

**Questions raised at the Audit Committee Meeting of 22<sup>nd</sup> June 2006 on  
the draft 2005/06 Statement of Accounts**

**1. A query was raised on the accuracy of the Related Party Transactions on page 56 of the draft Statement of Accounts.**

Councillor Dransfield is due to contact Strategic Finance with the specific query.

**2. There was a significant change to L&D's outturn at the end of the year, would you please explain (page 4).**

The Chair considered this not to be relevant in the terms of the sign off of the Statement of Internal Control and Statement of Accounts, however, the change in the outturn is being analysed.

**3. The earmarked reserves appear to be high, what are these and what process is in place to review them (page 107).**

There was a discussion on a number of the reserves, the reserves table is also followed by explanatory paragraphs in the statement. It was explained that generally the earmarked reserves were prudently calculated. The example given was the Benefits reserve which, in relation to the value of subsidy paid over (circa £60m) was only 3%.

The process of earmarked reserves was also explained. A new earmarked reserve needs Cabinet approval. They are also reviewed at least annually, when at the year-end a template is completed stating why the reserve is required, that the level is correct and what future contributions and expenditure are likely to be. As well as being signed by the completing officer, these are also signed by the portfolio Member.

**4. The Collection Fund is in deficit (page 71), if was commented last year that a prudent view was taken for 2005/06 and the deficit should be greatly reduced.**

A prudent view was taken when setting the 2005/06 taxbase. In January 2005 when the 2005/06 taxbase was set, a prudent view was taken of the projected house builds/completions. However, the building projections were halved in November 2005 following a review of completions, which had an impact on the Collection Fund. It was anticipated that more houses would have been paying Council Tax.

**5. Is there a possibility of sharing any future Collection Fund surplus with parishes?**

The Chair advised that this is not an appropriate question to consider at the meeting, the funding of parishes is a subject of the forthcoming CPDC meeting.

**6. There are 13 allotments stated on page 82, are these due to be handed over to parishes?**

The Legal Section has advised that they are currently examining the titles to all the allotment lands and will shortly commence the transfer of the relevant plots to the Parish Councils.

**7. The Council Tax arrears have increased in the debtors figures on page 85, is the collection rate decreasing?**

The initial response was that the in year collection rates have increased over the last three years. For the 2003/04, the in year collection rate was 94%, 04/05 95.5% and 05/06 96.1%. The increase in arrears would be checked.

The ongoing review by finance on the statement picked up that a mis-coding of debtors had occurred, but the information had not been reflected in the statement. This has now been rectified. The 2005/06 Council Tax arrears actually reduced between 04/05 and 05/06.

**8. There is only a bad debt provision of £613k on page 71 for Council Tax (the arrears are much higher)?**

This is the in year contribution to the bad debt provision. The bad debt provision, that is calculated using a specific formula, is £2.4m for Council Tax.

**9. Would you please explain the pensions deficit on page 92 and the non movement between years?**

The lack of movement between the years was due to two factors, namely the rescinding of the changes to the local government pension scheme in 2005 (which had a negative impact on the fund) and the improvement in investments over the year (which had a positive effect on the fund). These movements roughly cancelled out.

The pension fund is subject to a tri-annual actuarial review and therefore does not significantly change in the period between valuation. The next review is due at 31 March 2007. The deficit will be met through the management of the fund and increased contributions over the remaining working life of employees as assessed by the actuaries. Details of the pension fund are on pages 21, 52 and also 92 of the statement.

**10. Would you please explain the payments in advance of £31m as detailed in para 3a on page 83.**

The local government reorganisation debt has been paid back to Buckinghamshire County Council earlier than planned, to the benefit of Milton Keynes Council. The correct accounting treatment of this is to include it in the accounts as a payment in advance and charge to revenue over the next 16 years, in accordance with the original repayment schedule.

**11. What is the latest on the 2004/05 Special Parking Account (SPA\_ objection.**

The Council's Legal Section's response is being considered by the Audit Commission. It is anticipated that both of the objections should be finalised by the end of August in time for the sign off of the accounts in September.

**12. What if the Council does not agree with the Audit Commission's findings?**

The Council can appeal against the Audit Commission's view.

**13. What are the financial impacts of the three outcomes (i) if SPA account correct, (ii) if 04/05 needs changing and (iii) if 04/05 and 05/06 need changing.**

If the SPA account is correct there will be no impact on reserves. If 2004/05 needs changing, this may have an impact on reserves depending on what basis they are found to be incorrect. The Audit Commission calculated the uncertainty in the 2004/05 accounts to be £1.1m. Therefore there could be a hit on reserves, if necessary, up to this amount. The Audit Commission will commence the 2005/06 accounts audit in July. It is envisaged that they will have completed their review of the objections before the end of August. It is anticipated that there will not be an impact on the 2005/06 accounts due to the change in legislation of Section 55 of the Road Traffic Regulation Act.

**14. How did the close down go for 2005/06 on SAP for the first time?**

Considering that this was the first time closing down on the new SAP system and a month earlier, it has been a success. However, the success of the closedown will be considered after the audit in September. The accounts have been completed in the main by HBS Finance under the service level agreement.

**15. Should page 29, the Statement of Internal Control; include a note referring to the Audit Committee?**

This will be updated stating that from 2006/07, the Audit Committee will also receive the external review reports as appropriate.

