

STATEMENT OF ACCOUNTS 2014/15

1. Purpose

- 1.1 To present the Draft 2014/15 Statement of Accounts to the Audit Committee ahead of the external audit to be carried out by Ernst and Young.
- 1.2 To approve the Accounting Policies used by the Council for 2014/15

2. Recommendations

- 2.1 That the Audit Committee reviews the Draft 2014/15 Statement of Accounts and indicates whether there are any issues arising that need to be brought to the attention of the Cabinet/Council.
- 2.2 Audit Committee approves the Accounting Policies for Milton Keynes Council.

3. Background

- 3.1 The Accounts and Audit Regulations 2011 require the Chief Finance Officer to formally approve the Statement of Accounts by 30th June, reflected by a signature and date in the Statement of Responsibilities within the Statement of Accounts. There is no longer a requirement for Audit Committee to approve the Statement of Accounts before 30th June; however the regulations do require that the Audit Committee approve the Accounts by way of a Committee resolution by 30th September.
- 3.2 The Statement of Accounts will be presented to the External Auditor on 1st July 2015 and will be available to the general public throughout the statutory deposit period of 20 working days starting on Monday 27th July and ending on Friday 21st August. During this time, members of the public may view the document and ask questions.
- 3.3 Any material changes arising from the audit of the 2014/15 accounts will be reported back to the September meeting of the Audit Committee, prior to approval.

4. Statement of Accounts

4.1 The Statement of Accounts for Milton Keynes Council has been prepared in accordance with International Financial Reporting Standards and comprises of:

- An explanatory foreword by the Corporate Director – Resources;
- Statement of Accounting Policies;
- Statement of Responsibilities ;
- Statement of Movement in Reserves;
- The Comprehensive Income & Expenditure Account;
- The Balance Sheet;
- The Cash-flow Statement;
- The Notes to the Core Financial Statements.

4.2 The Statement of Accounts also includes the Housing Revenue Income and Expenditure Account and the Collection Fund Account.

4.3 As in previous years the foreword by the Corporate Director – Resources summarises the financial position for the year. Further detail on the revenue and capital outturn position has been reported to Cabinet on 8th June 2015.

4.4 The Annual Governance Statement for 2014/15, which will be published along with the Statement of Accounts by 30th September, is included as a separate report on this agenda.

5. Group Accounts

5.1 Following the incorporation of the Milton Keynes Service Partnership and Milton Keynes Development Partnership in 2013, the council is required to prepare Group Accounts to reflect the activity of the Partnerships in addition to the council's 'single entity' accounts.

5.2 The Group Accounts have been prepared in accordance with the CIPFA Code of Practice and International Financial Reporting Standards, and comprise the following:

- The Group Movement in Reserves Statement;
- The Group Comprehensive Income & Expenditure Account;
- The Group Balance Sheet;
- The Group Cash-flow Statement;
- The Notes to the Group Accounts.

6. Key Areas for Consideration

6.1 In reviewing the Statement of Accounts, the Audit Committee should consider the following key areas:

- Service Expenditure – This provides details of the council’s outturn position and the General Fund Balance at 31st March;
- The Balance Sheet – This details the balances held by the council at 31st March;
- Material Items of Income and Expenditure – This note details the most significant transactions that have taken place in the year;
- Material Events after the Balance Sheet Date – Any events that have occurred after the 31st March but which could have a material impact on the council’s financial position are detailed here;
- Transfers to/from Earmarked Reserves – This table and associated notes provides detail of the reserves held by the council, movements in year and the purpose for each;
- Exceptional Items – Only where a disclosure is necessary;
- Group Accounts – Although not material in value, the introduction of Group Accounts for the council is a material change from previous years.

7. **Changes in Accounting Treatment**

7.1 There are no significant changes in accounting treatment in 2014/15.

8. **Significant Items**

Long Term Debtor

8.1 The Milton Keynes Development Partnership (MKDP) is a Limited Liability Partnership created to manage and exploit the commercial assets purchased from the Homes and Communities Agency.

8.2 In 2012/13, the council funded the purchase of the assets through prudential borrowing and this has been reflected in the council’s balance sheet as additional Long Term Borrowing. This debt was passed on to MKDP along with the assets. The council therefore holds a Long Term Debtor of £32m on its Balance Sheet to reflect the amount owed by the MKDP. As the assets are developed and/or sold by the MKDP or as the economic benefit is used (in the case of operational assets), the debt will be settled with the council and the long term debtor will be reduced.

IAS19 Pension Liability

8.3 The pension liability calculated by the actuary has increased by £85.5m in 2014/15. Liabilities have been assessed on an actuarial basis using the projected unit credit method which is an accrued benefits funding method in which the Actuarial Liability makes allowance for projected earnings providing an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liability is therefore outside of the control or influence of

the council and is reported in accordance with International Accounting Standard 19 – Employee benefits.

Borrowing and Investments

- 8.4 During 2014/15, £95m of new loans to fund expenditure on capital projects was undertaken.
- 8.5 The Council's medium-term financial strategy incorporates plans to fund two major capital investment schemes through prudential borrowing:
- To develop a new Residual Waste Treatment Facility (2016/17)
 - An investment programme for Highways Infrastructure (phased over next five years)
- 8.6 The timing of external borrowing is a treasury management decision dependent on cash-flow analysis and market conditions, and loans are not directly associated with any particular items of expenditure (in line with legislation). In July 2014, the Council undertook additional long-term borrowing of £95m from the Public Works Loan Board (PWLB) to protect against the major risk of interest rate rises on such a significant impending borrowing requirement. The additional cash resources will be invested in line with the Council's approved Treasury Management Strategy until required to meet expenditure demands.
- 8.7 There has been an increase in investment in 2014/15 due to £95m additional borrowing in year.

Major non-current asset disposals

- 8.8 Major non-current asset disposals during the year include the sale of assets to the local parish and town councils under the Community Asset Transfer (CAT) Programme transfer £4.552m, Two schools obtained Foundation Schools status in year £7.408m and Middleton School converted to Academy in year £5.140m. Details of major non-current asset disposals can be found in note 3 to the Financial Statements.

9. Simplifying the Accounts

- 9.1 The Accounts and Audit Regulations are changing to bring about an earlier closedown and audit reporting deadlines for Local Authorities to bring us in line with IFRS requirements. From 2017/18 the draft Accounts will be required to be signed off by the Chief Finance Officer by the end of May (1 month earlier) and the Audited Statement of Accounts to be completed by the end of July (2 months earlier).
- 9.2 There is currently no suggestion that there will be a transitional arrangement in the Regulations to phase this implementation. Milton

Keynes Council is currently developing a project plan to meet this earlier deadline.

9.3 In advance of the audit the Council has undertaken an exercise in 2014/15 to simplify and streamline the Statement of Accounts based on a quantitative measure of preparer materiality of c£2m. However, on the grounds of qualitative reporting the Council has included disclosures to meet the needs of users, based on a clear understanding of the purpose of the accounts.

9.4 A number of notes has been reviewed and made more concise such as:

- Accounting Policies
- Reserves
- Provisions
- Grant Income
- Contingent Gains & Losses
- Leases

9.5 A number of notes have been removed due to the low value of the disclosures including:

- Intangible Fixed Assets
- Stock and Work in Progress
- Assets Held for Sale

10. **Implications**

10.1 Policy

None

10.2 Financial

None

10.3 Resources and Risk

None

10.4 Legal

None

10.5 Other Implications

None