. The Children's Fund Grant was £507,000 for 2005/06.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

e. MK Transport Partnership

This is a forum involving partners from the business, retail and local communities in discussions on the development of transport in Milton Keynes.

f. Sure Start Milton Keynes

Sure Start is a Government programme aimed at achieving better outcomes for children, parents and communities by increasing the availability of childcare for all children, improving health and emotional development for young children and supporting parents in their aspirations towards employment. Sure Start MK commenced in 2000/2001 and was envisaged to be a ten-year project to be “mainstreamed” by the end of that period.

The Project is Government funded and run by an inter-agency partnership with the Partnership Board at the top of the structure. The current annual budget is £751,000 and the capital Sure Start budget is £964,000 resulting in the development of a Children’s Centre in Fuller Slade.

The Sure Start programme brings together Health, Family Support, Childcare and Education and is open to anyone with a child under four years of age, regardless of sexuality, ethnicity, beliefs, ability or financial circumstances.

Sure Start works in partnership with local schools, health visiting services, the educational psychology service, the disabilities team, children’s services, housing, Children’s Fund, Pre-school Learning Alliance, Play Association, parent and toddler groups, UK Online, smoking cessation, oral health, community safety wardens, community mobilisers, speech and language therapy, adult continuing education, National Childminding Association, Wolverton Unlimited, Christian Foundation, and Brook organisations.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

g. Milton Keynes Economy and Learning Partnership

Milton Keynes Economy and Learning Partnership was established on 1 January 2004 and is the result of the merger of Milton Keynes Economic Partnership and the Milton Keynes Lifelong Learning Partnership. The objectives of the partnership are to promote and develop a prosperous community, underpinned by a strong economy with employment and learning opportunities for all.

The partnership's activities are overseen by a Board drawn from the partner organisations: Milton Keynes Council, English Partnerships, Milton Keynes College, Universities for Milton Keynes, the Secondary Schools Association, Connexions, the Chamber of Commerce, the Large Employers' Association and the Private Training Providers' Association.

19. LONG TERM CONTRACT

On 1 January 2004 the Council entered into a 12-year contract with HBS at an approved cost of £207,120,000 excluding inflation, work volume changes or any additional work commissioned. The contract, which is a public private partnership arrangement, covers the provision of administration, facilities management, finance, human resources, ICT, revenues and benefits and management of several other services. As at 31st March 2006 there was an undischarged obligation under this contract, calculated pro rata on a 2004 price base, of £168,285,000.

HOUSING REVENUE ACCOUNT

The Housing Revenue Account deals with the provision and maintenance of council houses and flats. There is a statutory requirement to keep this account separate from those of other activities.

2004/05 £'000		2005/06 £'000	Note
	Income		
(42,898)	Dwelling Rents	(42,519)	
(1,403)	Non Dwelling Rents	(1,404)	
(717)	Charges for Services and Facilities - Tenants	(765)	
(390)	- Leaseholders	(547)	
(388)	Contributions Towards Expenditure	(141)	
0	Government Subsidies	0	10
0	Housing Benefit Transfers	0	10
(45,796)		(45,376)	
	Expenditure		
7,301	Repairs and Maintenance	8,437	
7,451	Supervision and Management	8,527	
2,097	Special Services	2,166	
260	Rents, Rates and Taxes	261	
0	Rent Rebates	0	10
5,421	Rent Rebate Subsidy Limitation transferred to General Fund	4,693	10
451	Increased Provision for Bad and Doubtful Debts	271	
13,862	Negative Subsidy payable to ODPM	13,391	8
24,420	Cost of Capital Charge	23,160	6
8,628	Depreciation - Dwellings	8,311	7
168	- All Other HRA Assets	249	7
134	Amortisation of Deferred Charges/Intangible Assets	168	
35	Debt Management Expenses	61	
70,228		69,695	
24,432	Net Cost of Services	24,319	
(31,766)	Net HRA Income on Asset Management Revenue Account	(31,026)	
4,560	Interest on Loan Charges	4,297	6
124	Amortised Premiums and Discounts	138	
(662)	HRA Investment Income	(564)	
(3,312)	Net Operating Income	(2,836)	
	Appropriations		
1,093	Revenue Contribution to Capital Expenditure	4,668	
0	Set aside/Minimum Revenue Provision	0	6
11	Transfer to Pension Reserve	3	11
(1,584)	Transfer from Major Repairs Reserve	(862)	3
(3,792)	Deficit for the Year	973	

HOUSING REVENUE ACCOUNT - FUND BALANCE

2004/05 £'000		2005/06 £'000
(2,556)	Balance brought forward at 1 April 2004	(6,348)
(3,792)	(Surplus)/deficit for the year	973
(6,348)	Balance carried forward at 31 March 2005	(5,375)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

At 31st March 2006, the Council was responsible for managing a housing stock of 12,851 dwellings of which 1,045 is the Council's portion of shared ownership dwellings and 23 are dwellings in multiple-occupation. During the year 151 properties were sold to tenants. This includes part-sales of shared ownership dwellings. The analysis of the remaining stock is as follows:

	Houses	Flats	Total	Houses Built	No. of Houses
1 Bedroom	1,480	2,470	3,950	Pre - 1919	55
2 Bedrooms	1,850	879	2,729	1919 - 1944	357
3 or more Bedrooms	4,911	193	5,104	1945 - 1964	1,529
				Post - 1964	6,300
Total	<u>8,241</u>	<u>3,542</u>	<u>11,783</u>		<u>8,241</u>

2. ASSET VALUES

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

	31 March 2005 £'000	1 April 2005 £'000	31 March 2006 £'000
Operational Assets			
Dwellings	729,726	644,232	680,322
Other Land and Buildings	6,760	8,842	8,606
Non-operational Assets	5,919	6,545	6,545
	<u>742,405</u>	<u>659,619</u>	<u>695,473</u>

The difference between Operational Asset valuations at 31st March and 1st April 2005 is due to the re-valuation of assets on 1st April each year.

The increase of £35,854,000 between 1st April 2005 and 31st March 2006 is due to increases in house prices, partially offset by sales during 2005/2006.

As at 1st April 2005, the vacant possession value of the Council's dwellings is estimated at £1,450,800,000, compared with the Balance Sheet value of £644,232,000 shown above. This variance reflects the economic cost to the Government of providing council housing at less than market value.

No assets have fallen in value as a result of impairment.

NOTES TO THE HOUSING REVENUE ACCOUNT

3. MAJOR REPAIRS RESERVE

Authorities are required by regulation to establish and maintain a Major Repairs Reserve. The main credit to the account comprises the total depreciation charge for all Housing Revenue Account assets. Capital spending on Housing Revenue Account assets is then funded from the reserve without being charged to the Housing Revenue Account.

	£'000
Opening Balance at 1 April 2005	0
Depreciation - Dwellings	(8,311)
Depreciation - Non-Dwellings	(249)
Capital Expenditure	7,698
Reversal of Depreciation in excess of Major Repairs Allowance	862
Balance Carried Forward at 31 March 2006	0

The Council reverses out of the account any depreciation charged in excess of the Government's Major Repairs Allowance (MRA) in accordance with ODPM requirements.

The Depreciation charged to the account (Dwellings and Non-Dwellings) less the MRA of £7,698,000 equals the Reversal of Depreciation figure of £862,000 shown in the account.

4. CAPITAL SPENDING

Total capital spending within the Housing Revenue Account and its funding in 2005/2006 is shown in the table below.

	£'000
<u>Capital Spending</u>	
- Dwellings	14,557
- Other HRA Assets	577
	<u>15,134</u>
<u>Funded By</u>	
- Usable Capital Receipts	1,239
- Supported Borrowing	1,485
- Major Repairs Allowance	7,698
- Third Party Contributions	44
- Revenue Contributions	4,668
	<u>15,134</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

5. CAPITAL RECEIPTS

The following capital receipts were received during 2005/2006:

	£'000
Sales of Dwellings*:	
Council Houses	2,644
Shared Ownership	205
Recovered Discount	164
Mortgage Receipts	18
Release of Covenants	17
Disposal of other Interests in Housing Land	1
HRA Receipts in Year	3,049
Less: Statutory Pooling	(2,115)
Total HRA Useable Receipts in year	934

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

6. COST OF CAPITAL CHARGE

The Office of the Deputy Prime Minister determines the basis for Capital Charges between the General Fund and the Housing Revenue Account, through a statutory determination issued annually. The charges are known as the Item 8 Debit (Charges from the General Fund to the Housing Revenue Account) and the Item 8 Credit (Charges to the General Fund from the Housing Revenue Account).

The cost of capital is included as a component of the Item 8 Debit, and is calculated as 3.5% of the value of Housing Revenue Account operational assets, based upon the valuation as at 1st April 2005. The charge for 2005/2006 has been calculated as £23,160,000 (£24,420,000 2004/05), and is designed to reflect the cost of public sector capital tied up in Housing Revenue Account assets.

The Capital Asset Charges accounting adjustment is shown below the net cost of services. It is made up of a reversal of the cost of capital charge, as described above, but reduced by the Housing Revenue Account's contribution to the interest costs of debt. The adjustment is offset to the Asset Management Revenue Account (Page 54). In 2005/2006 the Housing Revenue Account contribution to interest on debt was £4,297,000 and the Capital Asset Charges accounting adjustment was therefore £18,864,000.

NOTES TO THE HOUSING REVENUE ACCOUNT

7. DEPRECIATION

The total charge for depreciation within the Housing Revenue Account for 2005/2006 is made up as follows:

	£'000
Operational Assets	
Dwellings	8,311
Other Land & Buildings	249
Gross Balance Sheet Value	<u>8,560</u>

The charge for depreciation on dwellings has been calculated using a remaining life of 45 years from 1st April 2005. This is the average number of years based on the estimated life of each asset from completion date.

Other operational buildings are depreciated over their useful life, based on 60 years from completion date.

8. GOVERNMENT SUBSIDY

Housing Revenue Account negative subsidy payable to the Government for the financial year, in accordance with the elements set out in the Government's Determination of Housing Revenue Account Subsidy for the year, was as follows:

	£'000
Management and Maintenance	(16,205)
Charges for Capital	(4,955)
Anti-Social Behaviour Allowance	0
Interest on Receipts	12
Guideline Rent Income	<u>34,503</u>
HRA Negative Subsidy Entitlement for year	13,355
Prior Year Adjustments	<u>13,355</u>
Major Repairs Allowance	(7,698)
Total HRA Negative Subsidy Payable in Year	<u>5,657</u>

The total negative subsidy charged within the HRA of £13,355,000 is partially offset by the Government's Major Repairs Allowance of £7,698,000, used in the funding of capital expenditure.

NOTES TO THE HOUSING REVENUE ACCOUNT

9. RENT ARREARS

The total rent income for the year, after allowance is made for voids, is known as Gross Rent Income. The loss of income as a result of voids was £1,225,000 (£1,120,000 2004/2005). At 31st March 2006, 1.18% of properties available to let were vacant (1.61% at 31st March 2005).

Rents are expressed in terms of a 50-week year and were increased from 1st April 2005 by 1%. The average weekly rent at the end of 2005/2006 was £66.60, (£65.97 2004/2005).

The Housing Revenue Account shows rent income and other miscellaneous charges (for example service charges). Arrears of all charges at 31st March 2006 amounted to £3,395,000 (£4,330,000 at 31st March 2005). During the year ending 31st March 2006 arrears of £1,317,000 were written off as irrecoverable, which includes rent debt written off amounting to £173,000.

The Council has made a total provision against all housing-related debts of £1,856,000. This figure includes a provision against rent arrears, using the formula suggested by the Office of the Deputy Prime Minister, in the sum of £1,541,000.

10. SUBSIDY LIMITATION TRANSFER TO GENERAL FUND

Rent rebates are available under the Housing Benefit scheme for those on low incomes. 60.07% 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 guideline rent level. In 2005/2006 this cost was £4,693,000.

11. TRANSFER TO PENSIONS RESERVE

The Housing Revenue Account's share of the FRS17 adjustment is £3,000. Details of the background to, and reasons for this adjustment, may be found in Note 18 to the Statement of Accounting Policies, Note 9 to the Consolidated Revenue Account, Note 15 to the Consolidated Balance Sheet, and Note 8 to the Statement of Total Movement in Reserves.

12. OTHER RESERVES

These reserves include sums set aside by the Council to meet costs arising from Minor Estate improvements as determined by the MK Housing Forum; details are given in the Note 6 to the Statement of Total Movements in Reserves on Page 107.

COLLECTION FUND ACCOUNT

This account reflects the statutory requirement of the Council, as a billing authority, to maintain a separate Collection Fund showing the transactions in respect of Council Tax and Non-Domestic Rate collection.

2004/05 £'000		2005/06 £'000	
	Expenditure		
	Precepts:		
8,955	Thames Valley Police Authority	9,384	
3,318	Bucks & Milton Keynes Fire Authority	3,546	
<u>69,224</u>	Milton Keynes Council	<u>74,162</u>	
81,497			87,092
	Contributions:		
0	TVPA Share of Surplus	0	
0	Fire Authority Share of Surplus	0	
<u>0</u>	MKC Share of Surplus	<u>0</u>	
0			0
	Business Rates:		
96,490	NNDR Payment to National Pool	108,757	
362	Cost of Collecting Business Rates	371	
<u>396</u>	Interest on NNDR Payments	<u>336</u>	
97,248			109,464
909	Council Tax Bad Debt Provision		613
<u><u>179,654</u></u>			<u><u>197,169</u></u>
	Income		
	Council Tax due in year:		
(72,927)	Net Income	(77,242)	
(9,466)	Benefits	(10,198)	
1	Transitional Relief	2	
(20)	TVPA Share Estimated Deficit	(50)	
	Fire Authority Share of Estimated Deficit	(19)	
<u>(151)</u>	MKC Share of Estimated Deficit	<u>(391)</u>	
(82,563)			(87,898)
(97,248)	Income from Business Ratepayers		(109,464)
0	Community Charge Adjustments		0
<u><u>(179,811)</u></u>			<u><u>(197,362)</u></u>
<u><u>(157)</u></u>	Net (Surplus)/Deficit for the year		<u><u>(193)</u></u>

COLLECTION FUND BALANCE

2004/05 £'000		2005/06 £'000	Note
1,216	Balance brought forward at 1 April 2005	1,059	
(157)	(Surplus)/Deficit for the year	(193)	
<u><u>1,059</u></u>	Balance carried forward at 31 March 2006	<u><u>866</u></u>	3

NOTES TO THE COLLECTION FUND ACCOUNT

1. RATEABLE VALUE

The total rateable value of business property at 31st March 2006 was £326,054,854 (£252,146,808 2004/05) and the rate multiplier applied in 2005/2006 was £0.422 (£0.456 2004/05) with a new reduced multiplier of £0.415 for those businesses receiving Small Business Relief.

2. TAX BASE

The Council Tax base for 2005/2006, 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
24.00 A-	5/9	13.30
12,064.25 A	6/9	8,042.80
21,472.00 B	7/9	16,700.40
22,526.25 C	8/9	20,023.30
10,052.00 D	9/9	10,052.00
8,387.75 E	11/9	10,251.70
4,288.00 F	13/9	6,193.80
2,380.00 G	15/9	3,966.70
96.25 H	18/9	192.50
		75,436.50
Anticipated changes during the year		916.48
Provision for non-collection (1.3%)		(996.43)
Reductions for Discounts		295.02
Council Tax Base		75,651.57

NOTES TO THE COLLECTION FUND ACCOUNT

3. COLLECTION FUND BALANCE

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 2005/06 however the Fund is in deficit. This will be recoverable from:

	£'000
Milton Keynes Council	738
Thames Valley Police Authority	93
Buckinghamshire and Milton Keynes Fire Authority	35
	<u>866</u>

A Collection Fund deficit of £700,000 for 2005/06 had been estimated when the 2006/2007 Council Tax was set. The final outturn as above, was £866,000, leaving the balance of £166,000 to be a demand on the Collection Fund in 2006/07.

4. WRITE OFFS

Council Tax debt of £574,000 was written off in 2005/06 (£457,070 2004/05).

CONSOLIDATED BALANCE SHEET

This account shows the Council's final position as at 31st March 2006 and summarises its Assets and Liabilities.

31 Mar 2005		31 Mar 2006	Note
£'000		£'000	
0	Intangible Fixed Assets	0	1
	Tangible Fixed Assets		
	Operational Assets:		
729,726	Council Dwellings	680,322	
350,270	Other Land and Buildings	381,352	
3,337	Vehicles, Plant and Equipment	3,568	
56,194	Infrastructure Assets	59,051	
0	Community Assets	136	
	Non-operational Assets:		
15,963	Fixed Assets In Use/Investment Properties	40,254	
25,134	Fixed Assets under Construction	5,559	
<u>1,180,624</u>	Total Fixed Assets	<u>1,170,242</u>	2
0	Deferred Charges	0	4
50	Long-Term Investments	50	
2,710	Long-Term Debtors	2,315	6
<u>1,183,384</u>	Total Long-Term Assets	<u>1,172,607</u>	
	Current Assets		
498	Stocks and Work in Progress	404	7
88,517	Debtors (including Payments in Advance)	92,418	8
(10,833)	Less: Provision for Bad Debts	(9,216)	8
47,205	Investments	98,450	
409	Cash and Bank	1,480	
<u>125,796</u>		<u>183,536</u>	
1,309,180	Total Assets	1,356,143	
	Current Liabilities		
(51,586)	Creditors (including Income in Advance)	(63,761)	9
(11,504)	Bank Overdraft	(8,595)	
<u>(63,090)</u>		<u>(72,356)</u>	
62,706	Total Net Current Assets	111,180	
1,246,090	Total Assets less Current Liabilities	1,283,787	
(181,204)	Long-Term Borrowing	(266,204)	10
(365)	Deferred Liabilities	(169)	3
(195)	Deferred Capital Receipt	(177)	16
(437)	Deferred Discount on Loan Redemption	(370)	
(771)	Provisions	(1,549)	11
(8,548)	Government Grants Deferred	(28,080)	
(124,068)	Liability Related to Defined Benefit Pension Scheme	(124,392)	15
<u>930,502</u>	Total Assets less Liabilities	<u>862,846</u>	
	Represented by:		
872,737	Fixed Asset Restatement Account	795,444	
122,490	Capital Financing Account	136,079	
3,149	Capital Reserves	395	
10,528	Usable Capital Receipts Reserve	5,243	
(124,068)	Pension Reserve	(124,392)	15
19,803	Earmarked Reserves	20,103	
	Balances:		
9,034	General Fund and Non-Earmarked Reserves	13,656	
(1,059)	Collection Fund	(866)	
6,348	Housing Revenue Account	5,375	
11,540	LMS/Foundation Schools Reserve	11,809	
<u>930,502</u>	Total Net Worth	<u>862,846</u>	

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. INTANGIBLE FIXED ASSETS

Intangible assets are recognised in the Council's Consolidated Balance Sheet in accordance with Note 2 of the Statement of Accounting Policies.

2004/05 £'000	Systems Development, Software Licenses and Associated Costs	2005/06 £'000
0	Balance at 1 April 2005	0
1,029	Expenditure in the year	1,498
(1,029)	Written off to Revenue in the year	(1,498)
<u>0</u>	Balance at 31 March 2006	<u>0</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

2. TANGIBLE FIXED ASSETS

a. Movements in fixed assets during the year were as follows:

	OPERATIONAL ASSETS					Community Assets	NON OPERATIONAL ASSETS			Total £'000
	Council Dwellings £'000	Other Land & Buildings £'000	Vehicle, Plant & Equipment		Infra-structure Assets £'000		Surplus £'000	Investment Properties £'000	Assets Under Construction £'000	
			Finance Lease £'000	Other £'000						
Gross Book Value brought forward at 31 March 2005	738,354	368,199	562	5,369	66,794	0	25	15,938	25,134	1,220,375
Revaluations and Restatements	(100,051)	(13,473)	0	(1,306)	(1)	136	2,942	21,240	(24,339)	(114,852)
Sub-Total	638,303	354,726	562	4,063	66,793	136	2,967	37,178	795	1,105,523
Inflation	43,793	0	0	0	0	0	0	0	0	43,793
Additions	14,557	51,633	0	1,358	4,574	0	0	109	4,764	76,995
Disposals	(8,020)	(217)	0	(19)	0	0	0	0	0	(8,256)
Gross Book Value carried forward at 31 March 2006	688,633	406,142	562	5,402	71,367	136	2,967	37,287	5,559	1,218,055
Depreciation brought forward at 1 April 2005	(8,628)	(17,929)	(117)	(2,477)	(10,600)		0	0	0	(39,751)
Other Adjustments	8,628	374	0	804	0	0	0	0	0	9,806
Depreciation for year	(8,311)	(7,235)	(197)	(409)	(1,716)	0	0	0	0	(17,868)
Depreciation carried forward at 31 March 2006	(8,311)	(24,790)	(314)	(2,082)	(12,316)	0	0	0	0	(47,813)
Net Book Value at 31 March 2006	680,322	381,352	248	3,320	59,051	136	2,967	37,287	5,559	1,170,242
Net Book Value at 31 March 2005	729,726	350,270	445	2,892	56,194	0	25	15,938	25,134	1,180,624

NOTES TO THE CONSOLIDATED BALANCE SHEET

b. Fixed Asset Valuation

- i.** The remaining 20% by value of freehold and leasehold properties, which had not been valued during the previous five years, were valued by HBS Business Services Ltd, the appointed external valuers who are members of the Royal Institution of Chartered Surveyors (RICS). The valuation date was 1st April 2005 in accordance with the revised Code of Practice produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) on Local Authority Accounting.

The valuations were assessed in accordance with the Appraisal and Valuation Standards of the RICS, in accordance with DTLR Guidance on Stock Valuation and the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards. The inflation increase in 2005/2006 has been estimated on the basis of national and local housing indices.

Council Dwellings have been valued as at 1st April 2005 by external Valuers Countryside Chartered Surveyors, in accordance with DTLR Guidance on Stock Valuation published by the Office of the Deputy Prime Minister and the Royal Institution of Chartered Surveyors' Valuation and Appraisal Standards. The inflation increase in 2005/2006 has been estimated on the basis of national and local housing indices.

The Smallholdings Estate has been valued by external valuers Carter Jonas, Chartered Surveyors in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards.

- ii.** Plant and machinery is included in the valuation of the building where it forms part of the premises.
- iii.** Properties regarded by the Council as operational are valued on the basis of existing use value or, where this cannot be assessed because there was no market for the subject asset, the depreciated replacement cost.
- iv.** Properties regarded by the Council as non-operational are valued on the basis of market value.
- v.** Infrastructure assets are valued at historical cost.
- vi.** Vehicles, plant and equipment are valued at depreciated historical book cost as a proxy for depreciated current value.
- vii.** Properties regarded by the Council as Community Assets have been included in the balance sheet at their historical cost.

NOTES TO THE CONSOLIDATED BALANCE SHEET

- viii. Assets which transferred to the Council from the Commission for New Towns, are subject to 'clawback' on disposal: compensation in respect of transferred asset value. In 2005/2006 the Council paid £7,605,000 in clawback on housing stock sales of £10,764,000. As at 31st March 2006 60.3% of the Council's housing stock and 2.3% of the non-housing stock are subject to clawback.
- ix. Impairment – The Materials Recycling Facility at Colt Holm Road, Wolverton was affected during the financial year 2005/06 as a result of fire damage. Rebuilding has taken place during the year and is substantially complete as at 31st March 2006. Entries have been made in the accounts to reflect the short-term impairment and the current value of the asset.

NOTES TO THE CONSOLIDATED BALANCE SHEET

- c. An analysis of capital expenditure on Tangible Fixed Assets and deferred charges in the year is detailed below:

	£'000	£'000
Operational Assets		
Dwellings	14,557	
Schools	47,903	
Social Services Minor Works	598	
Other	3,133	
		66,191
Vehicles, Plant and Equipment Assets		
E-Government Schemes	318	
Social Services Schemes	18	
Environment Schemes	230	
Other	792	
		1,358
Infrastructure Assets		
Highways, Bridges and Road Safety Schemes	4,330	
Children's Play Areas	243	
		4,573
Non-Operational Assets		
Milton Keynes Theatre and Gallery	66	
Other	43	
Fixed Assets Under Construction:		
Schools	2,815	
Leisure Centres	1,865	
Environment Schemes	83	
		4,872
Intangible Fixed Assets		1,498
Deferred Charges		11,057
Total		89,549
This expenditure was financed as follows:		
Supported Borrowing		36,285
Unsupported Borrowing		1,365
Capital Receipts		6,577
Government Grants		29,281
Third Party Contributions		2,386
Revenue Contributions		5,957
Major Repairs Allowance		7,698
Total		89,549

NOTES TO THE CONSOLIDATED BALANCE SHEET

- d. Capital commitments of the Council at 31st March 2006 are summarised below:

2004/05 £000		2005/06 £000
	Contracted for but not provided in the financial statements:	
267	Information Technology Schemes	201
6,976	Transport, Infrastructure & Environmental Schemes	4,330
21,601	Education, Leisure and Culture Schemes	17,120
115	Housing & Social Services Schemes	169
780	Housing Revenue Account Schemes	449
<u>29,739</u>		<u>22,269</u>

- e.

i. **The Council as Lessee**

Operating lease commitments of the Council at 31st March 2006 are summarised below:

	Vehicles, Plant, Furniture and Equipment £'000	Other Land and Buildings £'000	Total £'000
Leases expiring in 2006/07	0	28	28
Leases expiring between 2007/08 and 2010/11	520	236	756
Leases expiring after 2010/11	134	1,216	1,350
Total	<u>654</u>	<u>1,480</u>	<u>2,134</u>

ii. **The Council as Lessor**

With regard to the Council's activities as a lessor, the gross value of assets held for use in operating leases was £24,000,000 with total accumulated depreciation of £340,000.

NOTES TO THE CONSOLIDATED BALANCE SHEET

f. Fixed Assets owned by the Council include the following:

31 Mar 2005 Number/Length		31 Mar 2006 Number/Length
13	Allotments	13
712	Bridges	712
33	Car Parks	34
12	Cemeteries	14
1	Children's Homes	2
13,001	Council Dwellings	12,851
3,223	Council Dwellings Garages	2,907
71	Community / Children's Centres	69
1	Crematoria	1
9	Day Centres	12
6	Day Nurseries	5
101	Education (Schools)	104
7	Education (Other Buildings)	9
6	Elderly Persons Homes	6
4	Factories	4
7	Garages	7
23	Ground Leases	23
1	Group Homes	1
2	Traveller Sites	2
3	Helipads	3
8	Hostels	8
28	Landscape Sites	28
36	Leisure Sites	36
8	Libraries	8
1	Lorry Parks	1
1	Magistrates Court	1
1	Meals on Wheels Kitchen	1
2	Museums	2
4	Neighbourhood Houses	5
38	Offices	38
1	Open Markets	0
10	Parks	10
1	Plant Nurseries	1
8	Public Conveniences	8
1	Public Houses	1
23	Recreation Grounds	23
257km	Redways	257km
1,139km	Roads	1,173km
13	Smallholdings / Farms / Agricultural Land	13
107	Shops	107
34	Substation Sites - Electricity	34
1	Theatres	1
6	Vehicles	8
9	Plant	9
5	Waste Recycling / Disposal Sites	5
1	Waste Transfer Station	1
1	Windmills	1
6	Workshops	6
11	Youth Clubs	11
21	Other	20

NOTES TO THE CONSOLIDATED BALANCE SHEET

3. DEFERRED LIABILITIES

a. TRANSFER OF DEBT ON LOCAL GOVERNMENT REORGANISATION

Following the Voluntary Additional Payment of £16,492,000 made to Buckinghamshire County Council during 2004/05, no amounts were outstanding at 31st March 2006 in respect of the notional debt transferred from that Council on the reorganisation of Buckinghamshire Local Authorities which took effect on 1st April 1997.

A total of £31,352,000 is held in Payments in Advance and is being released to the Consolidated Revenue Account over the next 16 years.

b. FINANCE LEASE OBLIGATIONS

Outstanding obligations to make payments under finance leases (excluding finance costs) at 31st March 2006 are as follows:

	Vehicles, Plant, Furniture and Equipment £'000
Obligations payable in 2006/07	(130)
Obligations payable between 2007/08 and 2010/11	(39)
Total liabilities at 31 March 2006	<u>(169)</u>

4. DEFERRED CHARGES

Deferred charges are written off to revenue in the year in which they are incurred as follows:

	Renovation Grants £'000	Payments to Other Parties for Capital Projects £'000	Total £'000
Expenditure in year	992	11,067	12,059
Amounts written back to revenue accounts	(992)	(11,067)	(12,059)
Balance carried forward at 31 March 2006	<u>0</u>	<u>0</u>	<u>0</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

5. FOUNDATION SCHOOLS ASSET VALUES

The Schools Standards and Framework Act 1998 changed the status of Grant Maintained Schools to Foundation Schools maintained by the Local Education Authority. The change for funding purposes took effect from 1st April 1999. This change has resulted in the inclusion of closing balances for current assets and liabilities controlled by Foundation Schools in the Consolidated Balance Sheet. Fixed assets and long-term liabilities remain vested in the Governing Bodies of individual Foundation Schools and therefore amounts have not been consolidated into the Balance Sheet.

As at 31st March 2006 the nine Foundation Schools not included in the Balance Sheet were valued at £93,937,978 (£93,937,978 in 2004/05).

6. LONG-TERM DEBTORS

Long-term Debtors comprise:

31 Mar 2005 £'000		31 Mar 2006 £'000
173	Mortgages	184
2,234	Deferred Premia on Loan Redemption	1,946
303	Council Staff Debtors	176
0	Sundry Debtors	9
<u>2,710</u>	Total	<u>2,315</u>

7. STOCKS AND WORK IN PROGRESS

Stocks and Work in Progress comprise:

31 Mar 2005 £'000		31 Mar 2006 £'000
	Work in Progress	
168	Insurance Rechargeables	135
31	Other Rechargeables	74
<u>199</u>		<u>209</u>
	Stocks	
168	Main Council Stores (Net of Write-off Provisions)	131
30	Bar and Catering	39
17	Integrated Community Equipment Service Pool	13
84	Other Stocks	12
<u>299</u>		<u>195</u>
<u>498</u>	Total	<u>404</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

8. DEBTORS

a. The analysis of Debtors is as follows:

31 Mar 2005 £'000		31 Mar 2006 £'000
8,950	Government Departments	18,423
7,209	Council Tax Arrears	5,679
3,404	NNDR Arrears	2,825
1,675	Other Local Authorities	2,048
2,767	Housing Rents	3,270
260	Council Staff Debtors	162
17,828	Sundry Debtors	16,696
0	Landfill Allowances Asset Account	1,374
<u>42,093</u>		<u>50,477</u>
46,424	Payments in Advance	41,941
<u>88,517</u>	Total	<u>92,418</u>

b. Provision for Bad Debts comprises:

31 Mar 2005 £'000		31 Mar 2006 £'000
(1,467)	Housing Rents	(1,544)
(2,386)	Council Tax Arrears	(2,467)
(1,299)	NNDR Arrears	(1,188)
	Sundry Debtors:	
(4,228)	General Provision	(3,665)
(1,404)	Housing Revenue Provision	(319)
(32)	Mortgages	(33)
(17)	Technical Services Provision	0
<u>(10,833)</u>	Total	<u>(9,216)</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

9. CREDITORS

The analysis of Creditors is as follows:

31 Mar 2005 £'000		31 Mar 2006 £'000
(11,518)	Government Departments	(11,862)
(2,338)	Other Local Authorities	(3,396)
(819)	Housing Rent Prepayments	(831)
(5,680)	Council Tax and NNDR Prepayments	(5,104)
(27,705)	Sundry Creditors	(31,033)
0	Liability for Actual BMW Landfill Usage	(1,166)
(48,060)		(53,392)
(3,526)	Income in Advance	(10,369)
(51,586)	Total	(63,761)

10. LONG TERM BORROWING

a. Analysis of Loans by type:

31 Mar 2005 £'000	Source of Loan	Range of Interest Rates - 31 March 2006	31 Mar 2006 £'000
(176,204)	Public Works Loan Board	3.700% - 10.875%	(251,204)
(5,000)	Bonds	3.750% - 6.620%	(15,000)
(181,204)	Total		(266,204)

b. Analysis of Loans by maturity:

31 Mar 2005 £'000		31 Mar 2006 £'000
(3,000)	Maturing in 2 to 5 years	(13,000)
(3,000)	Maturing in 5 to 10 years	(17,500)
(175,204)	Maturing in more than 10 years	(235,704)
(181,204)	Total	(266,204)

NOTES TO THE CONSOLIDATED BALANCE SHEET

11. PROVISIONS

	Balance at 1 Apr 2005 £'000	Increases to/New Provisions £'000	Amounts Used/Paid/ Transferred £'000	Balance at 31 Mar 2006 £'000
<u>Housing Revenue Account</u>				
a) Heating and Utilities Provision	0	(634)	28	(606)
b) Bonus Payment Provision	0	(80)	0	(80)
c) Pension Strain Provision	0	(289)	0	(289)
	<u>0</u>	<u>(1,003)</u>	<u>28</u>	<u>(975)</u>
<u>Technical Services</u>				
d) Surplus Share Provisions	(5)		5	0
	<u>(5)</u>	<u>0</u>	<u>5</u>	<u>0</u>
<u>General Fund</u>				
e) Section 74 Provision	(141)	0	0	(141)
f) Adult Social Care Provisions	(193)	(25)	143	(75)
g) Section 117 Provision	(101)	(1)	0	(102)
h) Ordinary Residence Provision	0	(52)	0	(52)
i) Insurance Provision	(250)	0	250	0
j) Other Provisions	(81)	(123)		(204)
	<u>(766)</u>	<u>(201)</u>	<u>393</u>	<u>(574)</u>
Total	<u>(771)</u>	<u>(1,204)</u>	<u>426</u>	<u>(1,549)</u>

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.

b. Bonus Payment Provision

A provision has been set-aside to cover the costs of a bonus, which may have to be paid to a contractor, for a contract that closed on 31st March 2006.

c. Pension Strain Provision

This provision has been set aside for the cost to the Local Government Pension Scheme for the early retirement of a senior officer. The pension strain will be paid during the 2006/07 financial year.

d. Surplus Share Provision

This provision was set up to meet the costs of the employee surplus share scheme.

NOTES TO THE CONSOLIDATED BALANCE SHEET

e. Section 74 Provision

Section 74 of the New Roads and Street Works Act 1991 enables a penalty to be raised against utility companies when they are in default on administration connected with working on the highway. The provision was originally set up pending the outcome of a court case where income invoiced under this Act may have to be repaid. The outcome of the case was that some charges could not be levied and utility companies could request for previously paid invoices to be refunded. This provision is held to meet the costs of potential refunds.

f. Adult Social Care Provisions

- i. The Council is under Judicial Review relating to the Council's ability to provide a service user with care involving moving and handling. It is expected that either an application for costs will be made against the Council and MK Primary Care Trust or the case will move to a full hearing. The Council estimates a sum of £50,000 may be awarded and therefore a provision has been created.
- ii. During 2005/06, the Council was taken to employment tribunal in relation to the terms and conditions of Sheltered Housing Wardens. The action was settled out of court. A payment of £180,000 was made during 2005/06 to "buy out" the warden's entitlements, and a further payment of £25,000 has been agreed for 2006/07.

g. Section 117 Provision

The Court of Appeal have ruled that under Section 117 of the Mental Health Act 1983, local authorities cannot charge for the aftercare of people hospitalised for mental health reasons. The Council has identified potential claimants, including deceased clients, through advertising in local publications and other means. A provision has therefore been set-aside for these potential claimants, based on the cost of the placements calculated using retrospective rates.

h. Ordinary Residence Provision

The Council received notification in 2005/06 that five physical disability clients placed in residential care in Milton Keynes by other Local Authorities were proposing to de-register themselves and move into an intensely supported living model of care. Section 24(5) of the National Assistance Act 1948 indicates that if a person is provided with residential accommodation, they will be deemed to be ordinarily resident in the area they were prior to the placement. Therefore Milton Keynes Council should not remain responsible for funding. However, as no formal agreement has been reached with the other Local Authorities, the Council assesses its potential liability in respect of these clients to be £200 per client per week, namely £52,000.

NOTES TO THE CONSOLIDATED BALANCE SHEET

i. Insurance Provision

Following a Risk Assessment process carried out in January 2005 it was noted that the insurance excess for the Materials Recycling Facility was £250,000. Therefore a specific provision was prudently created to cover any claims up to this value. A contractor now undertakes the management of the site and they provide the insurance, therefore the provision is no longer required.

j. Other Provisions

Following an Employment Tribunal in February 2004, Milton Keynes Council was awarded £10,000, which had not been received at 31st March 2006. A provision has been set-aside for out of date cheques. A provision has been created for the potential refund to tenants in respect of a concierge service not provided. There is also a provision in respect of leased IT and Transport equipment, set up to cover the cost of any damage to or loss of such equipment leased by the Council.

NOTES TO THE CONSOLIDATED BALANCE SHEET

12. CONTINGENT LIABILITIES

- a. The Council is currently under threat of judicial review regarding aspects of its land charge search processes, including the charge made for searches undertaken by Council officers. There is no certainty of whether a judicial review will take place, what its finding would be and whether there would be a necessity to refund “excessive” charges made over the previous eight years i.e. from the commencement of the unitary authority. The Head of Legal Services is of the opinion that there is only a remote chance of refunds needing to be made.
- b. The Council is subject to three legal challenges in respect of the Local Plan Public Enquiry. These challenges are due to be heard in the High Court during 2006/07. If the Council lose, the potential liability would be the Council’s own costs plus those of the claimants – a sum estimated to be approximately £160,000.
- c. The Court of Appeal have ruled that under Section 117 of the Mental Health Act 1983, local authorities cannot charge for aftercare of people hospitalised for mental health reasons. A financial provision is maintained to meet the estimated costs of the remaining identified claimants. There is uncertainty over the potential number of claimants yet to come forward and it is therefore not possible to estimate the ultimate cost that may result.
- d. In the past, part time workers were not permitted to join the Local Government Pension Scheme. Under the Part Time Workers (Prevention of Less Favourable Treatment) Regulations 2000, it is now possible for these workers to claim for backdated pension contributions. The Council is currently in receipt of 28 claims. The potential cost of these claims will be any employer’s contribution to the Pension Fund, dependent on what period the Employment Tribunal decides that the claimants should have been allowed to join the Pension Scheme. Because of the uncertain number of final claimants and the as yet unknown period of the claim, it is not possible to estimate the cost of this action to the Council.
- e. The Council is in dispute with a local sports club over the delayed refurbishment of an all-weather playing surface, which is a contractual obligation under a lease but the bid for capital resources (£65,000) has failed.
- f. The Council is in dispute with a sports club over repairs to fencing around its leased property (estimated to cost £15,000), which is a contractual obligation under its lease.

NOTES TO THE CONSOLIDATED BALANCE SHEET

- g. A contingent liability exists in respect of the costs of rectifying the effects of subsidence at two Community Centres where there is a potential liability for £120,000 of uninsured works and policy excess if the outcome of negotiations is unfavourable.
- h. There are two outstanding objections to the 2004/05 Statement of Accounts. The Audit Commission is assessing these and a decision is expected during 2006. The total value of the objections is £1.5m. Should you require any further information on these please contact the Strategic Finance Section of the Council.

13. CONTINGENT GAINS

There are no Contingent Gains to be disclosed in respect of 2005/06.

14. 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 was £10,491. No expenditure was incurred in 2005/06.
- 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 2005/06, expenditure on the Tower totalled £305.
- 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. However, in 2005/06 there were no costs incurred.

The Council acts as administrator for the following Trust Fund:

The Norman Hawes Memorial Trust Fund. This was passed to the Council in 2004. 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 was £90,595. In 2005/06 interest received and the sale of shares generated income of £4,815 and expenditure totalling £4,795 was paid out in grants.

NOTES TO THE CONSOLIDATED BALANCE SHEET

15. PENSION RESERVE AND LIABILITY RELATED TO DEFINED BENEFIT PENSION SCHEME

a. Local Government Pension Scheme

The Council has prepared this Statement of Accounts adopting requirements of FRS17 (Accounting for Pensions). Details of the principles of this are set out in the Statement of Accounting Policies Note 18, page 21 and the financial information regarding the Consolidated Revenue Account is disclosed in Note 9 to that account.

The Council is a member of the Buckinghamshire County Council (BCC) Pension Fund and is required to show in its Consolidated Balance Sheet, the underlying assets and liabilities for retirement benefits applicable to the staff currently employed by the Council.

The actuaries advising Buckinghamshire County Council have provided this Council with details of the underlying liabilities for retirement benefits of the Pension Fund as applicable to this authority. At 31st March 2006, the net liability attributable to Milton Keynes Council is £124.392m (£124.068m in 2004/2005). The net assets and liabilities attributable to the Council are summarised below:

2004/05 £'000		2005/06 £'000
(255,233)	Estimated Liabilities in the Scheme	(309,780)
(7,883)	Estimated Unfunded Liabilities	(8,279)
139,048	Estimated Assets in the Scheme	193,667
<u>(124,068)</u>	Net Liabilities	<u>(124,392)</u>

The underlying assets in the County Council Pension Fund attributable to this Council have been valued at fair value, principally market value, and consist of the following asset categories together with their expected rate of return:

	Fair Value at 31/3/2006 £m	Expected Return at 31/3/2006 %	Expected Return at 31/3/2005 %
Equities	141,627	7.0	7.5
Gilts	21,541	4.2	4.5
Other Bonds	13,638	4.9	5.3
Property	12,351	6.5	7.0
Cash	4,511	4.0	4.3
Total/Weighted Average	<u><u>193,668</u></u>	<u><u>6.4</u></u>	<u><u>6.7</u></u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £124.392m has a substantial impact on the net worth of the Council as recorded in the Consolidated Balance Sheet. However the statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuaries, Barnett Waddingham LLP.

The main assumptions used in their calculations are as follows:

	31 March 2005	31 March 2006
	%	%
Inflation	2.9	3.0
Pay Increases	4.7	4.8
Pensions and Deferred Pension Increases	2.9	3.0
Discount Rate for Liabilities	5.4	4.9

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The movements in the Pension Reserve not reported elsewhere in the accounts, are shown in the Statement of Total Movements in Reserves on page 112.

b. Teachers Pension Scheme

The Teachers Pension Scheme is a defined benefit scheme administered by the Teachers Pension Agency. Although the scheme is unfunded, the Agency uses a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These benefits have been recognised in the Pensions Liability calculation.

NOTES TO THE CONSOLIDATED BALANCE SHEET

16. DEFERRED CAPITAL RECEIPTS

Deferred capital receipts are amounts derived from sales of assets which will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of Council houses, which form the largest part of mortgages under long term debtors.

The balance comprises:

31 Mar 2005 £'000		31 Mar 2006 £'000
(195)	Deferred Capital Receipts	(177)
<u>(195)</u>	Total	<u>(177)</u>

17. NET ASSETS EMPLOYED

The analysis of net assets employed over the various funds of the Council is as follows:

31 Mar 2005 £'000		31 Mar 2005 £'000
(255,506)	General Fund	(239,515)
1,059	Collection Fund	866
(676,055)	Housing Revenue Account	(624,197)
<u>(930,502)</u>	Total	<u>(862,846)</u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

18. POST BALANCE SHEET EVENTS

a. Housing and Council Tax Benefit Subsidy

The Audit Commission highlighted a number of potentially significant issues which have been reported to the DWP in 'Qualification Letters' in respect of 2000/01, 2001/02, 2002/03 and 2003/4. The Claim for 2004/5 has been audited and no significant issues were highlighted.

- The DWP has recently determined the final amount of subsidy to reclaimed from the Council for 2000/01, 2001/02, 2002/03 and 2003/4. This amounts to £1.96m.

The Council budgets an earmarked reserve to manage the cash flow and financial implications of differences between the claims and settlements. At this point it is not possible to determine whether there is any opportunity for the £1.9m to be reduced further. The Council intends to make representations to the DWP yet again, in order to further mitigate on some areas, where it feels that the recently agreed DWP policy has not been favourable to Milton Keynes. It is however not possible to anticipate what the DWP's reaction will be at this point.

The above reserve is included in note 6 to the Statement of Total Movement in Reserves (page 107).

19. EURO COSTS

The Council has decided not to undertake any changes to systems until the position concerning the Euro becomes clearer.

NOTES TO THE CONSOLIDATED BALANCE SHEET

20. INVESTMENTS IN COMPANIES

This note discloses details of companies to which the Council has appointed directors and who therefore exercise voting rights. The note has been compiled using 2004/2005 audited information:

a. COUNTEC Ltd

Milton Keynes Council has 17% representation (two members appointed by the Council) on the Board of Directors of COUNTEC Ltd, which is a company limited by guarantee and not having share capital. At 31 March 2005 the company's net assets were £90,906 (£125,795 at 31 March 2004), and the net deficit for 2004/2005 was £34,889, (deficit of £23,914 reported for 2003/2004).

The company is principally engaged in the strategic development of education and the promotion of economic development in Milton Keynes and North Buckinghamshire through the organisation of link activities between education and business establishments.

b. Milton Keynes Theatre and Gallery Ltd

Milton Keynes Council has 10% representation (one member appointed by the Council) on the Board of Directors of Milton Keynes Theatre and Gallery Ltd, which is a company limited by guarantee and not having share capital. At 31 March 2005 the company's net assets were £828,972 (£717,687 at 31 March 2004), and the surplus for 2004/2005 was £111,285 (surplus of £179,742 reported for 2003/2004).

The company was set up to take on the leasehold, management and operation of Milton Keynes Theatre and Gallery. The Theatre and Gallery were built by Milton Keynes Council with the assistance of funding from the National Lottery through the Arts Council of England and the Commission for New Towns.

c. Artworks MK Ltd

Milton Keynes Council has 25% representation (two members appointed by the Council) on the Board of Directors of Artworks MK Ltd, which is a company limited by guarantee and not having share capital. At 31 March 2005 the company's net assets were £52,488 (£116,839 at 31 March 2004), and the deficit for 2004/2005 was £64,391 (surplus of £12,866 reported for 2003/2004).

The company works in partnership with the Council to deliver citywide strategies, such as the Arts Strategy. The Arts Workshop Trust promotes community-based projects and classes in visual arts and crafts at three local arts centres.

NOTES TO THE CONSOLIDATED BALANCE SHEET

d. Milton Keynes Parks Trust Ltd

Milton Keynes Council has 16% representation (three members appointed by the Council) on the Board of Directors of Milton Keynes Parks Trust Ltd, which is a company limited by guarantee and not having share capital. At 31 March 2005 the company's net assets were £63,802,150 (£55,679,733 at 31 March 2004), and the surplus for 2004/2005 was £81,577 (£115,046 reported for 2003/2004).

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.

e. MOBEBLO Ltd

Milton Keynes Council has 11% representation (one member appointed by the Council) on the Board of Directors of MOBEBLO Ltd, which is a company limited by guarantee and not having share capital. At 31 March 2005 the company's net assets were nil (nil at 31 March 2004), and the surplus for 2004/2005 was nil (nil reported for 2003/2004).

MOBEBLO is the Milton Keynes, Oxfordshire and Buckinghamshire Education Business Links Organisation, and it acts as the interface between the Learning and Skills Council and the Education Business Link Organisations through a collaborative consortium framework to enable education business activities to be sustained and developed throughout the above area. The three local authorities jointly own the company.

f. Milton Keynes Energy Agency Ltd

Milton Keynes Council has 20% representation (one member and one officer appointed by the Council) on the Board of Directors of Milton Keynes Energy Agency Ltd, which is a company limited by guarantee and not having share capital. At 31 March 2005 the company's net assets were £150,648 (£163,537 at 31 March 2004), and the deficit for 2004/2005 was £12,888 (surplus of £18,367 reported for 2003/2004).

The principal objective of the company is to educate the public at home and in the workplace towards more efficient and effective use of energy by providing advice and administering practical projects that will lead to a reduction in energy use, reduction of pollution and protection of the environment.

NOTES TO THE CONSOLIDATED BALANCE SHEET

g. Connexions Partnership Milton Keynes, Oxfordshire and Buckinghamshire Ltd

Milton Keynes Council has 13% representation (one officer and one Member appointed by the Council) on the Board of Directors of Connexions Partnership Milton Keynes, Oxfordshire and Buckinghamshire Ltd, which is a company limited by guarantee and not having share capital. Milton Keynes Council is one of five members of the company holding one vote out of six. At 31 March 2005 the company's net assets were nil (nil at 31 March 2004) and the surplus for 2004/2005 was nil (surplus of nil reported for 2003/2004).

The Connexions Partnership provides a co-ordinated support service for all young people (aged 13-19 years) within the Milton Keynes, Oxfordshire and Buckinghamshire areas that assists them to maximise their potential. At 31 March 2005 Careers Management Ltd, CFBT Advice and Guidance Ltd and the three councils jointly owned the company.

h. MK Business Venture Ltd

Milton Keynes Council has 50% representation (one officer appointed by the Council) on the Board of Directors of MK Business Venture Ltd which is a company limited by guarantee and not having share capital. At 31 March 2005 the company's net assets were £50,636 (£50,636 at 31 March 2004) and the surplus for 2004/2005 was nil (surplus of nil reported for 2003/2004).

The company is wholly owned by the Milton Keynes and North Buckinghamshire Chamber of Commerce. It is a dormant company whose sole activity is to own its subsidiary MKBV Trading Ltd (see paragraph (i) below).

i. MKBV Trading Ltd

Milton Keynes Council has 50% representation (one officer appointed by the Council) on the Board of Directors of MKBV Trading Ltd which is a company limited by guarantee and not having share capital. At 31 March 2005 the company's net liabilities were £45,249 (£20,451 at 31 March 2004) and the deficit for 2004/2005 was £24,798 (surplus of £4,007 reported for 2003/2004).

The company is wholly owned by MK Business Venture Ltd which itself is wholly owned by the Milton Keynes and North Buckinghamshire Chamber of Commerce. The company's primary purpose is to run managed premises at Kiln Farm for micro businesses.

NOTES TO THE CONSOLIDATED BALANCE SHEET

j. MK Web Ltd

Milton Keynes Council has 33% representation (one Member appointed by the Council) on the Board of Directors of MK Web Ltd. The company has share capital of £100 and is jointly owned by the Council (20%) and Apollo Digital Media Ltd (80%). At 31 March 2005 the company's net assets were £8,872 (£4,604 at 31 March 2004) and the surplus for 2004/2005 was £4,268 (deficit of £1,903 reported for 2003/2004).

The company operates a community web site in Milton Keynes to assist local organisations, including the Council, to promote their services and Milton Keynes as a business and lifestyle destination. Income to the company from the Council comprises less than half of its turnover.

k. Inter-Action Ltd

Milton Keynes Council has 17% representation (one member appointed by the Council) on the Board of Directors of Inter-Action Ltd which is a company limited by guarantee and not having share capital. At 31 March 2005 the company's net assets were £109,254 (£138,362 at 31 March 2004) and the deficit for 2004/2005 was £29,108 (£16,212 surplus reported for 2003/2004).

The company provides a city farm facility, a community cultural garden and facilities for other voluntary sector organisations.

l. Milton Keynes and North Buckinghamshire Company Ltd

Milton Keynes Council has 13% representation (one member appointed by the Council) on the Board of Directors of Milton Keynes and North Buckinghamshire Company Ltd which is a company limited by guarantee and not having share capital. At 31 March 2005 the company's net assets were £34,145 (£49,366 as at 31st March 2004) and the deficit for 2004/2005 was reported at £15,221 (£37,354 in 2003/2004).

The company is responsible for the financial and legal administration of the Milton Keynes Economy and Learning Partnership. Its major focus is the long-term growth of Milton Keynes.

NOTES TO THE CONSOLIDATED BALANCE SHEET

m. Shenley Leisure Centre Trust Ltd

Milton Keynes Council has 13% representation (two members appointed by the Council) on the Board of Directors of Shenley Leisure Centre Trust Ltd which is a company limited by guarantee and not having share capital. At 31 March 2005 the company's net assets were reported to be £773,972 (£645,992 for 2003/2004) and the surplus for 2004/2005 was reported at £127,980 (£108,341 for 2003/2004).

The principal activity of the company is the provision of leisure, sports and recreation activities at the Shenley Leisure Centre.

n. Wolverton and Watling Way Pools Leisure Trust Ltd

Milton Keynes Council has 17% representation (one member appointed by the Council) on the Board of Directors of Wolverton and Watling Way Pools Leisure Trust Ltd which is a company limited by guarantee and not having share capital. At 31 March 2005 the company's net assets were £7,846 (£27,605 for 2003/2004) and the deficit for 2004/2005 was £19,759 (£716 surplus in 2003/2004).

The company is a charity and exists to provide leisure and recreational services in Milton Keynes and the surrounding area, to which end it operates two swimming pools.

o. Woughton Leisure Trust (MK) Ltd

Milton Keynes Council has 18% representation (two members appointed by the Council) on the Board of Directors of Woughton Leisure Trust (MK) Ltd which is a company limited by guarantee and not having share capital. At 31 March 2005 the company's net assets were £229,020 (£199,106 for 2003/2004) and the surplus for 2004/2005 was reported at £29,914 (deficit of £8,849 in 2003/2004).

The company is a charity which aims to provide or assist in the provision in Milton Keynes and surrounding areas of facilities for recreation and other leisure time occupation to the public at large in the interests of social welfare, special facilities being provided to the young, the aged, the infirm and the disabled at the Directors' discretion.

NOTES TO THE CONSOLIDATED BALANCE SHEET

p. Central Milton Keynes Company Ltd

Milton Keynes Council has 20% representation (one Member appointed by the Council) on the Board of Directors of the Central Milton Keynes Company Ltd, which is a company limited by guarantee and not having share capital. The company's net assets as at 31st March 2005 were £58,353 (net liabilities of £12,269 for 2003/2004) and the surplus reported for 2004/2005 was £66,764 (surplus of £87,426 in 2003/2004).

The purpose of the company is to work for the development and regeneration of the town centre and surrounding areas as a safe and welcoming environment for all.

q. National Hockey Foundation

Milton Keynes Council has 18% representation (two members appointed by the Council) on the Board of Directors of the National Hockey Foundation, which is a charitable company, limited by guarantee. The company's net assets as at 31st March 2005 were £8,345,048 (£8,462,102 for 2003/2004) and the surplus reported for 2004/2005 was £45,267 (£94,567 for 2003/2004).

The purpose of the company is the provision of facilities which will enable young people in the UK to play hockey or other games and sports.

NOTES TO THE CONSOLIDATED BALANCE SHEET

r. Board Representation

The table below summarises the Board representation of Milton Keynes Council for each of the companies listed above:

Company	Representation on Board of Directors %
Countec Ltd	17
MK Theatre & Gallery Company Ltd	10
Artworks MK Ltd	25
MK Parks Trust Ltd	16
MOBEBLO Ltd	11
MK Energy Agency Ltd	20
Connexions Partnership Ltd	13
MK Business Venture Ltd	50
MKBV Trading Ltd	50
MK Web Ltd	33
InterAction Ltd	17
MK & North Buckinghamshire Company Ltd	13
Shenley Leisure Trust Ltd	13
Wolverton and Watling Way Pools Trust Ltd	17
Woughton Trust Ltd	18
Central Milton Keynes Company Ltd	20
National Hockey Foundation	18

Copies of the published accounts for each of the above organisations can be made available on request. Please contact the Strategic Finance Department, Milton Keynes Council and a copy will be made available as soon as the respective accounts are published.

NOTES TO THE CONSOLIDATED BALANCE SHEET

s. Other Companies

The Council has identified a further 26 organisations to which Councillors, 16 in total, have been appointed where the actual form of the entity concerned takes the form of a company and where the Councillors concerned may be involved in decision-making by the controlling body, ie the Board of Directors. The actual nature of the Councillors' appointment has not yet been fully established and no accounts have been received from these companies. In all cases these companies are recorded at Companies House as companies limited by guarantee and not having share capital. Essentially these appointments are made in response to requests from the organisations concerned because of some common purpose or activity in relation to the Council's own diverse activities, not to oversee any Council financial investment. Related party transactions with these companies have been considered by the Council and are in no instance considered to be material.

Financial transactions between the Council and all of the above companies scheduled in paragraphs a) to r) inclusive have been included in the figures for Related Parties' Transactions in Note 15 to the Consolidated Revenue Account.

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

This statement brings together all the recognised gains and losses of the authority during the year and identifies those that have not been recognised in the Consolidated Revenue Account.

	----- Capital Reserves -----					----- Revenue Reserves -----						Total £'000
	Fixed Asset Restatement	Capital Financing	Capital Reserves	Major Repairs	Usable Capital Receipts	General Fund Non- Earmarked	General Fund Earmarked	HRA Earmarked	HRA	LMS	Pension Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance brought forward at 1 April 2005	(872,737)	(122,490)	(3,149)	0	(10,528)	(9,034)	(19,794)	(9)	(6,348)	(11,540)	124,068	(931,561)
Net (Surplus)/Deficit for year:												
RCCO		(5,957)	2,763									(3,194)
MRP		5,221										5,221
Other Net Movements		13,559	(3,640)	(8,560)	(61)	(4,622)	(309)	9	973	(269)	324	(2,596)
Unrealised (Gains)/Losses from Revaluation of Fixed Assets	69,085											69,085
Effects of Disposals of Fixed Assets:												
Value of Assets Disposed	8,208											8,208
Pooling of Housing Receipts					2,115							2,115
Proceeds of Disposals					(3,346)							(3,346)
Net (Surplus)/Deficit on disposal of fixed assets	8,208	0	0	0	(1,231)							6,977
Financing of Fixed Assets:-												
Usable Receipts		(6,577)			6,577							0
Capital Contributions		(7,698)		8,560								862
Grants Applied		(12,137)	3,631									(8,506)
Balance carried forward at 31 March 2006	(795,444)	(136,079)	(395)	0	(5,243)	(13,656)	(20,103)	0	(5,375)	(11,809)	124,392	(863,712)
Note	1	2	3	4	5	6A	6B		7		8	

NOTES TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES

1. FIXED ASSET RESTATEMENT ACCOUNT

The system of capital accounting introduced for local authorities in 1994/95 required the establishment of the Fixed Asset Restatement Account. This Account is written down by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on revaluations and restatements.

	£'000
Balance at 1 April 2005	(872,737)
Other Revaluations and Restatements of Fixed Assets	69,085
Net Book Value of Fixed Assets Disposals	8,208
Balance at 31 March 2006	<u><u>(795,444)</u></u>

2. CAPITAL FINANCING ACCOUNT

The Capital Financing Account contains the amounts, which are required by statute to be set aside from capital receipts, for the repayment of external loans, and the amount of any capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and those required to be charged to revenue to repay the principal element of external loans.

	£'000	£'000
Balance at 1 April 2005		(122,490)
2005/06 Capital Financing		
- Capital Receipts	(6,577)	
- Revenue Contributions	(5,957)	
- Capital Grants	(12,137)	
- Major Repairs Reserve	(7,698)	
- Capital Reserves	<u>0</u>	
		(32,369)
2005/06 MRP (less Depreciation Provision)		5,221
Less: Housing Act Advances repaid		2
Write down of Deferred Charges (Note 4 to Balance Sheet)		12,059
Write down of Intangible Fixed Assets (Note 1 to Balance Sheet)		1,498
Balance at 31 March 2006		<u><u>(136,079)</u></u>

NOTES TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES

3. CAPITAL RESERVES

The General Fund and Housing Revenue Account capital reserves hold contributions for the financing of capital expenditure from third parties, and from the Consolidated Revenue Account and the Housing Revenue Account.

The balances at year-end represent those amounts unapplied during 2005/2006. These will be carried forward to fund capital expenditure in 2006/2007 and future years. The balances can be analysed as follows:

	General Fund £'000	Housing Revenue Account £'000	Total £'000
Third Party Contributions	(155)	0	(155)
Revenue Contributions	(240)	0	(240)
Total	<u>(395)</u>	<u>0</u>	<u>(395)</u>

4. MAJOR REPAIRS RESERVE

Authorities are required by regulation to establish and maintain a Major Repairs Reserve. Full details are set out in Note 3 to the Housing Revenue Account on Page 67.

5. USABLE CAPITAL RECEIPTS RESERVE

The Usable Capital Receipts Reserve represents the capital receipts available to finance capital expenditure, after setting aside the statutory amounts and any voluntary amounts for the repayment of external loans.

	£'000
Balance at 1 April 2005	(10,528)
Capital Receipts in year from Sale of Assets	(3,346)
Capital Receipts in year from Repayments of Advances	(61)
	<u>(13,935)</u>
Less:	
Applied during year to finance Capital Expenditure	6,577
Statutory Set Aside to Repay Debt	2,115
	<u>8,692</u>
Balance at 31 March 2006	<u>(5,243)</u>

NOTES TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES

6. EARMARKED RESERVES

The analysis of this amount is as follows:

	Balance 31 Mar 2005 £'000	Movement in Year £'000	Balance 31 Mar 2006 £'000
<u>GENERAL FUND</u>			
a. Repairs and Renewals Fund	(246)	(33)	(279)
b. Theatre and Gallery Fund	(258)	258	0
c. Project Budgets	(1,126)	(883)	(2,009)
d. Planning Gains	(8,519)	1,403	(7,116)
e. CCTV Reserve	(48)	(27)	(75)
f. Benefit Subsidy Reserve	(1,879)	72	(1,807)
g. Insurance Reserve	(2,936)	(16)	(2,952)
h. ICES Pooled Budget Surplus Reserve	(63)	63	0
i. Debt Financing Equalisation Reserve	(581)	(880)	(1,461)
j. Lease Rental Equalisation Reserve	(853)	8	(845)
k. Saxon Court Refurbishment Reserve	(2,638)	350	(2,288)
l. Revenue Financing Reserve	(261)	37	(224)
m. Landfill Allowance Reserve	0	(169)	(169)
n. Schools System Review Reserve	0	(433)	(433)
o. Other Reserves	(386)	(59)	(445)
Total General Fund	(19,794)	(309)	(20,103)
<u>HOUSING REVENUE ACCOUNT</u>			
a. Minor Estate Improvements Reserve	(9)	9	0
Total Housing Revenue Account	(9)	9	0
Total Earmarked Reserves	(19,803)	(300)	(20,103)

The purpose of these reserves is as follows:

General Fund Earmarked Reserves

a. Repairs and Renewals Funds (Landscape)

The 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 CEO for payment of necessary repairs/improvements.

NOTES TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES

b. Theatre and Gallery Fund

This reserve was established due to the agreement of a grant payment holiday in 2004/05, deferring payment until 2005/06. Payment has been made during 2005/06 and the reserve is no longer required.

c. Project Budgets

These funds will be used to fund specific projects in future years.

d. Planning Gains

The purpose of the planning obligation is to address the impacts of 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 impacts on the local infrastructure created by the new development and what the Council should be seeking.

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

e. CCTV Reserve

The reserve is built up from previously unspent revenue and grants for the purpose of new installation works and various system improvements as agreed by the Community Safety Partnership CCTV Strategic Group.

f. 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 is based on a tolerance of at least 1% of the annual subsidy claim of approximately £50 million (Note 18 to the Consolidated Balance Sheet, Page 95). Contributions to this reserve are funded from surpluses arising in the Benefits revenue accounts.

g. Insurance Reserve

These are funds set aside to meet uninsured excesses on insurance (Note 13 to the Statement of Accounting Policies, Page 19).

NOTES TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES

h. ICES Pooled Budget Surplus Reserve

Milton Keynes Council and Milton Keynes Primary Care Trust have pooled budgets to create the Integrated Community Equipment Service. Any surplus resulting from Milton Keynes Council's share of the pool is held in this reserve.

i. Debt Financing Equalisation Reserve

This reserve was established during 2004/05 to fund debt financing budget shortfalls that may arise due to factors beyond the control of the Council.

j. Lease Rental Equalisation Reserve

This reserve was established during 2004/05 to manage the budget implications of the change in accounting treatment of lease rentals from a cash to an accruals basis.

k. Saxon Court Refurbishment Reserve

This reserve was established during 2004/05 to recognise the Council's contractual commitment to make improvements to the Saxon Court premises.

l. Revenue Financing Reserve

This reserve includes monies for Arts and Sports endowments to cover the cost of facilities planned for construction, traffic calming and the cost of maintaining and repairing works of art within the borough.

m. Landfill Allowance Reserve

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

n. School System Review Reserve

This reserve has been established to meet the cost of staffing protection arrangements in schools arising from the School System Review.

NOTES TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES

o. Other Reserves

These comprise monies provided by the Commission for New Towns to meet the running costs of assets transferred to the Council, commuted parking payments from developers to be used to fund parking/traffic schemes in Bletchley and Stony Stratford, the Building Control Reserve, the Broadband Trading service for schools, monies provided by individuals for specific purposes, and maintenance budget underspends to be utilised in future years.

Housing Revenue Account

a. Minor Estate Improvements Reserve

This comprises sums set aside by the Council to meet costs arising from minor estate improvements as determined by Area Housing Boards.

NOTES TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES

7. LOCAL MANAGEMENT OF SCHOOLS RESERVE

The sums in the table below represent the reserves built up by schools from their delegated budgets. These are earmarked for future use by these schools and are not therefore available to the Council for general use.

31 Mar 2005		31 March 2006		
Net		Surplus	Deficit	Net
£'000		£'000	£'000	£'000
(107)	Nursery	(75)	0	(75)
(5,299)	Primary	(5,811)	28	(5,783)
(372)	Secondary	(607)	102	(505)
(471)	Special	(306)	0	(306)
<u>(6,249)</u>		<u>(6,799)</u>	130	<u>(6,669)</u>
(2,767)	Foundation	(2,935)	381	(2,554)
<u>(9,016)</u>	Total	<u>(9,734)</u>	<u>511</u>	<u>(9,223)</u>

Under the Government's Standards Fund Grant arrangements, it is now possible for authorities to carry forward unspent Standards Fund Grant to be spent in the following financial year. There is a restriction to the carry forward arrangements for these schools in that the grant must be spent by August 2006. The exception to this is Devolved Capital to schools, which can be carried forward for up to three years. The table below details the amount carried forward into 2006/07 under these arrangements:

2004/05		2005/06
£'000		£'000
(2,524)	School Capital Standard Fund Reserves	(2,586)
<u>(2,524)</u>	Total	<u>(2,586)</u>

The School Standards and Framework Act 1998 changed the status of Grant Maintained Schools to Foundation Schools maintained by the Local Education Authority. The change for funding purposes took effect from 1 April 1999. This change has resulted in the inclusion of opening and closing balances for current assets and liabilities controlled by Foundation schools in the Consolidated Balance Sheet. For nine of the Borough's fifteen Foundation Schools, the fixed assets and long-term liabilities remain vested in the Governing Bodies of those schools and therefore remain outside the Council's balance sheet. Please also see note 5 to the Consolidated Balance Sheet on page 84.

NOTES TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES

8. PENSIONS RESERVE

The actuarial gains identified as movements on the Pensions Reserve in 2005/06 can be analysed into the following categories, measured as absolute amounts of assets or liabilities at 31 March.

	2003/04 £m	2004/05 £m	2005/06 £m
Deficit in the Fund at Beginning of Period	(116.00)	(108.60)	(124.07)
LAAP 51 Adjustment - 2003/2004	(9.16)	9.16	0.00
Effect of Change in Discount Rate	0.00	(25.72)	0.00
Contributions Paid	9.61	11.02	11.51
Current Service Cost	(6.92)	(10.18)	(11.59)
Unfunded Pension Payments	0.00	0.00	0.50
Past Service Cost	0.00	(0.04)	(0.06)
Settlement Gain	1.20	0.00	0.00
Curtailment Cost	0.00	(0.03)	(0.05)
Other Finance Income/(Charge)	(5.37)	(4.11)	(4.78)
Actuarial Gain/(Loss)	18.04	4.43	4.14
Deficit in the Fund at end of period	<u>(108.60)</u>	<u>(124.07)</u>	<u>(124.40)</u>

CASH FLOW STATEMENT

2004/05			2005/06		
£'000	£'000		£'000	£'000	Note
		REVENUE ACTIVITIES			
		<u>Cash Outflows</u>			
177,853		Cash paid to and on behalf of Employees	198,595		
202,267		Other Operating Cash Payments	255,608		
22,904		Housing Benefit paid out	24,230		
11,666		Precepts Paid	16,283		
<u>99,759</u>	514,449	NNDR Payments to National Pool	<u>111,896</u>	606,612	
		<u>Cash Inflows</u>			
(21,006)		Rents (after rebates)	(42,267)		
(73,302)		Council Tax Receipts	(78,645)		
(98,280)		NNDR Receipts	(110,269)		
(58,782)		NNDR Receipts from National Pool	(71,885)		
(107,315)		Revenue Support Grant	(113,898)		
(3,000)		Targeted Support Grant	(3,000)		
(50,471)		DWP Grants for Benefits	(59,459)		
(57,015)		Other Government Grants	(78,756)		5
(45,263)		Cash Received for Goods and Services	(47,102)		
<u>(26,174)</u>	(540,608)	Other Operating Cash Receipts	<u>(25,109)</u>	(630,390)	
	<u>(26,159)</u>	Revenue Activities		<u>(23,778)</u>	1
		RETURNS ON INVESTMENTS & SERVICING OF FINANCE			
		<u>Cash Outflows</u>			
11,951		Interest paid	13,722		
<u>20</u>	11,971	Interest element of Finance Lease Rental Payments	<u>20</u>	13,742	
		<u>Cash Inflows</u>			
	(1,463)	Interest received		(5,990)	
	<u>10,508</u>	Returns on Investments & Servicing of Finance		<u>7,752</u>	1
		CAPITAL ACTIVITIES			
		<u>Cash Outflows</u>			
48,818		Purchase of Fixed Assets	76,994		
<u>3,886</u>	52,704	Other Capital Cash Payments	<u>11,156</u>	88,150	
		<u>Cash Inflows</u>			
(6,792)		Sale of Fixed Assets	(1,275)		
(14,671)		Capital Grants received	(32,858)		
<u>(6,939)</u>	(28,402)	Other Capital Cash Receipts	<u>(8,413)</u>	(42,546)	
	<u>24,302</u>	Capital Activities		<u>45,604</u>	
		MANAGEMENT OF LIQUID RESOURCES			
15,045		Net increase/decrease in short term deposits	51,245		
	<u>15,045</u>	Management of Liquid Resources		<u>51,245</u>	4
	<u>23,696</u>	Net cash inflow/outflow before financing		<u>80,823</u>	2
		FINANCING			
		<u>Cash Outflows</u>			
12,953		Repayments of amounts borrowed	0		
<u>197</u>	13,150	Capital element of Finance Lease Rental Payments	<u>197</u>	197	
		<u>Cash Inflows</u>			
	(36,150)	New Loans raised		(85,000)	
	<u>(23,000)</u>	Financing		<u>(84,803)</u>	4
	<u>696</u>	Net Decrease/(Increase) in Cash		<u>(3,980)</u>	

NOTES TO THE CASH FLOW STATEMENT

1. RECONCILIATION OF CONSOLIDATED REVENUE ACCOUNT NET SURPLUS TO NET REVENUE CASHFLOW

2004/05 £'000		2005/06 £'000
	(Surplus)/Deficit for year:	
(3,211)	General Fund	(4,622)
(157)	Collection Fund	(193)
(3,792)	Housing Revenue Account	973
<u>(7,160)</u>		<u>(3,842)</u>
	Non-Cash items:	
(3,576)	Minimum Revenue Provision	(3,663)
1,261	Amortised Premiums/(Discounts)	(221)
399	Provisions set aside in year	(778)
(14,309)	Net Contributions from Reserves	(569)
<u>(16,225)</u>		<u>(5,231)</u>
	Items on an Accruals basis:	
(225)	Increase/(Decrease) in Stocks and Work in Progress	(94)
13,359	Increase in Debtors	3,582
(5,400)	(Increase)/Decrease in Creditors	(10,441)
<u>7,734</u>		<u>(6,953)</u>
	(10,508) Net Interest Payments shown in Servicing of Finance	(7,752)
<u>(26,159)</u>	Net Cash inflow from Revenue activities	<u>(23,778)</u>

2. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

2003/04 £'000		2004/05 £'000
(696)	Decrease in Cash in the Year	(3,980)
(36,150)	Less - Cash inflow from new debt	(85,000)
13,150	Add Cash outflow from redemption of debt	197
<u>(23,696)</u>	Changes in net debt	<u>(88,783)</u>
(168,603)	Net debt at start of the year	(192,299)
<u>(192,299)</u>	Net debt at the end of the year	<u>(281,082)</u>

NOTES TO THE CASH FLOW STATEMENT

3. ANALYSIS OF NET DEBT

	Balance 31 Mar 2005 £'000	Balance 31 Mar 2006 £'000	Movement In Year £'000
Bank Overdraft	(11,504)	(8,595)	2,909
Long Term Borrowing	(181,204)	(266,204)	(85,000)
Short Term Borrowing	0	0	0
Cash in Hand	409	1,480	1,071
	<u>(192,299)</u>	<u>(273,319)</u>	<u>(81,020)</u>

4. MOVEMENTS IN FINANCING AND MANAGEMENT OF LIQUID RESOURCES

	Balance 31 Mar 2005 £'000	Balance 31 Mar 2006 £'000	Movement In Year £'000
Long Term Borrowing:			
Public Works Loan Board	176,204	251,204	75,000
Bonds	5,000	15,000	10,000
Total Long Term Borrowing	<u>181,204</u>	<u>266,204</u>	<u>85,000</u>
Short Term Borrowing	0	0	0
Movement in Financing	<u>181,204</u>	<u>266,204</u>	<u>85,000</u>
Short Term Investments	47,205	98,450	51,245
Movement in Management of Liquid Resources	<u>47,205</u>	<u>98,450</u>	<u>51,245</u>

NOTES TO THE CASH FLOW STATEMENT

5. ANALYSIS OF OTHER GOVERNMENT GRANTS

	£'000
Milk Subsidy	(10)
New Opportunities Fund	(53)
School Standards Grant	(4,077)
Teachers Pay Grant	(3,871)
Sixth Form Funding	(11,323)
SEN Funding	(10,095)
Ethnic Minority Funding	(326)
Lottery Grants	(129)
Formula Capital Inc	(7,849)
Other Schools Grants	(3,278)
Standards Fund	(7,661)
Childcare Grant	(1,595)
Surestart Grant	(732)
Childrens Fund	(500)
Mental Health Grant (CAMHS) - Children	(328)
Teenage Pregnancy	(132)
Unaccompanied Asylum Seeking Children (DOH)	(258)
Choice Protects	(233)
Adoption Support	(131)
Youth Justice Board	(173)
Adult and Community Learning	(1,942)
Single Regeneration Revenue Grants	(199)
Woodhill Prison	(11)
Safeguarding Children	(372)
Millennium Volunteers	(192)
Transforming Youth Work	(47)
Positive Activities for Young People	(60)
Information Sharing & Assessment (Previously IRT)	(29)
SEMLAC - Libraries, Arts Museums Funding	(48)
English Partnerships - Cultural Planning Funding	(67)
Change Fund	(38)
University For Industry	(23)
A428 Special Grant	(55)
Waste Performance and Efficiency Grant	(175)
Civil Defence Grant	(16)
Planning Delivery Grant	(512)
Rural Bus Subsidy Grant	(117)
Neighbourhood Wardens/Street Crime	(162)
Community Safety	(229)
LATS (Landfill Allowances)	(1,334)
Rural Bus Challenge Grant 2001	(37)
EHO Training Fund Grant	(10)
Asylum Seekers	(19)
Mental Health Grant	(456)
Carers Grant	(666)
Preserved Rights	(325)
Residential Allowance	(715)
Supporting People	(5,477)
Homelessness Grants Programme	(200)
Social Services Training Support Programme	(550)
Aids Support Grant	(63)
Access & Systems Capacity	(1,853)
Blind Homeworkers Grant	(1)
Delayed Discharges	(317)
Other Neighbourhood	(252)
Discretionary Housing Payment	(39)
Local Public Service Agreement	(1,590)
Joint Venture Activities	(106)
Housing Subsidy	(7,698)
	<u>(78,756)</u>

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.

Asset Management Revenue Account

An account the Council is required to maintain under capital accounting arrangements. It contains the credit for capital charges and government grants deferred contributions, offset by charges for depreciation and external interest payments.

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 Financing Account

The Capital Financing Account contains the amounts which are required by statute to be set aside from capital receipts and revenue for the repayment of external loans, as well as amounts of revenue, usable capital receipts and contributions which have been used to fund capital expenditure together with certain other capital transactions.

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.

GLOSSARY

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 Credits

This is the term applied to deferred capital receipts.

These transactions arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years, such as mortgages. The balance is reduced by the principal amount repayable in any financial year.

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.

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 Reporting Standard (FRS)

A statement of accounting practice issued by the Accounting Standards Board.

Fixed Assets

Tangible asset that yields benefits to the Council and the services it provides for a period of more than one year.

Fixed Asset Restatement Account

A reserve created as a result of the current capital accounting regulations that enables assets to be shown in the account at current values.

Housing Revenue Account

The account of revenue expenditure and income relating to the Council's own housing stock.

Infrastructure Assets

Expenditure on works of construction or improvement but which have no tangible value, such as construction of, or improvement to highways.

Intangible Assets

Expenditure of a capital nature where no tangible asset is created such as housing renovation grants or computer software.

Investments

Deposits for less than one year with approved institutions.

Long Term Debtors

Amounts due to the Council more than one year after the balance sheet date.

GLOSSARY

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 each authority's mix of dwelling types

Minimum Revenue Provision

The minimum amount that may be set aside for the repayment of debt. The statutory figure is usually shown in a council's accounts by means of an adjustment to depreciation.

National Non-Domestic Rate (NNDR)

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

Revenue Support Grant

This funding is the Government Grant provided by the Office for the Deputy Prime Minister (ODPM) that is based on the Government assessment as to what should be spent on local services. The amount provided by the ODPM is fixed at the beginning of each financial year.

GLOSSARY

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