



**Statement of Accounts
2014/15**

For the year ending 31st March 2015

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Explanatory Foreword

1. INTRODUCTION

The financial performance for 2014/15 for the activities undertaken by the council is set out in the Financial Statements as reported in the Statement of Accounts. The Statement of Accounts contains the following:

a. Accounting Policies

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

b. Financial Statements

- The Movement in Reserves Statement, incorporating the movement in year on the reserves held by the council;
- The council's Comprehensive Income and Expenditure Statement which summarises resources which have been applied and generated in providing services and managing the council during the last year;
- The Balance Sheet which sets out the assets and liabilities recognised by the council as at 31st March 2015, and;
- The Cash Flow Statement, which summarises the changes in cash and cash equivalents of the council during the reporting period.

c. Notes to the Financial Statements

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

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

d. Supplementary Financial Statements

The Housing Revenue Account Income and Expenditure Statement and Movement on the Housing Revenue Account Statement shows the economic costs in the year of providing housing services in accordance with generally accepted accounting practices. The transactions of the billing authority are shown on the Collection Fund Statement in accordance with the code of accounting practice.

e. Group Accounts

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

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2. SERVICE EXPENDITURE

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

For 2014/15 the council developed its budget options, within the resources available, by reference to its Corporate Plan and strategic objectives. It also drew on information from formal budget consultations with the public and other interested parties.

The council approved a net budget of £191.201m for 2014/15 on 19th February 2014.

a. General Fund Revenue Outturn

The General Fund revenue outturn is an overspend of £0.346m. Service Groups are overspent by £0.929m offset by underspends on Debt Financing (£0.327m) and additional Central Education Grant of (£0.300m).

The council's overspend is largely caused by a greater than expected increase in demand for social care services (for both children and adults), which has been largely offset by one-off funding and delays to the delivery of facilities management and public access savings. The Budget for 2015/16 considered the risks in the 2014/15 outturn, at present the 2015/16 Budget seems adequate to address forecast demand, but this will be monitored through the coming financial year.

The outturn reflects a good position on the implementation of the savings for the 2014/15 Budget. Overall the majority of savings included in the 2014/15 budget (£13.785 of £16.019m) have been delivered, £1.531m has been slightly delayed and will be delivered in 2015/16, and alternative changes have been made to offset the remaining £0.703m.

Budget management accountability has been strengthened for 2015/16 to support the continued financial challenges the council faces and the need to continue to identify and deliver financial savings.

The overall impact of this outturn position produces a closing position of £8.886m on the General Fund Balance as at 31st March 2015.

The Housing Revenue Account (HRA) is reporting a £nil outturn at the end of March 2015. This results in a HRA reserve balance at the end of March 2015 of £4.640m.

The outturn position for the Dedicated Schools Grant is an underspend of (£0.078m).

The Capital outturn is £72.541m, an overall net underspend of (£0.990m) against Adjusted Spend Approval. The underspends are mainly in Housing and Community and Education, Effectiveness and Participation and will be returned to the Housing Revenue Account and the Education Funding block respectfully to be reallocated within the future Capital Programme.

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

Explanatory Foreword

	Revised Budget £'000	Outturn £'000	(Under)/Overspends £'000 %	
Resources: Finance, HR & Governance	9,088	8,958	(130)	(1.4%)
Resources: Public Access	(1,968)	(1,346)	622	(31.6%)
Adult Social Care and Health	61,359	61,433	74	0.1%
Housing and Community	1,817	1,716	(101)	(5.6%)
Integrated Support and Social Care	38,197	38,683	486	1.3%
Education, Effectiveness and Participation	14,807	14,687	(120)	(0.8%)
Community Facilities	8,204	8,308	104	1.3%
Public Realm	39,128	39,248	120	0.3%
Planning & Transport	505	508	3	0.6%
Corporate Core	989	860	(129)	(13.0%)
Public Health	8,852	8,852	0	0.0%
Net Operating Expenditure	180,978	181,907	929	
Corporate Items				
Debt Financing and Interest Charges	18,187	17,860	(327)	(1.8%)
Sustainability Items, Levies and One-Off Pressures	8,060	8,105	45	0.6%
Asset Rental	(16,024)	(16,024)	0	0.0%
Outturn Position	191,201	191,848	647	
Resources				
Revenue Support Grant	(49,910)	(49,910)	0	0.0%
Retained Business Rates	(42,242)	(42,242)	0	0.0%
Council Tax	(87,007)	(87,007)	0	0.0%
Public Health Grant	(8,788)	(8,788)	0	0.0%
Central Education Grant	(3,254)	(3,554)	(300)	9.2%
Total Resources Available	(191,201)	(191,501)	(300)	
(Addition)/Reduction in General Fund	0	347	347	
General Fund Balance 31st March 2014			(9,853)	
Contributions to 2014/15 Budget (approved as part of the budget setting process)			629	
General Fund Overspend 2014/15			347	
General Fund Balance 31st March 2015			(8,877)	

Significant variations are detailed in the paragraphs that follow:

Public Access

Public Access overspent by £622,000 at the year end. This was due to delays in achieving the savings planned from the Facilities Management review £274,000 and from the Public Access project £270,000. The Public Access programme is currently being reframed to focus on the highest impact services, as it is anticipated savings will be delivered in 2015/16.

Adult Social Care

Adult Social Care & Health is reporting an overspend of £74,000 compared to budget. The key pressures have been:

- External Residential and Supported Living and external Domiciliary Care overspends for people with learning disabilities as a result of increased costs

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- for existing packages and an increase in new clients £1,441,000 offset by a drawdown from the Adult Social Care Demand Led Reserve (£1,100,000);
- Elderly Mental Health Residential & Nursing placements and External Domiciliary Care have seen an increase in the number of placements above the amount estimated in the budget which has led to overspends of £277,000 and £400,000 retrospectively. These pressures are offset by increased Frail Elderly client income (£175,000) and savings in Physical Disabilities due to a decision on Nursing placement Health funding and client mortality (£359,000).

Integrated Support and Social Care

Integrated Support and Social Care is reporting an overall overspend of £486,000 against budget. The overspend is mainly due to an increase in numbers and complexity of care needs of children resulting in an overspend in short and long term, permanent and residential placements by £2,711,000. This overspend is partially offset by contributions from the Children's Demand Led Reserve (£380,000) and other one off resources (£1,189,000).

Education, Effectiveness and Participation

Education, Effectiveness and Participation is reporting an underspend of (£120,000) against budget. The service area includes a pressure relating to additional home to school transport routes due to demographic increase in pupil numbers in mainstream special schools £642,000. This pressure has been offset by a contribution from the Children's Demand Led Reserve (£650,000). The service has and will continue to undertake a number of actions, which have reduced the overspend in year and will reduce cost pressures in future financial years.

Debt Financing

There is an underspend of (£327,000) on debt financing as a result of rephasing of capital projects, resulting in a reduced contribution for loan repayments, known as Minimum Revenue Provision.

Central Education Grant

There is an increase in the council's grant allocation for the Education Service Grant income in 2014/15 as there were fewer pupil transfers than originally anticipated of (£300,000).

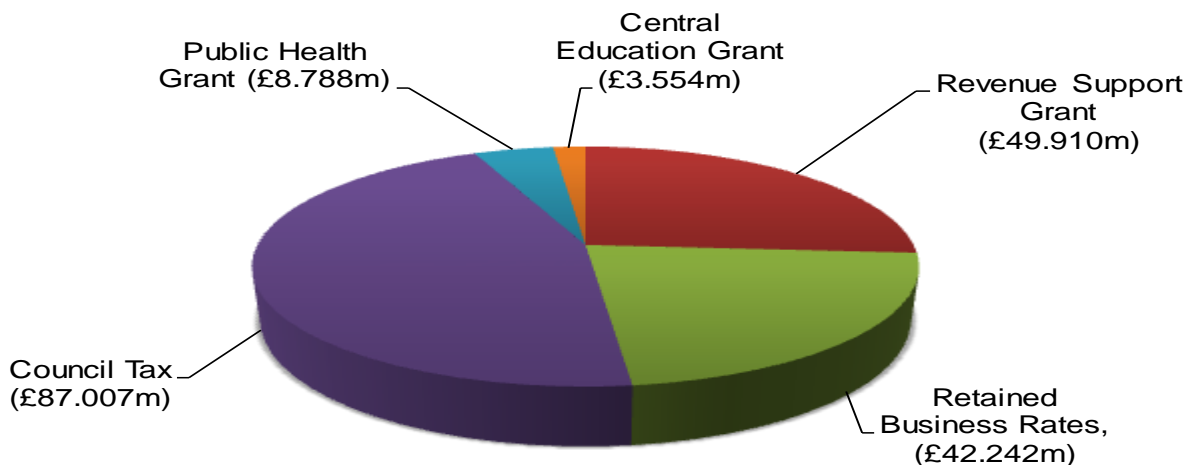
b. Housing Revenue Account (HRA) Outturn

The Housing Revenue Account is reporting a £nil outturn at the end of March 2015. This includes (£1,767,000) revenue underspend within the HRA which will enable a £1,267,000 contribution to the Asset Investment and Improvement Reserve and a £500,000 contribution to the Regeneration Reserve. The key underspends are due to savings on heating fuel due to a mild winter (£416,000) and a reduction in potential bad debts owing to improved rent collection (£788,000).

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

The budget requirement has been financed from the following sources:



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

Since 1st April 2007 Schools services have been funded through the Dedicated Schools Grant (DSG). For 2014/15 the council received £149.512m in DSG funding.

A list of the grants received by the council in 2014/15 can be found at note 15 to the Financial Statements.

3. PENSION LIABILITY

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

The council's financial statements in accordance with the proper accounting practice show a pension liability at 31st March 2015 of (£336.641m) which is an increase of (£85.512m) since 31st March 2014.

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

Full details of the Local Government Pension Scheme can be found in note 34 to the Financial Statements.

Explanatory Foreword

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

The following transactions are considered to be material or unusual charges or credits within the 2014/15 Statement of Accounts:

Pension Liability

The council's pension liability has increased by (£85.512m). Further details can be found in the Local Government Pension Scheme note 34 to the Financial Statements;

Major non-current asset disposals

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

Borrowing and Investments

During 2014/15, £95m of new loans to fund expenditure on capital projects was undertaken.

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

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

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

There has been an increase in investment in 2014/15 due to £95m additional borrowing in year.

5. BORROWING FACILITIES

During 2014/15, £95m of new loans to fund expenditure on capital projects was undertaken. Two existing long term loans (£18.0m) were repaid upon maturity to the Public Works Loan Board during the year.

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In January 2013 the council completed the transfer of planning powers and Milton Keynes Tariff from the Homes and Community Agency. As part of the forward funding arrangements set out in the Tariff Business Plan, the Homes and Community Agency provided cash flow loans to the council without interest or fees. The Financial Instruments Adjustment Account holds the difference between cash received and fair value at inception, with annual adjustments made over the life of the loans to reinstate the cash sum held on the balance sheet by the time of maturity.

At the end of the financial year the council had outstanding borrowing totalling £508.967m, in respect of the funding of capital projects of £501.862m (including accrued interest of £2.457m) and £7.105m other loans mentioned above. Further details of the composition of this sum can be found in the note 22 to the Financial Statements.

It was not necessary during the year for the council to borrow temporary funds for cash flow purposes. Consequently, there were no temporary loans outstanding at 31st March 2015.

At the 31st March 2015, the council held £259.271m invested with various financial institutions, of this amount £101.174m has been classified as cash equivalents in accordance with Accounting Policy note 5.

6. INTERNAL AND EXTERNAL SOURCES OF FINANCE TO FUND CAPITAL EXPENDITURE PLANS AND FINANCIAL COMMITMENTS

The council's total capital expenditure for 2014/15 including amounts accrued for works completed but not paid for at 31st March 2015 was £72,541,000 (£40,844,000 in 2013/14).

The sources of finance to fund this expenditure included government grants and contributions of (£41,264,000) ((£23,432,000) in 2013/14) which includes (£6,220,000) ((£8,365,000) in 2013/14) Major Repairs Reserve and (£35,044,000) ((£15,067,000) in 2013/14) Other Government Grants and Contributions.

Supported Borrowing amounted to (£5,370,000) (£15,311,000 in 2013/14). The balance of (£25,907,000) ((£2,101,000) in 2013/14) came from capital receipts, prudential borrowing, and revenue contributions.

Full details of capital expenditure and financing can be found in note 19 to the Financial Statements.

Capital Commitments total £71,100,000 and include new school extensions, a new Primary School and Community Pavilion and Housing Improvements. Full details of the council's capital commitments can be found in note 16 to the Financial Statements.

7. SIGNIFICANT PROVISIONS, CONTINGENCIES AND WRITE-OFFS

The council has one significant provision held on the Balance Sheet as at 31st March 2015:

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

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Further details of the provisions can be found in note 23 to the Financial Statements.

The council discloses contingent gains and losses in note 24 to the financial statements. The most significant disclosures relates to:

- The liability for any Tariff deficit in excess of the risk share agreement with the HCA and Department of Communities and Local Government, for the funding of local and strategic Infrastructure;
- The overage due to the council when properties built on the Radcliffe School land are sold.

There have been no significant write offs during 2014/15.

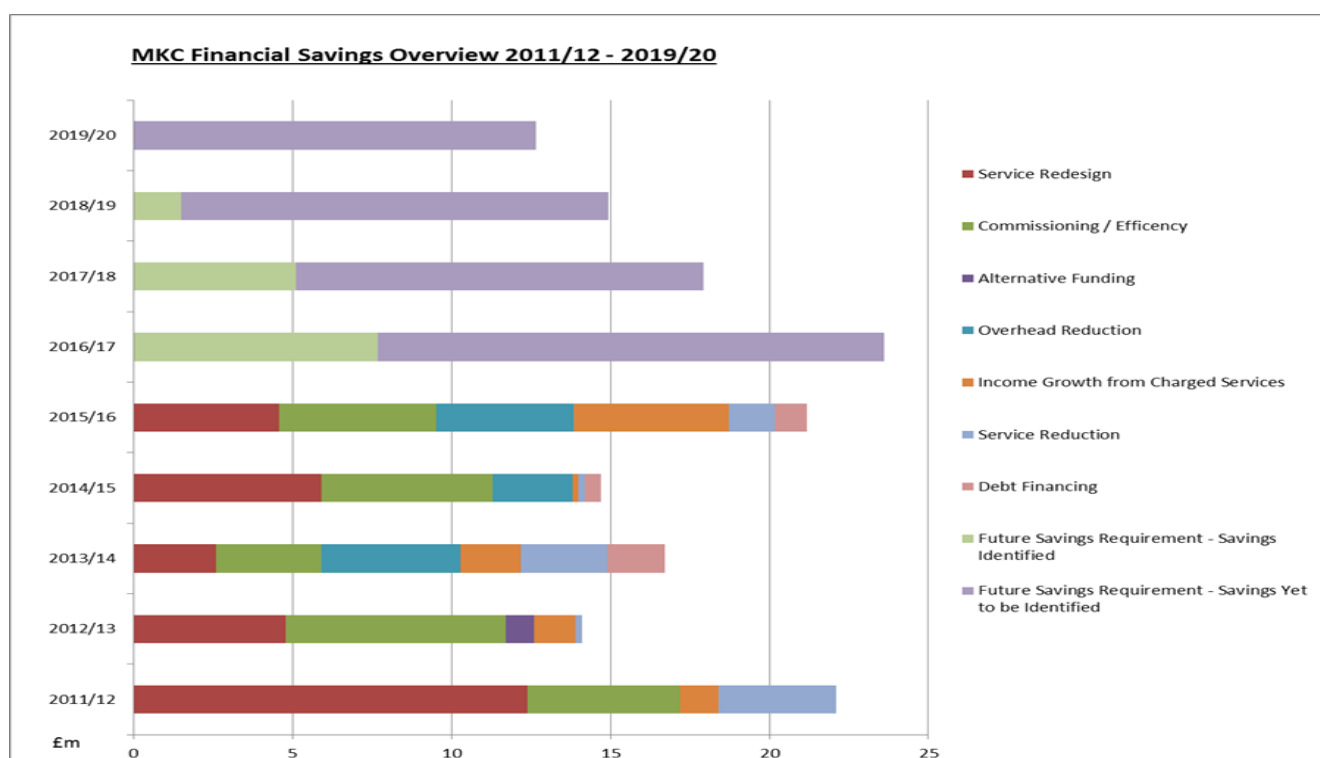
8. IMPACT OF CURRENT ECONOMIC CLIMATE

Financial Review

Although the wider economic picture is at last starting to show some signs of recovery the outlook for local authority budgets remains challenging. The Chancellor's Autumn Statement sets out a continued emphasis on national deficit reduction, predominantly through reducing public expenditure.

The chart below shows the percentage annual decrease in government funding for the last few years and the provisional funding reduction going forward.

Percentage Change in Government Grants (Actual and Predicted)



Explanatory Foreword

Key Financial Risks

Given the reductions in government grant levels, the growing demand pressures and the scale of reductions required, the councils Budget will inevitably contain a degree of risk. The key risks include: -

- **Achievability of Budget Savings** – the council has a good track record of successfully delivering significant savings including the delivery of £13.785m of £16.019m in 2014/15. Further budget reductions are required in the Medium Term Financial Strategy (£54m over the next 4 years).
- **Demand Led Budgets** –Milton Keynes has an ageing population and an increasing birth rate which continues to aid growth. This has resulted in demand pressures in learning disabilities, older people and children’s social care services in 2014/15. Although best efforts have been made to accurately forecast budget requirements, there will always be a degree of uncertainty to future demand.
- **Future Uncertainties** – there are number of uncertainties that may impact upon the council’s financial position post 2016. These include the loss of New Homes Bonus income from Business rate Reviews and the impact of the Care Act from April 2016.

Adequacy of Reserves

A general risk assessment carried out alongside the development of the Budget, showed that the minimum prudent level of reserves continues to remain at £7m.

However, due to the 2014/15 overspend position, and the significant risks identified in the Budget Risk Register, there is a need to earmark an additional £1.0m of General Fund balances above the minimum prudent level, to militate against the future risks identified for next year.

There is also significant risk in the timing and delivery of a number of 2015/16 savings proposals; therefore to address this added risk, the council has set aside a further £3m of additional one-off resources next year. It is therefore estimated that the General Fund Balance should begin the 2015/16 year at £8m, with £3m set aside in an earmarked risk reserve.

The council holds other earmarked reserves to address specific risks. Earmarked reserves total £66.2m as at 31st March 2015, details of which can be found in note 6 to the financial statements. Some of these reserves can only be used for specific purposes, but others could be called upon if necessary and so provide additional flexibility (for example the demand led reserves for children’s and adult services). One of the reasons for the high level of earmarked reserves is to merge the borrowing costs, highway improvements and the Residual Waste Treatment Facility.

Future Developments in Service Delivery

In 2014/15, a review was undertaken of the way the Milton Keynes Services Partnership (MKSP) LLP (wholly owned subsidiary of Milton Keynes Council) works and how the LLP may continue going forward.

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The review took place in the knowledge that the landscape in which both MKSP and Milton Keynes Council (MKC) operate has challenged.

The review has now concluded and - whilst there are undoubtedly examples of good practice, good performance and good standards - it has clearly identified that there is a need to make changes to the way in which some of the services are commissioned and provided.

On Friday 27th February 2015, the MKSP Board considered the recommendations from the review and an options appraisal of how the company might work in the future. The Board unanimously agreed that there needed to be a new model for MKSP. This new model will seek to aggregate all the commercial activity of both MKSP and MKC into a company limited by guarantee and for non-traded activity to be directly managed by the council. The Board's recommendation will now be considered by Milton Keynes Council's Cabinet in July 2015.

MKSP will continue in its current form until MKC's cabinet have confirmed the future direction.

Statement of Auditors Opinion

Statement of Responsibilities

THE COUNCIL'S RESPONSIBILITIES

The council is required:

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

Chair of the Audit Committee

Date:

THE RESPONSIBILITIES OF THE CHIEF FINANCE OFFICER

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

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

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

The Chief Finance Officer has also:

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

The Statement of Accounts provides a true and fair view of the council's financial position of the authority at the reporting date, and of its income and expenditure for the year ended 31st March 2015.

Corporate Director – Resources

Date:

Accounting Policies

1. GENERAL PRINCIPLES

The Statement of Accounts summarises the council's transactions for the 2014/15 financial year and its position at the year-end of 31st March 2015. The authority is required to prepare an annual Statement of Accounts in accordance with the Accounts and Audit Regulations 2011 which require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice (SeRCOP) 2014/15 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

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

2. ACCRUALS OF INCOME AND EXPENDITURE

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

- Revenue from the sale of goods is recognised when the authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the authority;
- Revenue from the provision of services is recognised when the authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the authority;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet;
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet;
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected;
- Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year;

Accounting Policies

- 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;
- Annual leave and flexi-time that has not been taken at 31st March is accrued and full details can be found in Accounting Policy note 7 – Employee Benefits.

3. ACQUIRED AND DISCONTINUED OPERATIONS

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

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

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

There were no acquired or discontinued operations in 2014/15.

4. CAPITAL RECEIPTS

The treatment and usage of capital receipts is accounted for in accordance with the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended)

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

5. CASH AND CASH EQUIVALENTS

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

Cash equivalents are investments held for cash flow purposes that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Accounting Policies

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

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

Service revenue accounts and support services are debited with the following amounts to record the cost of holding non-current assets during the year:

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

The charge made to the Housing Revenue Account is calculated in accordance with the Item 8 Credit and Item 8 Debit (General) Determination from April 2012 (Item 8 Determination). Depreciation is charged in line with the five-year period transitional arrangements specified in the CIPFA Code of Practice on Local Authority Accounting 2014/15.

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

The council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement calculated in accordance with statutory guidance (Minimum Revenue Provision or MRP). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund and Housing Revenue Account balance (for MRP and/or loans fund principal) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two so there is no impact on the level of Council Tax.

7. EMPLOYEE BENEFITS

Benefits Payable during Employment

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

Accounting Policies

so that the holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Untaken leave is accrued on the basis of actual leave untaken at 31st March 2015 for non-school staff and a calculation of the accrued benefit for schools staff based on the number of days in each term.

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Benefits are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of:

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

Post Employment Benefits

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

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

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

Local Government Pension Scheme

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

Accounting Policies

Liabilities are discounted to their value at current prices using a discount rate of 3.3% (0.1% real). The discount rate for pension's liabilities is calculated using the AA Corporate Bond Rate.

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

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

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

- Current Service Cost – the increase in liabilities as result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- Past Service Cost – the increase or decrease in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- Any gain or loss on settlement – arising when an authority enters into a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan.
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- The return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuary has updated its assumptions – charged to the Pensions Reserve as other Comprehensive Income and Expenditure.

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

Accounting Policies

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

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

In relation to retirement benefits, statutory provisions require the General Fund and Housing Revenue Account balance to be charged with the amount payable by the council to the pension fund in year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end. The negative balance that arises on the Pension Reserve measures the beneficial impact to the General Fund and Housing Revenue Account of being required to account for retirement benefits, on the basis of cash flows rather than as benefits are earned by employees.

Full disclosures in respect of the Local Government Pension Scheme can be found in note 342 to the Financial Statements.

Discretionary Benefits

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

8. EVENTS AFTER THE BALANCE SHEET DATE

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

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

- Adjusting - An event after the reporting period that provides further evidence of conditions that existed at the end of the reporting period, including an event that indicates that the going concern assumption in relation to the whole or part of the council is not appropriate;
- Non-Adjusting - An event which takes place after the reporting period that is indicative of a condition that arose after the end of the reporting period.

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

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

9. EXCEPTIONAL ITEMS AND PRIOR PERIOD ADJUSTMENTS

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

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

10. FINANCIAL INSTRUMENTS

Financial Liabilities:

Financial liabilities are recognised on the Balance Sheet when the authority becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and any accrued interest and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund and Housing Revenue Account Balance to be spread over future years. The council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the

Accounting Policies

premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund and Housing Revenue Account Balance is managed by a transfer to or from the Movement in Reserves Statement, taken to or from the Financial Instrument Adjustment Account.

Soft Loan:

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

Debt Redemption:

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

Minimum Revenue Provision

The council has charged 2014/15 statutory General Fund Minimum Revenue Provision (MRP) at 4% of the opening Capital Financing Requirement for all capital expenditure financed by borrowing incurred before 2008/09 and for all subsequent capital expenditure financed by supported borrowing. This is in line with Regulations implemented under the Local Government Act 2003.

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

The MRP calculation also provides for:

- the repayment of capitalisation directions issued by the Secretary of State in respect of expenditure incurred at Local Government Reorganisation; and
- an adjustment in respect of commuted payments made to or for the benefit of the council in 1992-1993.

The one exception to this is that where assets are purchased for confirmed future development and it is anticipated that future sale proceeds will offset the cost, the

Accounting Policies

repayment of debt will be funded from future capital receipts. In such cases MRP will not be applied. This approach will be reviewed on an annual basis to ensure that anticipated sales proceeds continue to offset the cost of debt.

Additional Debt Redemption:

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

- additional revenue contributions;
- use of capital receipts.

Debt Restructuring:

The council has, on occasions when satisfactory market conditions prevail, restructured certain long term loans with the Public Works Loan Board. This results in either a premium being paid or a discount received and these are written down in accordance with current legislation - The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended).

Financial Assets:

Financial Assets are classified as:

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

Loans and Receivables:

Loans and receivables are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all of the loans the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and any accrued interest and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. Where interest relates to 2014/15 which has not been paid by the 31st March 2015 this amount has been accrued and can be seen as part of the borrowing repayment on demand or within excess of 12 months.

Accounting Policies

Available for sale asset:

Available for sale assets are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

The council holds investments where there are no fixed or determinable payments and therefore income (eg, dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the authority. The investment relates to financial instruments with a quoted market price and therefore held in the Balance Sheet at fair value.

Changes in fair value are balanced by an entry in the Available For Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets.

Impairment of Financial Assets:

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

11. GOVERNMENT GRANTS AND OTHER CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the council when there is reasonable assurance that:

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

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

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

Accounting Policies

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

12. HERITAGE AND COMMUNITY ASSETS

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

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

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

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

Arts Collection

The public art collection is the council's most significant heritage asset numerically and consists of approximately 100 items of works of art. The collection includes sculptures, paintings, prints and artists designs integrated in public spaces and buildings.

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

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

13. HOUSING REVENUE ACCOUNT SELF-FINANCING

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

Accounting Policies

14. INSURANCE

To obtain insurance cover in the most cost effective manner the council arranges its insurance with a system of internal financing of claims (a substantial policy excess applies) and external cover with a recognised insurance market. Internal funds have been maintained to cover those claims that fall below the policy excess. These funds are based on the total potential liability that could accrue up to 31st March 2015. Some risks carry a lower policy excess and claims that fall below this amount are met from revenue as they arise.

External cover is provided by way of premiums paid to the council's insurers. The nature of risks covered by the internal arrangements and the amounts in excess of the figures detailed are covered externally and shown below:

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

15. INTEREST IN COMPANIES

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

The council is invited to appoint Councillor's to many entities of local, regional and national significance. These appointments have been examined; together with Councillor's own declarations of interest and also those of the Corporate Management Team. No material reportable interests were identified. Minority interests in companies are detailed in note 31 to the Financial Statements.

Significant contractual relationships are disclosed in note 31 to the Financial Statements.

Group Accounts have been prepared to reflect the council's ownership of two Limited Liability Partnerships which were incorporated during 2012/13, and can be found on page 104. Further details on the can be found in Note 32.

16. INVENTORIES, WORK IN PROGRESS AND LONG TERM CONTRACTS

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

Accounting Policies

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

17. INVESTMENT PROPERTY

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

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

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

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

18. LEASES

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessor

Finance Leases

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. This is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal

For Academy Schools, where finance leases have been granted at peppercorn rents, no long term debtors are created.

Accounting Policies

Operating Leases

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the appropriate service area on a straight line basis over the life of the lease and included in the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

19. NON DOMESTIC RATES

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

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

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

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

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

In 2013/14 it was decided to account for all backdated appeals in that year, this was judged to be the accounting treatment which provided the best value for money for the Council.

20. OVERHEADS

The costs of both centrally and departmentally provided overheads (i.e. management and administration costs) and support services are fully recharged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the authorities status as a multi-functional, democratic organisation

Accounting Policies

- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable to Assets Held for Sale

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

Support Service	Apportionment basis
Milton Keynes Service Partnership (MKSP)	Allocated to support services, then allocated as set out below.
Communications	20% CDC, 80% Adjusted headcount
Policy and performance	20% CDC, 80% Adjusted headcount
General IT	Adjusted headcount
General HR	Adjusted headcount
Health & safety	Adjusted headcount
Public access	Adjusted headcount
Business Support (MKSP)	FTEs assigned to service areas
Facilities	Headcount central staff
General finance	Time allocation of finance staff
Property management	Time allocation of property staff
Internal audit	Budgeted income plus expenditure
Procurement	Budgeted non-payroll expenditure
Fleet	Use of vehicle
Legal	Time allocation

21. PROPERTY, PLANT AND EQUIPMENT

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

Recognition:

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

Measurement:

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

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

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

Accounting Policies

Estimation Techniques:

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

Disposals:

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

Amounts received for disposals are categorised as capital receipts. The usable proportion of Housing capital receipts is net of amounts subject to the pooling arrangements under the Local Government Act 2003. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund and Housing Revenue Account Balance in the Movement in Reserves Statement.

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

Impairment:

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

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

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

Accounting Policies

Impairment Losses and Revaluation Losses:

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

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

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

Depreciation:

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

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

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

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

Accounting Policies

Assets Held for Sale Not depreciated.

Land Not depreciated.

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

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

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

Revaluation Reserve:

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

Componentisation:

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

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

The average net book value (NBV) of each property (building) asset group has been used to set the de minimis threshold level as illustrated on the materiality table for componentisation on the following page.

Accounting Policies

Average NBV of Asset Group	De-minimis Threshold
Under £500,000	£500,000
Between £500,000 - £1.0m	£1.0m
Between £1.0m - £1.5m	£1.5m
Between £1.5m - £2.0m	£2.0m

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

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

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

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

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

The componentisation policy may be altered to fit individual circumstances where the valuer deems it to be a better representation of the asset.

22. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are made where an event has taken place that gives the authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

Accounting Policies

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

The Carbon Reduction Commitment Scheme

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in phase two, which ends on 31st March 2019. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

Contingent Liabilities

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

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

Contingent Assets

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

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

23. RESERVES

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund and Housing Revenue Account Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund and Housing Revenue Account

Accounting Policies

Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets (Revaluation Reserve and Capital Adjustment Account), financial instruments, retirement and employee benefits and do not represent usable resources for the council – these reserves are explained in the relevant policies and note 25 to the Financial Statements.

24. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

25. VAT

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

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

26. ACCOUNTING FOR SCHOOLS

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

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

Movement in Reserves Statement

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

2014/15	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Schools Balances Reserve £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2014	(9,853)	(54,574)	(10,150)	(4,641)	(14,289)	(10,549)	(51,699)	(10,715)	(166,470)	(246,989)	(413,459)
(Surplus) or Deficit on Provision of Services (Accounting Basis)	(19,299)	0	0	(67,679)	0	0	0	0	(86,978)	0	(86,978)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	0	0	63,325	63,325
Total Comprehensive Expenditure and Income	(19,299)	0	0	(67,679)	0	0	0	0	(86,978)	63,325	(23,653)
Adjustments between Accounting Basis & Funding Basis under Regulations (Note 5)	12,775	0	0	63,683	0	(7,650)	(7,961)	14	60,861	(58,899)	1,962
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(6,524)	0	0	(3,996)	0	(7,650)	(7,961)	14	(26,117)	4,426	(21,691)
Transfers (to) / from Earmarked Reserves (Note 6)	7,500	(7,375)	(125)	4,068	(4,068)	0	0	0	0		0
Transfers (to) / from Other Reserves	0	0	0	0	0	0	0	0	0	0	0
(Increase) / Decrease in Year	976	(7,375)	(125)	72	(4,068)	(7,650)	(7,961)	14	(26,117)	4,426	(21,691)
Balance at 31 March 2015	(8,877)	(61,949)	(10,275)	(4,569)	(18,357)	(18,199)	(59,660)	(10,701)	(192,587)	(242,563)	(435,150)

Movement in Reserves Statement

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

Comprehensive Income and Expenditure Statement

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

31 March 2014			31 March 2015				
Gross Exp £'000	Gross Income £'000	Net Exp £'000		Gross Exp £'000	Gross Income £'000	Net Exp £'000	Note
79,907	(21,256)	58,651	Adult Social Care	81,235	(22,774)	58,461	
11,761	(2,965)	8,796	Central Services to the Public	10,603	(2,972)	7,631	
243,000	(177,894)	65,106	Children & Education Services	251,082	(188,002)	63,080	
13,308	(1,579)	11,729	Culture & Related Services	12,269	(1,700)	10,569	
27,865	(3,954)	23,911	Environmental & Regulatory Services	27,660	(4,577)	23,083	
27,596	(15,234)	12,362	Highways and Transport Services	29,227	(17,342)	11,885	
116,511	(107,531)	8,980	Other Housing Services	114,370	(106,106)	8,264	
(10,932)	(55,642)	(66,574)	Housing Revenue Account	(18,668)	(57,238)	(75,906)	
6,713	(10,205)	(3,492)	Planning Services	7,232	(12,845)	(5,613)	
7,457	(8,207)	(750)	Public Health	8,550	(8,978)	(428)	
523,186	(404,467)	118,719	Cost of Services	523,560	(422,534)	101,026	
			Other Operating Expenditure				
		5,488	Parish Precepts			5,838	
		443	Levies			443	
		676	Payment to the Government Housing Capital Receipt Pool			756	
		4,828	(Gain)/Loss on Disposal of Non-Current Assets			14,672	3
		11,435	Total Other Operating Expenditure			21,709	
			Financing and Investment Income and Expenditure				
		19,845	Interest Payable and Similar Charges			21,880	
		(1,116)	Interest Receivable and Similar Income			(1,363)	
		955	(Surplus)/Deficit on Trading Operations			610	7
		(57)	Income and Expenditure in relation to Investment Properties and Changes in their Fair Value			(9,208)	
		10,730	Net Interest on the net defined benefit liability (asset)			10,848	34
		30,357	Total Financing and Investment Income and Expenditure			22,767	
			Taxation and Non-Specific Grant Income				
		(83,671)	Council Tax Income			(102,073)	15
		(42,004)	Non-Domestic Rate Income			(38,667)	15
		(33,949)	Capital Grants & Contributions			(36,837)	15
		(69,230)	Non-Ringfenced Government Grants			(54,903)	15
		(228,854)	Total Taxation and Non-Specific Grant Income			(232,480)	
		(68,343)	(Surplus) or Deficit on Provision of Services			(86,978)	
		(4,617)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment			(10,321)	25
			Surplus or deficit on revaluation of available-for-sale financial asset.			544	25
		(3,687)	Remeasurements of the net benefit liability (asset)			73,102	34
		(8,304)	Other Comprehensive Income and Expenditure			63,325	
		(76,647)	Total Comprehensive Income and Expenditure			(23,653)	

Balance Sheet

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

31 March 2014 £'000		Note	31 March 2015 £'000
984,895	Property, Plant & Equipment	16	1,057,246
744	Heritage Assets	17	784
20,249	Investment Property	18	29,044
650	Intangible Assets		317
0	Long Term Investments	29	47,735
45,501	Long Term Debtors	20	43,558
1,052,039	Long Term Assets		1,178,684
35,083	Short Term Investments	29	110,362
1,515	Assets Held for Sale		1,124
410	Inventories and Work in Progress		317
41,883	Short Term Debtors	20	36,589
81,549	Cash and Cash Equivalents	26	100,219
160,440	Current Assets		248,611
(27,087)	Short Term Borrowing	22	(30,990)
(55,326)	Short Term Creditors	21	(72,940)
(10,026)	Short Term Provisions	23	(6,289)
(2,394)	Short Term Capital Grants & Contributions Receipts in Advance	15	(18,372)
(10,580)	Short Term Revenue & Contributions Receipts in Advance	15	(11,886)
(105,413)	Current Liabilities		(140,477)
(3,156)	Long Term Provisions	23	(4,192)
(406,913)	Long Term Borrowing	22	(477,977)
(485)	Other Long Term Liabilities		0
(251,129)	Liability Related to Defined Benefit Pension Scheme	34	(336,641)
(564)	Long Term Capital Grants & Contributions Receipts in Advance	15	(825)
(31,360)	Long Term Revenue Grants & Contributions Receipts in Advance	15	(32,033)
(693,607)	Long Term Liabilities		(851,668)
413,459	Net Assets		435,150
(166,470)	Usable Reserves	25	(192,587)
(246,989)	Unusable Reserves	25	(242,563)
(413,459)	Total Reserves		(435,150)

Cashflow Statement

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

2013/14		2014/15
£'000		£'000
68,343	Net surplus or (deficit) on the provision of services	86,978
(10,269)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(51,558)
(4,519)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1,336
53,555	Net Cash flow from Operating Activities (Note 27)	36,756
	<u>Investing Activities</u>	
(38,154)	Purchase of Property, Plant & Equipment, Investing Properties and Intangible Fixed Assets	(51,817)
(35,000)	Purchase of short-term and long-term investments	(157,718)
(676)	Other payments for investing activities	(756)
7,739	Proceeds of Property, Plant & Equipment, Investing Properties and Intangible Fixed Assets	6,377
60,000	Proceeds of short-term and long-term investments	35,000
43,048	Other receipts from investing activities	65,505
36,957	Net cash flows from investing activities	(103,409)
	<u>Financing Activities</u>	
1,542	Cash receipts of short and long-term borrowing	93,842
4,624	Other receipts from financing activities	10,954
(18,000)	Repayment of short and long-term borrowing	(20,000)
628	Other payments for financing activities	527
(11,206)	Net cash flows from financing activities	85,323
79,306	Net increase or (decrease) in cash and cash equivalents	18,670
2,243	Cash and cash equivalents at the beginning of the reporting period	81,549
81,549	Cash and cash equivalents at the end of the reporting period (Note 26)	100,219

Notes to the Accounts

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

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

1. IFRS 13 – Fair Value Measurement was revised in May 2011, it applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The Standard results in a market-based, rather than entity-specific, measurement
2. IFRIC 21 – Levies. This standard provides guidance on when to recognise a liability for a levy imposed by government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain.

The issues included in the annual Improvements to IFRS 2011-13 are:

3. IFRS 1 – Meaning of effective IFRSs. The objective of this amendment is to clarify the meaning of ‘each IFRS effective at the end of an entity’s first IFRS reporting period’ as used in paragraph 7 of IFRS 1 First-time Adoption of IFRSs.
4. IFRS 3 – Business Combinations: Scope exceptions for joint ventures. The objective of this amendment is to clarify that paragraph 2(a) of IFRS 3 Business Combinations:
 - Excludes the formation of all types of joint arrangements as defined in IFRS 11 Joint Arrangements from the scope of IFRS 3; and
 - The scope exception only applies to the financial statements of the joint venture or the joint operation itself.
5. IFRS 13 – Fair Value Measurement scope of paragraph 52 (portfolio exception) Selecting the valuation multiple from a range.
6. IAS 40 - Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property.

The amendments in relation to the annual improvements are effective for annual periods beginning on or after 1st July 2014.

All changes set out above are effective for accounting periods beginning on or after 1st January 2015 and therefore do not affect the disclosures for 2014/15.

Notes to the Accounts

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

In applying the accounting policies requires management to make judgements, estimates and assumptions about complex transactions or those involving uncertainty about future events.

Critical Judgements

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

Estimation Uncertainty

The authority is required to disclose details of all key estimations and assumptions made within the accounts that could result in an uncertainty and could have a risk of causing an adjustment to the carrying amount of assets and liabilities within the next financial year. Estimates are made in line with the council's Financial Regulations and Procedures rules as well as historical experience, current trends and other relevant factors.

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Defined Benefit Pension Scheme – Pension Liability.	Pensions disclosures provided within the Statement of Accounts are taken from the annual Actuary report, provided by Barnett Waddingham. Key assumptions made are on RPI, CPI and salary increases.	The value of the liability may increase/decrease if the assumptions change. The present value of the total obligation is £768.028m. An adjustment to the long term salary assumption by +1% would result in the present value of the total obligation increasing by £1m. Sensitivity to some of the key assumptions is provided in Note 34. The carrying amount of the liability is £336.641m
Provisions	The most significant provision the council has is a provision of £9.687m for appeals on business rates where rate payers appeal against the valuation.	Rate payers have 5 years in which to appeal. It is impracticable to quantify increase in claimants against an increase in provision as claimants are not all appealing the same value. Full details of each provision including the basis of estimation applied are provided in note 23 to the Financial Statements.

Notes to the Accounts

<p>Allowance for Non-Payment of Debt</p>	<p>The council maintains an allowance for the non-payment of debts in order to ensure that there are sufficient funds available to meet the future cost of any debt that is uncollectable. The current allowance for doubtful debts is £11.614m.</p>	<p>The council evaluates each debt or category of debt by considering any significant financial difficulty for the debtor, any breach of contract or default, any concessions granted by the authority based on difficulty for the debtor, the likelihood of the debtor entering bankruptcy. The value of the allowance is calculated based on a review of all debts and a judgement of the probability of collection for each. Currently all NHS debts are deemed as fully recoverable, however if half those debts were deemed to be 10% recoverable then the provision would have to increase by £1.000m.</p>
<p>Property, Plant and Equipment and Investment Properties</p> <p>Depreciation</p>	<p>Depreciation is charged on a Useful Economic Life basis ranging from 3-85 years depending on the asset. In 2014/15 the charge is shown as £24.239m</p>	<p>Infrastructure is depreciated over 40 years. If it was depreciated over 50 years the depreciation charge for 2014/15 would decrease to £3.368m, currently shown as £4.242m in the Financial Statements.</p> <p>Full details on Depreciation for each asset type can be found in Accounting Policy note 21, and non-current asset values are provided in note 16 to the Financial Statements.</p>

3. MATERIAL ITEMS OF INCOME AND EXPENSE

The following significant gains and losses on disposals are reflected within the 2014/15 Comprehensive Income and Expenditure Statement:

- Sale of Assets transferred to parish and town councils under the Capital Assets Transfer (CAT) Programme £4,552,000.
- Middleton School converted to Academy in year £5,140,000.
- Two schools obtained Foundation School status in year £7,408,000
- Council dwellings sales to tenancies (£2,636,000).

4. MATERIAL EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Corporate Director Resources on XXth September 2015. Events taking place after this date are not reflected in the Financial Statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2015, the figures in the Financial Statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no material events which took place after 31st March 2015 that are relevant to an understanding of the Authority's financial position.

Notes to the Accounts

5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

The Capital Receipts Reserve balance is broken down as follows:

Notes to the Accounts

2013/14 £'000		2014/15 £'000
(5,984)	Balance at 1 April	(10,715)
(6,026)	Capital Receipts in year from Sale of Assets	(6,349)
0	Capital Receipts in year from Repayments of Advances	(18)
(1,705)	Other Capital Receipts in year	(10)
(13,715)		(17,092)
	<u>Less:</u>	
3,198	Capital Receipts applied to finance capital expenditure	4,512
1,474	Capital Receipts transferred to CAA re: HRA Debt	1,124
(2,348)	Deferred Capital Receipts in year from Sale of Assets	(1)
676	Statutory Pooling	756
3,000		6,391
(10,715)	Balance at 31 March	(10,701)

Capital Grants Unapplied Reserve

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

	General Fund £'000	HRA £'000	Total £'000
Balance at 1 April 2014	(50,521)	(1,178)	(51,699)
Capital Grants and Contributions credited to the Comprehensive Income & Expenditure Statement			
Government Grants	(27,412)	0	(27,412)
Third Party Contributions	(9,219)	(207)	(9,426)
Applied Capital Grants and Contributions			
Government Grants	18,158	1,064	19,222
Third Party Contributions	9,448	207	9,655
Balance at 31 March 2015	(59,546)	(114)	(59,660)

Notes to the Accounts

2014/15	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Usable Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement						
Charges for depreciation and impairment of non-current assets	(13,920)	1,894	0	0	0	12,026
Revaluation Losses on Property, Plant and Equipment	(1,595)	38,708	0	0	0	(37,113)
Movements in the market value of Investment Properties	9,181	0	0	0	0	(9,181)
Amortisation of intangible fixed assets	(334)	(1)	0	0	0	335
Capital grants and contributions applied	0	0	0	0	28,877	(28,877)
Revenue Expenditure Funded from Capital Under Statute	(9,100)	0	0	0	0	9,100
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(18,014)	(3,006)	0	0	0	21,020
Use of the Major Repairs Reserve to finance new capital expenditure	0	6,220	0	0	0	(6,220)
HRA Self Financing	0	0	1,124	0	0	(1,124)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	10,055	42	0	0	0	(10,097)
Capital expenditure charged against the General Fund and HRA balance	818	6,742	0	0	0	(7,560)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	36,631	207	0	0	(36,838)	0
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	707	5,642	(6,349)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	4,512	0	0	(4,512)
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	(756)	0	756	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(29)	0	0	35

Notes to the Accounts

2014/15	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Usable Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Notional Major Repairs Allowance credited to the HRA	0	7,650	0	(7,650)	0	0
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(62)	(17)	0	0	0	79
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 34)	(26,174)	(857)	0	0	0	27,031
Employers pensions contributions and direct payments to pensioners payable in year	14,157	464	0	0	0	(14,621)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rate income calculated for the year in accordance with statutory requirements	9,180	0	0	0	0	(9,180)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	45	(5)	0	0	0	(40)
Adjustments in respect of Local Government Reorganisation:						
Voluntary additional payment of LGR Debt	1,956	0	0	0	0	0
Total Adjustments	12,775	63,683	14	(7,650)	(7,961)	(58,899)

Notes to the Accounts

2013/14	Usable Reserves					
	General Fund Balance £'000	Housing Revenue Account £'000	Usable Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement						
Charges for depreciation and impairment of non-current assets	(21,391)	13,791	0	0	0	7,600
Revaluation Losses on Property, Plant and Equipment	1,476	19,620	0	0	0	(21,096)
Movements in the market value of Investment Properties	19	0	0	0	0	(19)
Amortisation of intangible fixed assets	(331)	(1)	0	0	0	332
Capital grants and contributions applied	0	0	0	0	12,846	(12,846)
Revenue Expenditure Funded from Capital Under Statute	(2,188)	(160)	0	0	0	2,348
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(7,654)	(3,200)	0	0	0	10,854
Use of the Major Repairs Reserve to finance new capital expenditure	0	8,365	0	0	0	(8,365)
HRA Self Financing	0	0	1,474	0	0	(1,474)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	9,942	96	0	0	0	(10,038)
Capital expenditure charged against the General Fund and HRA balance	1,114	420	0	0	0	(1,534)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	33,949	0	0	0	(33,949)	0
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	321	5,705	(6,026)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	3,198	0	0	(3,198)
Additional Capital Receipts received in year relating to prior year non-current asset disposals	1,705	0	(1,705)	0	0	0
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	(676)	0	676	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(2,348)	0	0	2,348

Notes to the Accounts

2013/14

Adjustments primarily involving the Major Repairs Reserve:

Reversal of Notional Major Repairs Allowance credited to the HRA

0 5,935 0 (5,935) 0 0

Adjustments primarily involving the Financial Instruments Adjustment Account:

Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements

151 12 0 0 0 (163)

Adjustments primarily involving the Pensions Reserve:

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 34)

(33,559) (590) 0 0 0 34,149

Employers pensions contributions and direct payments to pensioners payable in year

14,816 260 0 0 0 (15,076)

Adjustments primarily involving the Collection Fund Adjustment Account:

Amount by which council tax and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rate income calculated for the year in accordance with statutory requirements

(8,148) 0 0 0 0 8,148

Adjustment primarily involving the Accumulated Absences Account:

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

(101) (9) 0 0 0 110

Adjustments in respect of Local Government Reorganisation:

Voluntary additional payment of LGR Debt

1,962 0 0 0 0 0

Total Adjustments

(8,593) 50,244 (4,731) (5,935) (21,103) (7,920)

Notes to the Accounts

6. TRANSFERS TO/ FROM EARMARKED RESERVES

The table and notes which follow set out the amounts set aside from the General Fund and Housing Revenue Account balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts transferred from Earmarked Reserves to meet General Fund and Housing Revenue Account expenditure in 2014/15.

	Balance at 31 March 2013 £'000	Transfers Out 2013/14 £'000	Transfers In 2013/14 £'000	Balance at 31 March 2014 £'000	Transfers Out 2014/15 £'000	Transfers In 2014/15 £'000	Balance at 31 March 2015 £'000
General Fund							
Budget Rollovers Reserve	(3,339)	1,491	(1,945)	(3,793)	1,890	(889)	(2,792)
Capital Reserve	(263)	1,113	(1,339)	(489)	821	(2,135)	(1,803)
Infrastructure Reserve	0	0	0	0	0	(3,598)	(3,598)
Local Council Tax Support and Welfare Reform Reserve	0	0	(913)	(913)	494	(1,915)	(2,334)
Local Government Reorganisation Debt Reserve	0	0	(650)	(650)	0	(2,100)	(2,750)
New Homes Bonus Reserve	(3,379)	2,758	(8,582)	(9,203)	5,098	(9,285)	(13,390)
One-Off Expenditure Reserve	(2,761)	3,809	(9,807)	(8,759)	13,640	(15,233)	(10,352)
Other Earmarked Reserves	(24,601)	6,752	(9,711)	(27,560)	15,619	(8,384)	(20,325)
Planning Gains Reserve	(1,392)	236	(19)	(1,175)	155	(973)	(1,993)
Tariff & HCA Risk Reserve	(1,110)	0	(921)	(2,031)	541	(1,121)	(2,611)
Total General Fund Earmarked Reserves	(36,845)	16,159	(33,887)	(54,573)	38,258	(45,633)	(61,948)
Capital Reserve - HRA	(3,883)	420	(7,219)	(10,682)	6,742	(8,323)	(12,263)
Other Earmarked Reserves	(1,916)	467	(2,158)	(3,607)	627	(3,115)	(6,095)
Total HRA Earmarked Reserves	(5,799)	887	(9,377)	(14,289)	7,369	(11,438)	(18,358)
Schools Balances	(9,848)	3,748	(4,050)	(10,150)	3,161	(3,286)	(10,275)
Total Earmarked Reserves	(52,492)	20,794	(47,314)	(79,012)	48,788	(60,357)	(90,581)

The nature and purpose of the significant reserves is as follows:

Budget Rollovers Reserve

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

Capital Reserve

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

Infrastructure Reserve

This reserve is used to manage the difference in timing between the revenue contributions available to fund the costs of prudential borrowing for Highways improvement, and the costs being incurred. This is in line with the principles in the December 2014 Cabinet decision.

Notes to the Accounts

Local Council Tax Support and Welfare Reform Reserve

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

Local Government Reorganisation Debt Reserve

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

New Homes Bonus Reserve

This reserve was set up in 2011/12 to hold the New Homes Bonus paid to the council. Cabinet agreed this funding would be used in a strategic manner to support growth in the borough. Use of this funding is agreed as part of the budget process. The majority of this reserve and forecast future receipts have been committed to fund the first five years of debt costs for the asset belonging to Milton Keynes Development Partnership or have been earmarked to deliver the medium term capital programme.

One-Off Expenditure Reserve

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

Planning Gains Reserve

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

The planning gains identified are, in almost every case, linked to a specific area within the council where a main development has taken place. The purposes stated for the use of such gains range from general use (e.g. improvements to physical or social infrastructure) to somewhat more specific requirements such as provision of public artwork. In a few instances, the use can cover a wide area for example public access or transport initiatives. This reserve holds Section 106 contributions which have been recovered but not yet spent.

Tariff & HCA Risk Reserve

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

Notes to the Accounts

7. TRADING OPERATIONS

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

2013/14 (Surplus) / Deficit		2014/15 Expenditure	2014/15 Turnover	2014/15 (Surplus)/ Deficit
£'000		£'000	£'000	£'000
(87)	Commercial Properties	578	(851)	(273)
167	Small Building Maintenance Work	576	(530)	46
5	Transport Fleet and Vehicle Maintenance	0	0	0
(40)	Emberton Park	222	(256)	(34)
(12)	Hospitality Catering Services	21	(63)	(42)
(30)	Schools Broadband Service	232	0	232
730	Woughton Leisure Centre	1,213	(578)	635
61	Woughton on the Green Sports Ground	324	(301)	23
256	Windmill Hill Golf Centre	614	(524)	90
(145)	Sponsorship- Advertising space on roundabouts Connect MK- Broadband to Residents and Businesses	129	(211)	(82)
50		71	(56)	15
955	Net (Surplus)/Deficit on Trading Accounts	3,980	(3,370)	610

8. AGENCY SERVICES

The council acts as an agent for the Clinical Commissioning Group in respect of the provision of nursing care to residents in care homes and the payment for that care. Expenditure of £1,675,000 (£1,649,000 in 2013/14) was fully recovered during the year.

The council acts as an agent for the Clinical Commissioning Group in relation to the provision of the Child and Adolescent Mental Health Services. The cost of the service is £78,000 and will be recovered. Therefore the net cost to the council is £nil.

9. COUNCILLOR'S ALLOWANCES

The authority paid the following amounts to councillors of the council during 2014/15:

2013/14 £'000		2014/15 £'000
502	Basic Allowances	557
217	Other Allowances	219
5	Expenses	5
724	TOTAL	781

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

Notes to the Accounts

10. EXTERNAL AUDIT COSTS

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

2013/14 £'000		2014/15 £'000
233	Fees payable with regard to external audit services carried out by the appointed Auditor	233
46	Fees payable for the certification of grant claims and returns	38
279		271

The above figures do not include the payment received from the Audit Commission as Regulators (£24,000) in 2014/15.

11. ROAD CHARGING SCHEMES UNDER THE TRANSPORT ACT 2000

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

2013/14 £'000		2014/15 £'000
	Expenditure	
1,382	Contractors Management Fee	1,555
89	Pay and Display Installation Costs	97
53	Staffing Cost	51
313	Supplies and Services	208
394	Support Costs	425
12	Surveys and Fees	8
33	Decriminalised Costs	39
14	Signing Costs	10
9	Landscaping	9
2,299	Total Expenditure	2,402
	Income	
(704)	Excess Charge/Penalty Charge Notices	(800)
(1,631)	Business Permits	(2,246)
(14)	Suspensions	(16)
(708)	Scratch Cards	(656)
(7,730)	Pay and Display Income	(8,153)
(10,787)	Total Income	(11,871)
(8,488)	Surplus achieved in year	(9,469)
409	Transfer to Special Parking Reserve	323
	Transfer from Special Parking Reserve	(150)
23	Transfer to Capital Programme	150
(8,056)	Surplus for the year	(9,146)

Notes to the Accounts

The applied surplus of (£9,146,000) has been fully spent during the year to fund a variety of traffic and transportation projects. Examples of such projects undertaken include highway inspections, highway improvement design and project management £219,000, street lighting £103,000, off-street car parks £508,000, the passenger transport team, publicity, Routel, studies and project development, promotion, minibus driving testing and bus infrastructure £665,000. This surplus has also contributed towards concessionary fares and bus subsidies. In total the council spends £4,329,000 on concessionary fares and £2,288,000 on bus subsidies, £1,034,000 was also used to contribute to the funding of highway investment programmes.

12. POOLED BUDGETS

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

The council has entered into three such arrangements with the NHS Milton Keynes Clinical Commissioning Group (CCG)

Integrated Community Equipment Service (ICES)

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

The council's share of income and expenditure is included within the Comprehensive Income and Expenditure Statement.

The table below summarises the financial performance of the scheme:

2013/14 £'000		2014/15 £'000
	Integrated Community Equipment Service (ICES)	
	Gross Funding	
(110)	Milton Keynes Council	(533)
(227)	Milton Keynes Clinical Commissioning Group (CCG) - Central and North West London NHS Foundation Trust (CNWL)	(813)
(337)	Total Funding	(1,346)
632	Expenditure	1,684
632	Total Expenditure	1,684
295	Net (Surplus)/Deficit	338
(146)	MKC share of underspend/ (overspend)	(62)
(149)	CCG share of underspend/ (overspend)	(276)
0	Net (Surplus) / Deficit Carried Forward	0

Notes to the Accounts

Mental Health

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

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

£'000		£'000
	Gross Funding	
(3,857)	Milton Keynes Council	(3,073)
(14,470)	Milton Keynes Clinical Commissioning Group (CCG)	(17,826)
(18,327)	Total Funding	(20,899)
	Expenditure	
18,298	Pooled Expenditure	20,899
18,298	Total Expenditure	20,899
(29)	Net Deficit/ (Surplus) before additional contributions / distributions	0
6	MKC share of underspend/ (overspend)	0
23	CCG share of underspend/ (overspend)	0
0	Net (Surplus) / Deficit Carried Forward	0

Learning Disability

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

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

2013/14 £'000	Learning Disability	2014/15 £'000
	Gross Funding	
(20,579)	Milton Keynes Council	(21,010)
(1,396)	Milton Keynes Clinical Commissioning Group (CCG)	(1,434)
(21,975)	Total Funding	(22,444)
	Expenditure	
21,975	Pooled Expenditure	22,444
21,975	Total Expenditure	22,444
0	Net (Surplus) / Deficit Carried Forward	0

Notes to the Accounts

13. OFFICERS REMUNERATION

The remuneration paid to the council's senior employees during 2014/15 whose salary was between £50,000 and £150,000 was as follows:

Total 2013/14 £		Note	Salary £	Expense Allowances £	Compensation for Loss of Office £	Pension Contributions £	Total 2014/15 £
160,071	Corporate Director, Children & Families	1	11,085	152	0	1,861	13,098
149,056	Corporate Director, Community Wellbeing	2	93,907	0	29,843	16,618	140,368
155,390	Corporate Director, Resources		130,118	130	0	24,072	154,320
125,242	Director of Strategy		105,000	135	0	19,425	124,560
0	Corporate Director, People	3	99,829	0	0	18,468	118,297
0	Strategic Director Adult Social Care and Health	4	55,125	0	0	10,198	65,323

Notes

1. Employment ended 28.04.2014
2. Employment ended 20.12.2014
3. Employment started as Corporate Director, People 01.11.2014
4. Employment started 22.09.2014

The remuneration paid to the council's senior employees during 2014/15 whose salary is more than £150,000 was as follows:

Total 2013/14 £		Note	Salary £	Expense Allowances £	Compensation for Loss of Office £	Pension Contributions £	Total 2014/15 £
173,980	Chief Executive - D Hill	1	52,974	94	0	9,800	62,868
0	Chief Executive - C Mills	2	110,118	406	0	20,372	130,896

Notes

1. Employment ended 05.08.2014
2. Employment started 14.07.2014

Notes to the Accounts

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

2013/14 Number of Employees	£ Band	2014/15 Number of Employees
47	£50,000 - £54,999	49
42	£55,000 - £59,999	45
25	£60,000 - £64,999	28
21	£65,000 - £69,999	16
7	£70,000 - £74,999	9
8	£75,000 - £79,999	2
2	£80,000 - £84,999	3
6	£85,000 - £89,999	5
1	£90,000 - £94,999	2
1	£110,000 - £114,999	0
1	£120,000 - £124,999	0
1	£125,000 - £129,999	0
0	£130,000 - £134,999	1
1	£135,000 - £139,999	0
163		160

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

(a) Exit package cost band (including special payments)	(b) Number of Compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages in each band [(b) + (c)]		(e) Total Cost of exit package in each band	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
							£'000	£'000
£0 - £20,000	38	31	3	2	41	33	129	34
£20,001 - £40,000	25	7	10	10	35	17	470	435
£40,001 - £100,000	7	6	9		16	6	750	190
Total Exit packages charged to the Comprehensive Income & Expenditure Statement	70	44	22	12	92	56	1,349	659

The total cost of £659,000 in the table above includes exit packages that have been agreed, accrued for and charged to the authority's Comprehensive Income and Expenditure Statement in the current year.

Notes to the Accounts

14. DEDICATED SCHOOLS GRANT

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

When a school is granted Academy Status by the DfE, the amount of DSG allocated to the Council is reduced by that school's budget share reflecting the period of the financial year remaining. The DfE state that "the overarching principle of academy funding is that academies should be funded on the same basis as local maintained schools." Education Support Grant (ESG) is paid to academies to cover the costs of services that the local authority provides to maintained schools because academies are expected to secure these services independently. Details of the deployment of DSG receivable for 2014/15 are as follows:

2013/14	2014/15		
	Central Expenditure £'000	ISB £'000	Total £'000
Total			
£'000			
208,182 Final DSG for 2014/15 before Academy recoupment			215,322
59,523 Academy figure recouped for 2014/15			65,809
148,659 Total DSG after Academy recoupment for 2014/15			149,512
3,780 Brought forward from 2013/14			2,709
899 Carry forward to 2015/16 agreed in advance			996
153,338 Agreed initial budgeted distribution of DSG in 2015/16	29,359	123,617	152,976
(1,527) In year adjustments	304	(2,055)	(1,751)
151,811 Final budgeted distribution for 2014/15	29,663	121,562	151,225
9,011 Less Actual central expenditure	28,808		
139,192 Less Actual ISB deployed to schools		121,754	
0 Plus Local Authority contributions for 2014/15	0	0	0
2,709 Carry forward to 2015/16	855	(192)	1,659

Notes to the Accounts

15. GRANT INCOME

The council has been credited with the following grants and contributions in the Comprehensive Income and Expenditure Statements during 2014/15. The balances at the year end are as follows:

2013/14		2014/15
£'000	Credited to Taxation and Non Specific Grant Income	£'000
(61,022)	Revenue Support Grant	(49,910)
(3,999)	Central Education Grant	(3,901)
(3,735)	Safety Net Grant	0
(474)	Other Grants	(1,092)
(69,230)	Total Non-Ringfenced Government Grants	(54,903)
(83,671)	Council Tax Income	(102,073)
(42,004)	Redistributed National Non-Domestic Rate Income	(38,667)
(33,949)	Capital Grants and Contributions	(36,837)
<u>(228,854)</u>	Total Credited to Taxation and Non Specific Grant Income	<u>(232,480)</u>
	Credited to Cost of Services	
	<i>Grants:</i>	
(148,203)	Dedicated Schools Grant	(150,562)
(68,169)	Mandatory Rent Allowance: Subsidy	(68,166)
(31,600)	Mandatory Rent Rebates	(29,760)
(7,082)	New Homes Bonus	(8,785)
(6,180)	Pupil Premium Grant	(8,421)
(6,656)	Young People's Learning Agency	(7,099)
(7,989)	Public Health Grant	(8,797)
(2,346)	Benefits Administration Grant	(2,279)
(7,840)	Other Grant Income	(11,955)
	<i>Contributions:</i>	
(8,910)	Social Care Client Contributions	(9,295)
(8,002)	Milton Keynes Hospital NHS Foundation Trust and Clinical Commissioning Group Contributions	(9,504)
(1,418)	Other Contributions	(180)
<u>(304,395)</u>	Total Grant & Contribution Income credited to Cost of Services	<u>(314,803)</u>

Grants and Contributions Receipts in Advance

The council has received a number of grants, contributions and donations that have conditions attached to them that will require the monies or property to be returned to the awarding body if the conditions are not met. These will not be recognised as income until the relevant conditions are met and the council is able to utilise the funds.

The Current Grants and Contributions received in advance amounted to £30.258m. The revenue liabilities amounted to £11.886m, of this amount £9.3m was received for Tariff contributions. The capital liabilities amounted to £18.372m. £4.3m of this relates to Newton Leys Primary school contributions and £7.2m relates to the Targeted Basic Needs grant received.

The Long Term Grants and Contributions received in advance amounted to £32.858m. The revenue liabilities amounted to £32.033m, of this amount £29.851m was received for Developer Contributions. The capital liabilities amounted to £0.825m.

Notes to the Accounts

16. PROPERTY, PLANT AND EQUIPMENT

The tables on the following pages show the movements in year for Property, Plant and Equipment in 2014/15 and the 2013/14 comparative movement.

Movement in 2014/15	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment Finance Lease	Vehicles, Plant & Equipment Other	Infra-structure	Community Assets	Surplus Assets	Assets Under Construction	Total PPE
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2014	468,410	442,398	3,516	18,510	168,418	1,688	4,017	6,968	1,113,925
Additions	15,570	474	0	388	12,846	65	0	27,885	57,228
Revaluation recognised in the Revaluation Reserve	(177)	1,037	0	0	0	0	369	0	1,229
Revaluation recognised in the Surplus/Deficit on the Provision of Services	29,333	(4,727)	0	0	0	0	5	0	24,611
Derecognitions and disposals	(3,124)	(25,348)	(368)	(1,883)	0	0	0	0	(30,723)
Assets Reclassified (to)/from other asset classes	2,668	6,301	0	417	12,570	175	(420)	(21,161)	550
At 31 March 2015	512,680	420,135	3,148	17,432	193,834	1,928	3,971	13,692	1,166,820
Accumulated Depreciation and Impairment									
Depreciation value at 1 April 2014	0	(18,311)	(2,690)	(10,447)	(35,581)	0	(48)	0	(67,077)
Impairment value at 1 April 2014	(11,862)	(48,496)	0	(148)	0	0	(1,447)	0	(61,953)
Depreciation charge	(7,595)	(10,295)	(437)	(1,658)	(4,242)	0	(12)	0	(24,239)
Depreciation written out to the Revaluation Reserve	0	5,141	0	0	0	0	10	0	5,151
Depreciation written out to the Surplus/Deficit on the Provision of Services	7,559	1,644	0	0	0	0	0	0	9,203
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	3,940	0	0	0	0	1	0	3,941
Impairment losses/(reversals) recognised in the Surplus/Deficit on the provision of Services	11,920	3,555	0	(4)	0	0	0	0	15,471
Derecognitions and disposals	118	7,629	326	1,880	0	0	0	0	9,953
Assets Reclassified (to)/from other asset classes	(386)	355	0	0	0	0	7	0	(24)
At 31 March 2015	(246)	(54,838)	(2,801)	(10,377)	(39,823)	0	(1,489)	0	(109,574)
Net Book Value									
as at 31 March 2015	512,434	365,297	347	7,055	154,011	1,928	2,482	13,692	1,057,246
as at 31 March 2014	456,548	375,591	826	7,915	132,837	1,688	2,522	6,968	984,895

Notes to the Accounts

Movement in 2013/14	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment Finance Lease	Vehicles, Plant & Equipment Other	Infra-structure	Community Assets	Surplus Assets	Assets Under Construction	Total PPE
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2013	428,301	434,261	3,634	17,941	155,316	1,688	6,983	9,565	1,057,689
Additions	9,139	1,772	0	864	12,792	0	0	11,637	36,204
Revaluation recognised in the Revaluation Reserve	13,686	(1,170)	0	0	0	0	207	0	12,723
Revaluation recognised in the Surplus/Deficit on the Provision of Services	19,526	1,200	0	0	0	0	0	0	20,726
Derecognition - disposals	(2,850)	(6,013)	0	(45)	0	0	(1,045)	0	(9,953)
Derecognition - other	(21)	(2,662)	(118)	(197)	0	0	(172)	0	(3,170)
Assets Reclassified (to)/from Held for Sale	0	(305)	0	0	0	0	0	0	(305)
Assets Reclassified (to)/from Other asset classes	629	15,315	0	(53)	310	0	(1,956)	(14,234)	11
At 31 March 2014	468,410	442,398	3,516	18,510	168,418	1,688	4,017	6,968	1,113,925
Accumulated Depreciation and Impairment									
Depreciation value at 1 April 2013	0	(16,129)	(2,348)	(8,905)	(31,607)	0	(309)	0	(59,298)
Impairment value at 1 April 2013	(12,437)	(40,673)	0	(148)	0	0	(3,594)	0	(56,852)
Depreciation charge	(7,413)	(10,074)	(460)	(1,754)	(3,974)	0	(15)	0	(23,690)
Depreciation written out to the Revaluation Reserve	7,352	7,490	0	0	0	0	2	0	14,844
Depreciation written out to the Surplus/Deficit on the Provision of Services	39	70	0	0	0	0	0	0	109
Impairment losses/(reversals) recognised in the Revaluation Reserve	(21,373)	(1,713)	0	0	0	0	2	0	(23,084)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the provision of Services	21,844	(5,351)	0	(1)	0	0	0	0	16,492
Derecognition - disposals	121	184	0	19	0	0	556	0	880
Derecognition - other	21	1,058	118	171	0	0	170	0	1,538
Assets Reclassified (to)/from Held for Sale	0	14	0	0	0	0	0	0	14
Assets Reclassified (to)/from Other asset classes	(16)	(1,683)	0	23	0	0	1,693	0	17
At 31 March 2014	(11,862)	(66,807)	(2,690)	(10,595)	(35,581)	0	(1,495)	0	(129,030)
Net Book Value									
as at 31 March 2014	456,548	375,591	826	7,915	132,837	1,688	2,522	6,968	984,895
as at 31 March 2013	415,864	377,459	1,286	8,888	123,709	1,688	3,080	9,565	941,539

Notes to the Accounts

Depreciation

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

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

2013/14 Depreciation Charge		Potential Useful Life of Asset Years	Actual Useful Life of Asset Years	2014/15 Depreciation Charge £'000
7,413	Council Dwellings	10 - 85 *	10 - 85 *	7,595
10,089	Other Properties	20 - 60 **	20 - 60 **	10,307
1,754	Vehicles, Plant and Equipment	3 - 40 ***	3 - 18	1,658
460	Leased VPE	3 - 40 ***	3 - 10	437
3,974	Infrastructure	40	40	4,242
	Infrastructure - Other	20	20	
<u>23,690</u>				<u>24,239</u>

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

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

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

Please see Accounting Policy note 21 for further details.

Capital Commitments

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

Overall commitments at 31st March 2015, including those with a commitment of less than £2m, totalled £71.1m

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

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

Contractual commitments as at 31st March 2015 with a commitment of £2m or more are shown in the table on the following page.

Notes to the Accounts

Segment: Scheme Name	Scheme Description	2014/15 £'000	Period of Investments Years
Children & Young Peoples Services:			
Community Schools:			
Walton High at Brooklands	New Secondary School	21,997	2
Brooklands Primary	New Primary School and Community Pavilion	2,373	1
Newton Leys Primary	New Primary School	7,575	2
Jubilee Wood Primary	School Extension	6,208	2
Oakgrove Primary	New Primary School	7,277	2
Shenley Brook End Academy E	School Extension	6,002	1
		<u>51,432</u>	
Planning and Transport:			
A421 Dualling	Construction works & consultancy services to upgrade a section of A421 from single carriageway to dual 2 lane standard carriageway, to relieve congestion and improve journey times.	2,580	1
A421 Kingston Roundabout	Construction works & consultancy services to deliver an enlarged signalised junction at Kingston Roundabout to relieve congestion and improve journey times.	2,292	1
		<u>4,872</u>	
Housing and Community:			
Lakes Phase 2	Housing Improvements	2,037	2
		<u>2,037</u>	
Grand Total		<u><u>58,341</u></u>	

Commitments resulting in expenditure for foundation schools will be treated as revenue expenditure funded from capital under statute (REFCUS) because it will not result in an asset for the council.

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

Valuation of Non-Current Assets

The council has a five year rolling programme for undertaking valuations of its property assets. In the 2014 valuations all those properties not valued within the previous five years, excluding Council Dwellings, were valued by Nathan Andrews MRICS, Rod Aitken MRICS and Richard Jenden MRICS of Milton Keynes Services Partnership LLP, the appointed valuers. The valuation date was 1st April 2014.

A property review has also been undertaken of the council's entire property portfolio, excluding Council Dwellings, as at 31st March 2015. These valuations were completed by Nathan Andrews MRICS of Milton Keynes Service Partnership LLP.

Following research into levels of land values during 2013/14 the conclusion of this review is that there have still been no completed land deals in Milton Keynes to suggest that different land values from those used in March / April 2014 should be applied. Current development seems to be occurring on land purchased just before the 2007 crash, which

Notes to the Accounts

has been land banked until the market has picked up sufficiently. The fact that development is now gaining momentum in Milton Keynes suggests that there are definite movements in the development market. There are also large scale transactions in the pipeline and it is envisaged that there will be sufficient land transactions in the 2015/16 financial year to act as evidence for land values in next year's review.

An enhancement review has been undertaken and where appropriate, revaluations have been conducted as at 31st March 2015.

The valuations were prepared in accordance with the Practice Statements in the RICS Red Book 2014, published by the Royal Institution of Chartered Surveyors and the valuation procedures agreed between RICS and CIPFA based on the International Financial Reporting Standards referred to in the RICS Red Book 2014. In accordance with the relaxations agreed between the RICS and CIPFA, not all properties were inspected.

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

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

Council Dwellings have been valued as at 1st April 2014 based on a desk top review and a further property review has been undertaken as at 31st March 2015. Council dwellings were valued by Peter Riley FRICS of Mouchel Business Services Ltd in accordance with DCLG 2010 Guidance on Stock Valuation and the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards.

Following gains on the revaluation of Council Dwellings at 31st March 2015, some of the impairment losses recognised in previous years relating to works identified in the HRA Capital Programmes have been reversed.

Foundation School Asset Values

Under the Schools Standards and Framework Act 1998, Foundation Schools Assets are vested in the Governing Bodies of the individual foundation schools. three schools were transferred to foundation status in 2014/15, but one foundation school converted to an academy.

At 31st March 2015, there were fifteen foundation schools with an estimated asset valuation of £111,846,000 (thirteen schools at £105,912,000 as at 31st March 2014).

Effects of Changes in Estimates

There are no changes in estimates for 2014/15.

Notes to the Accounts

Material Impairment Losses

During 2014/15, the council has not recognised any material impairment losses. However, following gains on the revaluation of Council Dwellings at 31st March 2015, impairment losses of (£10,351,000) were reversed in the Housing Revenue Account.

17. HERITAGE ASSETS

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

	Historical Buildings & Archaeological Sites £'000	Arts Collection £'000	Civic Insignia £'000	Total Assets £'000
Cost or Valuation				
At 1 April 2013	12	529	69	610
Revaluations	0	134	0	134
At 31 March 2014	12	663	69	744
Cost or Valuation				
At 1 April 2014	12	663	69	744
Additions	0	40	0	40
At 31 March 2015	12	703	69	784

Historical Buildings and Archaeological Sites

Heritage assets acquired or constructed in 2014/15 are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the council's accounting policy on Property, Plant and Equipment.

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

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

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

Museum and Archive Collections

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

Notes to the Accounts

Arts Collection

The council obtained valuations for the majority of Arts Collection assets in March 2013. The valuations were carried out, mainly on an itemised basis, by external valuers James Glennie RICS Fine Art and Nicola Tyler BA (Hons) of Art & Antiques Appraisals Ltd. The Arts Collection is recognised at market value on the Balance Sheet. During 2014/15 the council acquired an artwork with a market value of £40,000. The carrying value of the Arts Collection held by the council is £703,000 at 31st March 2015.

Civic Insignia

The council obtained valuations for the Civic Insignia assets in February 2013. The valuations were carried out by an external valuer Craig O'Donnell BA (Hons) FGA of Safeguard (Birmingham Assay Office). The Civic Insignia assets are recognised at facsimile value on the Balance Sheet.

18. INVESTMENT PROPERTIES

In 2014/15 the annual rental income from investment properties is £27,000.

The movement in the fair value of investment properties during 2014/15 comprised of:

- an increase of £9,181,000 which reflected market conditions and renewed negotiations on future development;
- a reduction of £386,000 relating to reclassifications to Property, Plant and Equipment.

19. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

Notes to the Accounts

31 Mar 2014 £'000		31 Mar 2015 £'000
535,485	Opening Capital Financing Requirement	535,893
	Capital Investment	
36,221	Assets	57,269
4,623	Revenue Expenditure Funded from Capital under Statute	15,272
40,844	Total	72,541
	Sources of Finance	
(3,198)	Capital Receipts	(4,512)
(15,311)	Supported Borrowing	(5,370)
2,685	Prudential Borrowing	(13,832)
(8,365)	Major Repairs Reserves	(6,220)
(15,067)	Other Government Grants & Contributions	(35,044)
(1,588)	Revenue Contributions	(7,563)
(40,844)	Total	(72,541)
	Capital Financing Requirement	
283,619	Non-HRA Capital Financing Requirement	292,281
252,274	HRA Capital Financing Requirement	252,233
535,893	Total	544,514
	Explanation of movements in year	
3,799	Increase in underlying need to borrow (supported by government financial assistance)	0
(3,391)	Increase in underlying need to borrow (unsupported by government financial assistance)	8,621
408	Increase/Decrease in Capital Financing Requirement	8,621

20. DEBTORS

Long Term Debtors

31 Mar 2014 £'000		31 Mar 2015 £'000
31,614	Milton Keynes Development Partnership Loan	31,614
13,717	Local Government Reorganisation Debt Payments in Advance	11,758
170	Other Long Term Debtors	186
45,501	Total	43,558

Notes to the Accounts

Short Term Debtors

31 Mar 2014 £'000		31 Mar 2015 £'000
	Short Term Debtors	
11,391	Central Government Bodies	7,106
1,813	Other Local Authorities	1,315
5,399	NHS Bodies	2,233
7,786	Bodies External to Central Government	13,139
3,235	Council Tax Arrears	3,188
476	NDR Arrears	226
3,742	Housing Rents	2,702
9	Council Staff Debtors	3
33,851	Total Short Term Debtors before Payments in Advance	29,912
8,032	Payments in Advance	6,677
41,883	Total Short Term Debtors	36,589

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

21. CREDITORS

The analysis of short term creditors is as follows:

31 Mar 2014 £'000		31 Mar 2015 £'000
(8,521)	Central Government Bodies	(20,790)
(3,287)	Other Local Authorities	(2,864)
(1,482)	NHS Bodies	(1,461)
(32,023)	Bodies External to Central Government	(38,170)
(5,173)	Council Staff Creditors	(4,148)
(1,611)	Housing Rent Prepayments	(1,513)
(2,261)	Council Tax Prepayments	(2,575)
(968)	NDR Prepayments	(1,419)
(55,326)	Total Short Term Creditors	(72,940)

22. BORROWING REPAYABLE

Analysis of Loans by type:

31 Mar 2014 £'000		Range of Interest Rates - 31 March 2014	31 Mar 2015 £'000
	Source of Loan		
(412,395)	Public Works Loan Board	Lowest: 3.37% / Highest: 10.875%	(486,606)
(15,256)	Bonds	Lowest: 3.75% / Highest: 6.62%	(15,256)
(6,349)	Other Loans	Zero interest rate	(7,105)
(434,000)	Total		(508,967)

Analysis of Loans by maturity:

Notes to the Accounts

31 Mar 2014 £'000		31 Mar 2015 £'000
	<u>Borrowing repayable on demand or within 12 months</u>	
(25,414)	Borrowing repayable on demand or within 12 months	(28,902)
(1,673)	Accrued interest on borrowing repayable within a period in excess of 12 months	(2,088)
(27,087)	Total Borrowing repayable on demand or within 12 months	(30,990)
	<u>Borrowing repayable within a period in excess of 12 months</u>	
(21,150)	Maturing in 1 to 2 years	(2,473)
(6,351)	Maturing in 2 to 5 years	(25,105)
(40,902)	Maturing in 5 to 10 years	(56,409)
(338,510)	Maturing in more than 10 years	(393,990)
(406,913)	Total Borrowing repayable within a period in excess of 12 months	(477,977)
(434,000)	Total	(508,967)

23. PROVISIONS

The provisions are summarised in the table below, with further details provided below:

	Balance at 31 March 2014 £'000	Additional provisions made in 2014/15 £'000	Amounts used in 2014/15 £'000	Unused amounts reversed in 2014/15 £'000	Unwinding of Discounting 2014/15 £'000	Balance at 31 March 2015 £'000	Short Term £'000	Long Term £'000
Appeals Provision	(11,368)	(4,658)	6,339	0	0	(9,687)	(6,184)	(3,503)
Other Provisions	(1,814)	(457)	523	954	0	(794)	(105)	(689)
Total	(13,182)	(5,115)	6,862	954	0	(10,481)	(6,289)	(4,192)

Appeals Provision

Under business rates retention, Milton Keynes Council has a percentage share of all business rates income, net of any backdated reductions. Rate payers can appeal a valuation and, prior to 1st April 2015 they had 5 years in which to do so from the date of the creation of the Rating List. From 1st April 2015, rate payers can no longer apply for their liability reduction to be backdated. The provision has been calculated based on information provided by the Valuation Office Agency and external bodies combined with local knowledge of the Rating List.

24. CONTINGENT GAINS AND LOSSES

- a. In January 2013 the council took over the management of the Milton Keynes Tariff, which is a framework Section 106 agreement under which developers contribute to the provision of local and strategic infrastructure to mitigate the impact of growth. The terms of the funding agreement state that the council will manage the expenditure so that the tariff deficit is managed down to zero by the risk share cut-off date. In the event that this is not achieved, a risk sharing agreement is in place with the Homes

Notes to the Accounts

and Communities Agency and the Department for Communities and Local Government to allocate the first £22m of any deficit in the proportion 10:5:7. The council will be liable for any tariff deficit in excess of the risk share.

- b. Milton Keynes Council has entered into an agreement in accordance with Section 11(6) of the Local Government Act 2003 which enables the council to retain additional capital receipts. These additional receipts must be used towards the provision of new affordable housing within the borough. If, following three years from the date of receipt, any of the capital receipt remains unspent by the council, the remaining element is required to be repaid. Any repayment due will be subject to interest 4% above the base rate at the date of expiry. At the 31st March 2015 the value of receipts that were not allocated to a specific project was £1,307,462.
- c. Due to the uncertainty in terms of both timing and amounts, a provision was not made in the Collection Fund accounts for appeals which were not recorded by the Valuation Office Agency as at the 31st March 2015 or where Milton Keynes Council does not have prior intelligence. As such, the potential for further appeals is a potential liability to Milton Keynes Council which cannot be estimated at this time.

Milton Keynes Council has not been able to disclose an asset in the Collection Fund accounts for rating amendments which have not yet been completed by the Valuation Office. This is because they are uncertain both in terms of amount and timing; as such, the potential for further income is unknown and so a contingent asset is disclosed within the Statement of Accounts.

25. RESERVES

Useable Reserves

Movements in the authority's usable reserves are detailed in the Movement in Reserves Statement on page 34 and Note 6 to the Financial Statements.

Unusable Reserves

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

31 Mar 2014 £'000		Notes	31 Mar 2015 £'000
	Unusable Reserves		
(408,553)	Capital Adjustment Account	a	(477,824)
(96,346)	Revaluation Reserve	b	(99,598)
(450)	Financial Instruments Adjustment Account	c	(371)
251,129	Pensions Reserve	d	336,641
6,336	Collection Fund Adjustment Account	e	(2,844)
(132)	Deferred Capital Receipts	f	(97)
1,027	Accumulated Absences Account	g	987
0	Available for Sale Financial Instruments	h	543
(246,989)	Total Unusable Reserves		(242,563)

a) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as

Notes to the Accounts

depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the authority as finance for the costs of acquisition, construction and enhancement.

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

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

Note 19 provide details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

2013/14 £'000		2014/15 £'000	£'000
(364,072)	Balance at 1 April		(408,553)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
7,600	Charges for depreciation and impairment of non-current assets	12,026	
(21,097)	Revaluation losses on Property, Plant and Equipment	(37,113)	
332	Amortisation of Intangible Assets	335	
2,348	Revenue Expenditure Funded from Capital Under Statute	9,100	
10,854	Amounts on non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	21,020	
<u>37</u>			<u>5,368</u>
(7,044)	Adjusting amounts written out of the Revaluation Reserve		(7,068)
(371,079)	Net written out amount of the cost of non-current assets consumed in the year		(410,253)
	Capital financing applied in the year:		
(3,198)	Use of the Capital Reserve to finance new capital expenditure	(4,512)	
(8,365)	Use of the Major Repairs Reserve to finance new capital expenditure	(6,220)	
(8,936)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(18,253)	
(3,910)	Application of grants to capital financing from the Capital Grants Unapplied Account	(10,624)	
(10,038)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(10,097)	
(1,534)	Capital expenditure charged against the General Fund and HRA balance	(7,560)	
<u>(35,981)</u>			<u>(57,266)</u>
(19)	Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(9,181)
(1,474)	HRA Self Financing		(1,124)
<u>(408,553)</u>	Balance at 31 March		<u>(477,824)</u>

Notes to the Accounts

b) Revaluation Reserve

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

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

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

2013/14 £'000		2014/15 £'000
(98,773)	Balance at 1 April	(96,346)
(11,112)	Upward revaluation of assets	(11,816)
6,495	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	1,495
(4,617)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(10,321)
2,311	Difference between fair value depreciation and historical cost depreciation	2,493
4,733	Accumulated gains on assets sold or scrapped	4,576
7,044	Amount written off to the Capital Adjustment Account	7,069
(96,346)	Balance at 31 March	(99,599)

c) Financial Instruments Adjustment Account

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

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

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

Notes to the Accounts

2013/14 £'000		2014/15 £'000
(287)	Balance at 1 April	(450)
(158)	Premiums and discounts incurred in the year and charged to the Comprehensive Income and Expenditure Statement	55
(5)	Proportion of premiums and discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	24
(163)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	79
<u>(450)</u>	Balance at 31 March	<u>(371)</u>

d) Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2013/14 £'000		2014/15 £'000
235,742	Balance at 1 April	251,129
(3,687)	Actuarial gains or losses on pensions assets and liabilities	73,102
34,149	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	27,031
(15,075)	Employer's pension contributions and direct payments to pensioners payable in the year	(14,621)
<u>251,129</u>	Balance at 31 March	<u>336,641</u>

e) Collection Fund Adjustment Account

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

Notes to the Accounts

2013/14 £'000		Council Tax 2014/15 £'000	NDR 2014/15 £'000	Total 2014/15 £'000
(1,811)	Balance at 1 April	(1,869)	8,205	6,336
	Amount by which council tax and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rate income calculated for the year in accordance with statutory requirements			
8,147		(1,866)	(7,314)	(9,180)
<u>6,336</u>	Balance at 31 March	<u>(3,735)</u>	<u>891</u>	<u>(2,844)</u>

f) Deferred Capital Receipts Reserve

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

2013/14 £'000		2014/15 £'000
(2,480)	Balance at 1 April	(132)
2,348	Transfer to the Capital Receipts Reserve upon receipt of cash	9
0	Deferred Capital Receipts Written Off	26
<u>(132)</u>	Balance at 31 March	<u>(97)</u>

g) Accumulated Absences Account

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

2013/14 £'000		2014/15 £'000
917	Balance at 1 April	1,027
(917)	Settlement or cancellation of accrual made at the end of the preceding year	(1,027)
1,027	Amounts accrued at the end of the current year	987
110	Amount by which officers remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(40)
<u>1,027</u>	Balance at 31 March	<u>987</u>

Notes to the Accounts

h) Available for Sale Financial Instruments

The Available for Sale Financial Instruments Reserves contains the gain made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments will accumulate gains are:

- revalued downwards or impaired and the gains are lost;
- disposed of and the gains are realised.

2013/14 £'000		2014/15 £'000
0	Balance at 1 April	0
0	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	544
0	Balance at 31 March	544

26. CASH AND CASH EQUIVALENTS

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

	Balance 31 Mar 2014 £'000	Balance 31 Mar 2015 £'000	Movement In Year £'000
Cash held by the Authority	38	37	(1)
Short-term deposits with Financial Institutions	89,579	101,174	11,595
Bank Overdraft	(8,068)	(992)	7,076
Total Cash & Cash Equivalents	81,549	100,219	18,670

27. NET CASH FLOW FROM OPERATING ACTIVITIES

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

Notes to the Accounts

2013/14 £'000		2014/15 £'000
68,343	Net Surplus/(Deficit) on the provision of services	86,978
	<u>Adjustments to net Surplus or deficit on the provision of services for</u>	
(13,124)	Depreciation and Impairment of non-current assets	(24,711)
(19)	Investment Assets Revaluation Gains & Losses	(9,181)
(33,949)	Capital Grants & Contributions	(36,838)
9,368	(Increase) / decrease in Creditors	1,358
3,960	Increase / (decrease) in Debtors	5,542
(143)	Increase / (decrease) in Inventories and Work in Progress	93
11,287	(Increase) / decrease in Provisions	(2,701)
19,074	Pension Assets / Liabilities	12,410
4,828	Carrying amount of non-current assets sold	14,671
676	Housing Capital Receipts Pool	756
(1,959)	Local Government Reorganisation Transferred Debt	(1,959)
(10,268)	Other non-cash items charged to the net surplus or deficit on the	(10,998)
(10,269)	Total Non-Cash Items in the Provision of Services	(51,558)
18,729	Reversal of operating activity items included in the net surplus or deficit on the Provision of Services that are shown separately	20,597
	<u>Cash flow from interest received and paid</u>	
(24,742)	Interest Paid	(20,769)
(127)	Interest element of Finance Leases	(122)
1,621	Interest Received	1,630
(23,248)	Total Cash Flow from Interest Received and Paid	(19,261)
53,555	Net Cash flow from Operating Activities	36,756

28. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

Notes to the Accounts

Service Group Income & Expenditure 2014/15	Resources: Finance, HR & Governance £'000	Resources: Public Access £'000	Adult Social Care & Health £'000	Housing & Community £'000	Children & Families: Education, Effectiveness & Participation £'000	Children & Families: Integrated Support £'000	Community Facilities £'000	Planning & Transport £'000	Public Realm £'000	Total Carried Forward to Below
Government Grants & Contributions	(104,034)	(114)	(10,299)	(258)	(13,746)	(12,333)	(313)	(9,639)	(62)	(150,798)
Fees, Charges & Other Service Income	(2,045)	(2,526)	(12,468)	(1,263)	(2,957)	(1,389)	(2,267)	(15,266)	(7,267)	(47,448)
TOTAL INCOME	(106,079)	(2,640)	(22,767)	(1,521)	(16,703)	(13,722)	(2,580)	(24,905)	(7,329)	(198,246)
Employee Costs	3,635	965	22,494	1,133	6,273	20,381	2,963	3,120	7,430	68,394
Other Operating Expenses	129,122	4,991	58,334	3,246	17,437	27,418	3,839	12,534	30,804	287,725
Support Service Recharges	(21,948)	(5,053)	5,913	44	3,861	5,631	1,782	3,917	4,435	(1,418)
TOTAL EXPENDITURE	110,809	903	86,741	4,423	27,571	53,430	8,584	19,571	42,669	354,701
Contributions to/(from) Reserves	1,792	(520)	(1,917)	(1,080)	(1,333)	(479)	(140)	5,867	(1,915)	275
NET EXPENDITURE	6,522	(2,257)	62,057	1,822	9,535	39,229	5,864	533	33,425	156,730

Service Group Income & Expenditure 2014/15	Total Brought Forward from Above £'000	Corporate Core £'000	Public Health £'000	Debt Financing £'000	Housing Revenue Accounts £'000	Schools £'000	Central Resources £'000	All Service Groups Total £'000
Government Grants & Contributions	(150,798)	(28)	(8,728)	0	(23)	(149,523)	(55,802)	(364,902)
Fees, Charges & Other Service Income	(47,448)	(140)	(249)	(1,313)	(57,455)	(5,447)	(130,530)	(242,582)
TOTAL INCOME	(198,246)	(168)	(8,977)	(1,313)	(57,478)	(154,970)	(186,332)	(607,484)
Employee Costs	68,394	1,814	1,242	0	3,596	120,864	0	195,910
Other Operating Expenses	287,725	680	6,733	23,531	43,159	34,505	5,478	401,811
Support Service Recharges	(1,418)	(1,370)	579	(4,540)	6,699	0	50	0
TOTAL EXPENDITURE	354,701	1,124	8,554	18,991	53,454	155,369	5,528	597,721
Contributions to/(from) Reserves	275	(64)	572	150	4,064	125	5,617	10,739
NET EXPENDITURE	156,730	892	149	17,828	40	524	(175,187)	976

Notes to the Accounts

Service Group Income & Expenditure 2013/14	Resources: Finance, HR & Governance £'000	Resources: Public Access £'000	Adult Social Care & Health £'000	Housing & Community £'000	Children & Families: Integrated Support £'000	Children & Families: Education, Effectiveness & £'000	Community Facilities	Planning & Transport £'000	Public Realm £'000	Total Carried Forward to Below
Government Grants & Contributions	(105,160)	(2)	(8,952)	(152)	(10,108)	(12,387)	(249)	(8,436)	(342)	(145,788)
Fees, Charges & Other Service Income	(1,928)	(2,763)	(12,687)	(1,349)	(1,015)	(3,216)	(2,215)	(14,602)	(6,436)	(46,211)
TOTAL INCOME	(107,088)	(2,765)	(21,639)	(1,501)	(11,123)	(15,603)	(2,464)	(23,038)	(6,778)	(191,999)
Employee Costs	5,151	1,743	22,372	1,550	20,560	7,795	2,912	3,415	10,218	75,716
Other Operating Expenses	130,417	5,852	57,210	3,517	25,494	13,911	4,542	12,880	27,918	281,741
Support Service Recharges	(22,210)	(7,538)	6,488	74	6,230	4,268	1,923	3,917	5,168	(1,680)
TOTAL EXPENDITURE	113,358	57	86,070	5,141	52,284	25,974	9,377	20,212	43,304	355,777
Contributions to/(from) Reserves	325	204	(1,108)	(801)	(555)	1,125	(265)	5,301	(412)	3,814
NET EXPENDITURE	6,595	(2,504)	63,323	2,839	40,606	11,496	6,648	2,475	36,114	167,592

Service Group Income & Expenditure 2013/14	Total Brought Forward from Above £'000	Corporate Core £'000	Public Health £'000	Debt Financing £'000	Housing Revenue Accounts £'000	Schools £'000	Corporate Resources £'000	All Service Groups Total £'000
Government Grants & Contributions	(145,788)	(51)	(8,101)	0	(28)	(146,384)	(70,993)	(371,345)
Fees, Charges & Other Service Income	(46,211)	(247)	(107)	(1,115)	(55,710)	(5,257)	(131,932)	(240,579)
TOTAL INCOME	(191,999)	(298)	(8,208)	(1,115)	(55,738)	(151,641)	(202,925)	(611,924)
Employee Costs	75,716	2,357	1,091	0	3,649	120,172	0	202,985
Other Operating Expenses	281,741	522	6,063	23,410	36,767	33,991	(1,775)	380,719
Support Service Recharges	(1,680)	(1,414)	442	(4,340)	6,994	0	0	2
TOTAL EXPENDITURE	355,777	1,465	7,596	19,070	47,410	154,163	(1,775)	583,706
Contributions to/(from) Reserves	3,814	(105)	660	253	8,461	305	14,734	28,122
NET EXPENDITURE	167,592	1,062	48	18,208	133	2,827	(189,966)	(96)

Notes to the Accounts

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

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

2013/14 £'000		2014/15 £'000
	(96) Net expenditure in the Analysis	976
(45,450)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Amount Reported for Resource Allocation Decisions	(91,887)
164,265	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	191,937
118,719	Cost of Services in Comprehensive Income and Expenditure Statement	101,026

Reconciliation to Subjective Analysis

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

2014/15	Analysis £'000	Amounts not reported to management in decision making £'000	Amounts not included in I&E £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges & Other Service Income	(139,146)	0	38,667	(100,479)	(38,667)	(139,146)
Interest and Investment Income	(1,363)	0	1,363	0	(1,363)	(1,363)
Income from Council Tax	(102,073)	0	102,073	0	(102,073)	(102,073)
Government Grants	(364,902)	0	91,740	(273,162)	(91,740)	(364,902)
TOTAL INCOME	(607,484)	0	233,843	(373,641)	(233,843)	(607,484)
Employee Expenses	195,910	12,371	(10,848)	197,433	10,848	208,281
Other Service Expenses	384,389	(65,636)	(2,897)	315,856	(8,598)	307,258
Depreciation, Amortisation & Impairment	0	(38,622)	0	(38,622)	0	(38,622)
Interest Payments	21,880	0	(21,880)	0	21,880	21,880
Precepts and Levies	6,281	0	(6,281)	0	6,281	6,281
Payments to the Housing Capital Receipts Pool	0	0	0	0	756	756
Gain/Loss on Disposal of Non-current Assets	0	0	0	0	14,672	14,672
TOTAL EXPENDITURE	608,460	(91,887)	(41,906)	474,667	45,839	520,506
Surplus/Deficit on the Provision of Services	976	(91,887)	191,937	101,026	(188,004)	(86,978)

Notes to the Accounts

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

Notes to the Accounts

29. FINANCIAL INSTRUMENTS

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

a. Financial Instrument Balances

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

	Long Term		Short Term	
	31 Mar 2014 £'000	31 Mar 2015 £'000	31 Mar 2014 £'000	31 Mar 2015 £'000
Loans and Receivables	0	38,279	124,662	211,536
Available-for-sale Financial Assets	0	9,456	0	0
Total Investments	0	47,735	75,231	211,536
Loans and Receivables	13,801	31,800	9,309	11,982
Total Debtors	31,881	31,800	9,309	11,982
Financial Liabilities at Amortised Cost	(400,564)	(470,873)	(27,087)	(30,990)
Soft Loans Received	(6,349)	(7,104)	0	0
Total Borrowings	(406,913)	(477,977)	(27,087)	(30,990)
PFI and Finance Lease Liabilities	(642)	0	(485)	0
Total Other Long Term Liabilities	(642)	0	(485)	0
Financial Liabilities at Amortised Cost	(26,595)	(31,174)	(24,789)	(28,798)
Total Creditors	(26,595)	(31,174)	(24,789)	(28,798)

At the 31st March 2015 the council had £211.662m (£124.662m in 2013/14) invested with various financial institutions classified as Current Loans and Receivables. Of this amount £101.174 (£89,579m in 2013/14) has been classified as a cash equivalent per Accounting Policy note 5, leaving £110,362m (£35,083m in 2013/14) on the Balance sheet as Short Term Investments.

b. Reclassifications of financial instruments

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

c. De-recognition of financial instruments

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

Notes to the Accounts

d. Allowance account for credit losses

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

e. Defaults and Breaches

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

f. Financial Instruments Income, Expenses, Gains and Losses

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

2013/14 Financial Liabilities Measured at Amortised Cost £'000	2013/14 Financial Assets: Loans and Receivables £'000		2014/15 Financial Liabilities Measured at Amortised Cost £'000	2014/15 Financial Assets: Loans and Receivables £'000
(19,884)	0	Interest Expense	(21,923)	0
		Total expense in Surplus or Deficit on the		
(19,884)	0	Provision of Services	(21,923)	0
0	1,288	Interest Income	0	1,413
		Total Income in Surplus or Deficit on the		
0	1,288	Provision of Services	0	1,413
		Total Surplus or Deficit on the Provision		
(19,884)	1,288	of Services	(21,923)	1,413

g. Fair Value of Assets and Liabilities Carried at Amortised Cost

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

- Information supplied by PWLB at 31st March 2015 for PWLB loans and by market information for other loans and receivables;
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to be approximate to fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair value of the liabilities is greater than the carrying amount because the council's portfolio of loans is comprised of fixed rate loans where the interest rate payable is higher than the prevailing rate at the Balance Sheet date. This shows a notional future loss

Notes to the Accounts

(based on economic conditions at 31st March 2015) arising from a commitment to pay interest to lenders above current market rates.

The fair value of assets is higher than the carrying amount because the council's portfolio of investment includes a number of fixed rate investments where the interest rate receivable is higher than the rates available for similar investments at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31st March 2015) attributable to the commitment to receive interest above current market rates.

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

31 Mar 2014			31 Mar 2015	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
412,395	414,457	Public Works Loan Board (PWLB)	486,606	574,547
15,256	15,739	Market Borrowing	15,256	16,834
6,349	6,349	Other Loans	7,105	7,104
24,789	24,789	Short Term Trade Creditors	28,798	28,798
458,789	461,334	Financial Liabilities at Amortised Cost	537,765	627,283
124,662	124,721	Investments	259,271	259,863
9,309	9,309	Short Term Trade Debtors	11,982	11,982
133,971	134,030	Loans and Receivables	271,253	271,845

h. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit Risk

During 2014/15 the council strengthened measures to minimise credit risk. This has ranged from further restricting deposit sums and durations to, where appropriate, removing

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institutions from the counterparty list and withdrawing deposits upon maturity. In February 2015, the council approved the 2015/16 Treasury Management Strategy including changes to methodology applied in setting counterparty limits and durations. The Council's investment portfolio was subsequently realigned to this policy during the final months of the year.

The investment criteria outlined above ensured that financial assets held by the authority at 31st March 2015 were held with institutions that fall into the summarised categories outlined below:

Counterparty Limits:

- UK Central Government – Unlimited
- Other Local Authorities – max. £16m each
- Money Market Funds – max. £162m in total
- Any single organisation or group under same ownership – max. £32m each secured, max. £16m each unsecured
- Building Societies – max. £96m sector total (no more than 20% unrated)
- Any group of pooled funds under same management – max. £15m each

Counterparty limits and durations are weighted proportionately to long term credit ratings. For bank/building society investments this ranges from overnight to up to five years where unsecured, and from 100 days to up to 20 years where secured. UK Government investments are limited to up to 50 years. The actual duration of investments within these parameters is informed by cashflow projection, medium and long term financial modelling, and latest economic conditions.

Liquidity Risk

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

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

2013/14 £'000		2014/15 £'000
27,087	Less than one year	30,989
21,150	Between one and two years	2,473
6,351	Between two and five years	25,105
379,412	More than five years	450,399
434,000		508,966

Market Risk

The council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments and has a number of strategies for managing interest rate

Notes to the Accounts

risk. These are set out in the annual Treasury Management Strategy which is approved by council in February each year.

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

2013/14 £'000		2014/15 £'000
(815)	Increase in interest receivable on variable rate investments	(1,539)
(5,434)	Increase in government grant receivable for financing costs	(4,434)
<u>(6,249)</u>	Surplus or Deficit on the Provision of Services	<u>(5,973)</u>
<u>(2,546)</u>	Share of overall impact debited to the HRA	<u>(2,754)</u>
	Decrease in fair value of fixed rate investment assets	
<u>72</u>	Impact on Other Comprehensive Income and Expenditure	<u>(776)</u>
<u>38,003</u>		<u>(93,690)</u>

Price Risk

The market prices of the council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

The council's £10,000,000 cash investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is contained within an upper limit of £15,000,000 per fund manager and managed alongside the council's diversification of deposits by sector, country and asset classes. Furthermore where an investment carries a risk of capital fluctuation, the council will divert a proportion of interest returns to a reserve provision which may be called upon to mitigate the impact upon the general fund if realised. A notional 5% rise or fall in the funds unit price at 31st March 2015 would have resulted in either a £473,000 charge or gain against Other Comprehensive Income & Expenditure – however this is a point in time measure and would only be realised against the general fund if the investment was actually sold. The council considers its investment in property funds with a long term outlook (5 years or greater) and anticipates that although price fluctuation may occur during this period, prices will rebound in line with market cycles so that a loss if never realised.

30. LEASES

Council as a Lessor - Operating Leases

The council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres;
- for economic development purposes to provide suitable affordable accommodation for local businesses.

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

Notes to the Accounts

31 Mar 2014 £'000		31 Mar 2015 £'000
2,143	Not later than one year	2,154
5,180	Later than one year and not later than five years	5,209
13,852	Later than five years	14,310
21,175		21,673

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2014/15 £64,000 contingent rents were receivable by the council (£61,000 in 2013/14).

31. 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

The UK Government has significant influence over the general operations of the authority – it is responsible for providing the statutory framework within which the council must operate, provides the majority of its funding in the forms of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax, housing benefits etc.). Grants received from government departments are set out in the Grant Income disclosure at note 15 to the Financial Statements.

Other Public Bodies (subject to common control by central government)

The council has three pooled budget arrangements with the Milton Keynes Clinical Commissioning Group. Full details of the transactions for each of the pooled arrangements can be found at note 12.

Councillors

Councillors have direct control over the council's financial and operating policies. The total of councillors' allowances paid during 2014/15 is shown in note 9. During 2014/15, works and services to the value of £1,474,000 were commissioned from organisations in which 22 councillors had an interest. Of this sum, £30,000 was paid to Arts Gateway MK to promote, maintain and improve arts and crafts within the borough and £29,000 was paid to the City Discovery Centre as a contribution to the educational activities of the charity.

In addition, the council paid grants totalling £471,000 to voluntary and charitable organisations in which 20 councillors had positions on the governing body. Of this sum £140,000 was paid to Shenley Leisure Centre to fund the provision of leisure services within the borough. In all cases, grants were made with proper consideration of

Notes to the Accounts

declarations of interest. The relevant councillors did not take part in any discussion or decision relating to the grants.

Income received during 2014/15 totalled £37,000 (£24,000 in 2013/14) from 16 organisations in which 21 councillors had an interest.

Related parties have been included in this note irrespective of whether there have been financial transactions with the council.

Details of all councillors' disclosures can be viewed online at <http://cmis.milton-keynes.gov.uk/CmisWebPublic/Councillors.aspx>.

Officers

All staff employed by the council are required to declare any interest or involvement with a third party which could give rise to a related party transaction. In accordance with the Code of Practice 2014/15, the disclosures made by key management personnel have been considered. However, no disclosures have been made which give rise to a related party transaction disclosure requirement.

Assisted Organisations

During 2014/15, 104 additional organisations who do not have any involvement with councillors or key management personnel but who were in receipt of financial assistance by way of grant funding received £5.028m during the year.

Of this sum, £446,000 was paid to 52 sport and community facilities providers such as meeting places, community centres and sport groups to assist them in funding the cost of maintaining the centres and paying hire charges to enable community groups to use the facilities. In addition, 36 organisations engaged in providing support to the community received a total of £3,768,000 and 14 organisations whose activity supports the council's cultural agenda received £149,000.

Connections Floating Support in Partnership with Milton Keynes PACT (Parents and Children Together) provides a service to empower individuals and families to be able to maintain their own home and live independently. The council paid £156,000 in 2014/15 to ensure support for vulnerable adults at risk of losing their accommodation.

MK Women's Aid work to prevent and protect women and children from domestic violence. During 2014/15, the council paid £510,000 for refuge places, a floating support service and crisis intervention support.

Outstanding Balances

The outstanding amounts owed by related parties at the end of 31st March 2015 totalled £5,400 (£2,500 at 31st March 2014).

The outstanding amount owed to related parties at the end of 31st March 2015 totalled £235,000 (£24,000 at 31st March 2014).

Notes to the Accounts

Details of all transactions are available for inspection on request and are included in the Comprehensive Income and Expenditure Statement. No other material related party transactions have been disclosed.

Organisations Formally Influenced by the Authority

The council has appointed directors to the boards of independent organisations therefore potentially allowing the council to exercise voting rights. These appointments are made in response to requests from the organisations concerned because of a common purpose or activity in relation to the council's own diverse activities, and not to oversee any financial investment made by the council.

Those organisations with whom the council has more than 20% formal representation, are large enough to be required to produce accounts and therefore have the potential to exercise significant influence are detailed below. The financial information has been compiled using 2013/14 audited information.

MK Dons Sport and Education Trust

Milton Keynes Council has a 30% representation (three councillors' appointed by the council) on the Board of Directors of MK Dons Sport Education Trust, which is a charitable company, limited by guarantee. The company's net assets as at 30th June 2014 were £230,564 (£221,018 at 30th June 2013) and the surplus reported as at 30th June 2014 was £9,546 (£567 at 30th June 2013).

The aim of the association is to educate children and young people, resident within Milton Keynes and surrounding areas, through the provision of facilities for recreation and other leisure time occupation.

In 2014/15, the council provided the MK Dons Sport and Education Trust with £422,000 for works and services which includes £325,000 for Early Help Funding which provides parenting, mentoring and brief intervention services and owed them £28,000 as at 31st March 2015. The council received £14,000 from the MK Dons Sport and Education Trust in 2014/15 and £5,000 was owed to Milton Keynes Council as at the 31st March 2015.

Wolverton Leisure Trust

Milton Keynes Council has 20% representation (two councillors appointed by the council) on the Board of Directors of Wolverton Leisure Trust which is a charitable company limited by guarantee and not having share capital. At 31st March 2014 the company's net movement of funds in the year resulted in a surplus of £51,606 (deficit of £31,812 at 31st March 2013) and the net assets for 2013/14 were £51,606 ((£32,802) for 2012/13).

The object of the charity is the provision of leisure and recreational services in Milton Keynes and the surrounding area. To achieve this, the company operates a swimming pool and leisure centre.

During 2014/15, the council paid Wolverton Leisure Trust £7,000 for works and services and a further £37,000 in grant funding. The council did not receive income from the Trust.

Notes to the Accounts

The council has identified a further 18 organisations to which councillors, 29 in total have been appointed on behalf of the council and where the councillors concerned may be involved in decision making (as part of the Board of Directors). Transactions between these organisations and the council are included in the Councillors, Officers and Assisted Organisations paragraphs earlier in this note.

Milton Keynes Service Partnership and Milton Keynes Development Partnership

Milton Keynes Council has 100% representation on the Board of Directors and therefore controls two Limited Liability Partnerships. Details of both Milton Keynes Service Partnership and Milton Keynes Development Partnership are disclosed in the Group Accounts Note below. Further details can also be found in the Group Accounts section on page 104.

32. GROUP ACCOUNTS

The council has an interest in two Limited Liability Partnerships – the Milton Keynes Service Partnership and the Milton Keynes Development Partnership.

Milton Keynes Service Partnership

The Milton Keynes Service Partnership (MKSP) was formed following the renegotiation of the Public Private Partnership with Mouchel Business Services on 31st December 2012.

Created as a Limited Liability Partnership, MKSP is wholly owned by Milton Keynes Council and provides support services to the council including Finance, Human Resources, Business Support, Revenues and Benefits and Information Technology.

In 2014/15, a review was undertaken of the way the Partnership works and how the LLP can continue going forward.

The review took place in the knowledge that the landscape in which both MKSP and Milton Keynes Council (MKC) operate has become more challenging. It also took into account that Milton Keynes is growing and developing and we need to ensure that we can successfully support our City in the years ahead.

The review has now concluded and - whilst there are undoubtedly examples of good practice, good performance and good standards - it has clearly identified that we need to make changes to the way in which some of the services are commissioned and provided.

On Friday 27th February 2015, the MKSP Board considered the review and an options appraisal of how the company might work in the future. The Board unanimously agreed the option for there to be a new model for MKSP. This new model seeks to aggregate all the commercial/traded activity of both MKSP and Milton Keynes Council into a company limited by guarantee and for non-traded activity to be directly managed by the Council. The Board's recommendation will now be considered by Milton Keynes Council's Cabinet in July 2015.

Notes to the Accounts

MKSP will continue to exist Milton Keynes Council cabinet decides the LLP will cease to exist.

Milton Keynes Development Partnership

The Milton Keynes Development Partnership (MKDP) was incorporated on 14th January 2013, and is a Limited Liability Partnership, wholly owned by Milton Keynes Council.

MKDP was set up by the council to facilitate Milton Keynes' continued growth and economic success by promoting the development of land assets purchased from the Homes and Communities Agency by the council, in line with the Corporate Plan and Economic Development Strategy.

Due to the materiality of both of these entities the council has taken the view that the activity warrants full group accounts disclosures. Details of the group account disclosures can be found from page 104 (Group Accounts).

33. 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 2015 was £10,974 (£10,974 at 31st March 2014). Expenditure of £Nil was incurred in 2014/15 (£Nil in 2013/14).

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 2014/15, expenditure on the Tower totalled £16 (£137 in 2013/14).

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

The trusts were passed to the council to ensure that the memorials were maintained and repaired. There are no funds attached to the trusts and Milton Keynes Council meets all expenditure. In 2014/15 there were no costs incurred (£Nil in 2013/14).

d. The Norman Hawes Memorial Trust Fund

The trust was founded in memory of the late Norman Hawes for the purpose of assisting young people to travel overseas for educational purposes. The value of the fund at 31st March 2015 was £110,733 (£100,522 in 2013/14). In 2014/15 dividends and donations received generated an income of £3,724 (£3,651 in 2013/14) and expenditure totalling £2,400 was paid out in grants (£500 in 2013/14). The council acts as administrator for the trust.

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34. RETIREMENT BENEFITS

a. Local Government Pension Scheme

Participation in pension schemes

As part of the terms and conditions of employment of its officers, the council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The council participates in one pension scheme - The Local Government Pension Scheme, administered locally by Buckinghamshire County Council. This is a funded defined benefits final salary scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions relating to Post-employment Benefits

The council recognises the cost of retirement benefits in the reported Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement.

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

2013/14 £'000		2014/15 £'000
	<u>Comprehensive Income and Expenditure Statement</u>	
	Cost of Services	
	<i>Service cost comprising:</i>	
22,383	Service Cost	15,544
610	Past Service Costs	320
426	Administration expenses	319
	<i>Financing and Investment Income and Expenditure</i>	
10,730	Net interest expense	10,848
34,149	Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	27,031

Notes to the Accounts

2013/14 £'000		2014/15 £'000
	<i>Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</i>	
	Remeasurement of the net defined benefit liability comprising:	
	Return on plan assets (excluding the amount included in the net interest expense)	(30,074)
(7,567)	Actuarial gains and losses arising on changes in demographic assumptions	0
18,526	Actuarial gains and losses arising on changes in financial assumptions	103,057
34,171	Experience gain/ (loss) on defined benefit obligation	119
(57,584)	Other actuarial gains/ (losses) on assets	0
8,767		<u>0</u>
<u>(3,687)</u>		<u>73,102</u>
30,462	Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	100,133
2013/14 £'000	<u>Movement in Reserves Statement</u>	2014/15 £'000
(34,149)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in accordance with the code.	(27,031)
	<i>Actual Amount Charged Against the General Fund Balance for Pensions in Year:</i>	
<u>15,076</u>	Employers Contributions Payable to Scheme	<u>(27,031)</u>

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2013/14 £'000		2014/15 £'000
(636,496)	Present Value of the defined obligations	(768,028)
385,367	Fair Value of plan assets	431,387
<u>(251,129)</u>	Net liability arising from defined benefit obligation	<u>(336,641)</u>

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

2013/14 £'000		2014/15 £'000
363,702	Opening fair value of scheme assets	385,367
17,228	Interest on assets	17,247
	<i>Remeasurement gain/(loss):</i>	
	The return on plan assets, excluding the amount included in the net interest expense	30,074
7,567	Other actuarial gains/(losses)	0
(8,767)	Contribution by employer	14,621
15,076	Contribution by Scheme participants	4,834
4,663	Estimated Benefits paid	(15,253)
(13,398)	Settlement prices received/(paid)	(5,184)
(278)	Administration expenses	(319)
(426)		<u>(319)</u>
<u>385,367</u>	Closing fair value of scheme assets	<u>431,387</u>

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

2013/14		2014/15
£'000		£'000
599,444	Opening balance at 1st April	636,495
22,728	Current Service Cost	18,952
27,958	Interest Cost	28,095
4,663	Contribution by scheme participants	4,834
	<i>Measurement gain/(loss):</i>	
18,526	Actuarial gains/losses arising from changes in demographic assumptions	0
34,171	Actuarial gains/losses arising from changes in financial assumptions	103,057
(57,584)	Experience loss/(gain) on defined benefit obligation	119
610	Past Service cost, including curtailments	320
(623)	Liabilities assumed / (extinguished) on settlements	(8,592)
(12,812)	Estimated benefits paid net of transfer in	(14,659)
(586)	Unfunded pension payments	(594)
<u>636,495</u>	Closing balance at 31st March	<u>768,027</u>

Local Government Pension Scheme assets comprised:

The return on the pension fund for the year to 31st March 2015 is estimated to be 12%. The actual return on Fund assets over the year may be different.

The estimated assets allocation for Milton Keynes Council as at 31st March 2015 is as follows:

31 Mar 2014			31 Mar 2015	
£'000	%		£'000	%
19,268	5%	Gilts	53,772	12%
262,049	68%	UK Equities	235,584	55%
38,537	10%	Other Bonds	55,864	13%
30,829	8%	Property	36,984	9%
3,854	1%	Cash	8,395	2%
0	0%	Alternative Assets	6,360	1%
15,415	4%	Hedge Funds	16,246	4%
15,415	4%	Absolute return Portfolio	18,182	4%
<u>385,367</u>	<u>100%</u>	Total Assets	<u>431,387</u>	<u>100%</u>

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method. An estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme have been estimated by Waddingham Public Sector Consulting, an independent firm of actuaries, estimates for the council fund being based on the latest full valuation of the scheme as at 31st March 2015.

Notes to the Accounts

The significant assumptions used by the actuary have been:

2013/14 £'000		2014/15 £'000
4.5%	Long term expected rate of return on assets in the scheme:	3.3%
	<i>Mortality assumptions:</i>	
	Longevity at 65 for current pensioners:	
23.6	Men	23.7
26.0	Women	26.1
	Longevity at 65 for future pensioners	
25.8	Men	26.0
28.3	Women	28.4
3.6%	Rate of inflation (RPI)	3.2%
2.8%	Rate of inflation (CPI)	2.4%
4.6%	Rate of inflation in salaries	4.2%
2.8%	Rate of increase in pensions	2.4%
4.5%	Rate for discounting scheme liabilities	3.3%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that the life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitive analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in previous period.

Sensitivity Analysis

	2014/15		
	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.00%	-0.10%
Present value of total obligation	£753,942	£768,028	£782,392
Projected service cost	£23,071	£23,612	£24,166
Adjustment to long term salary increase	+0.1%	0.00%	-0.10%
Present value of total obligation	£769,931	£768,028	£766,137
Projected service cost	£23,623	£23,612	£23,601
Adjustment to pension increases and deferred revaluation	+0.1%	0.00%	-0.10%
Present value of total obligation	£780,602	£768,028	£755,696
Projected service cost	£24,159	£23,612	£23,077
Adjustment to mortality age rating assumption	+ 1 year	None	- 1 year
Present value of total obligation	£741,889	£768,028	£794,387
Projected service cost	£22,829	£23,612	£24,401

Risks associated with investments

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

- Investment risk - The fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide

Notes to the Accounts

real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.

- Interest rate risk - The fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk - All of the benefits under the fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk - In the event that the councillors live longer than assumed a deficit will emerge in the fund. There are also other demographic risks.

35. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

Teachers employed by the council are councillors of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of councillors' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The authority is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2014/15 the council paid £8,044,000 (£8,149,000 in 2013/14) to Teachers Pensions in respect of teachers' retirement benefits, equivalent to 14.1% (14.1% in 2013/14) of total pensionable pay. There was no contribution remaining payable at the year end.

The council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis.

Supplementary Financial Statements

1. HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

This statement shows the economic cost in the year of providing housing services in accordance with International Financial Reporting Standards, rather than the amount to be funded from rents and government grants. The council charges rent to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rent is raised, is shown in the Movement on the Housing Revenue Account Statement.

2013/14 £'000		2014/15 £'000
	Expenditure	
10,628	Repairs and Maintenance	10,672
7,918	Supervision and Management	7,891
2,803	Special Services	2,877
335	Rent, Rates, Taxes and Other Charges	327
	Depreciation of Non-Current Assets	
7,413	Dwellings	7,595
587	All Other HRA Assets	635
	Impairment of Non-Current Assets	
(41,410)	Dwellings	(48,813)
42	All Other HRA Assets	22
1	Amortisation of Intangible Fixed Assets	1
160	Revenue Expenditure Funded by Capital Under Statute	0
58	Debt Management Costs	102
526	Movement in allowance for bad debts	23
7	Rent Rebate Subsidy Limitation Transfer to the General Fund	0
(10,932)	Total Expenditure	(18,668)
	Income	
(51,833)	Dwelling Rents	(53,426)
(1,879)	Non-Dwelling Rents	(1,887)
	Charges for Services and Facilities	
(896)	Tenants	(886)
(772)	Leaseholders	(830)
(47)	Contribution towards expenditure	(29)
(215)	Reimbursement Costs	(180)
(55,642)	Total Income	(57,238)
(66,574)	Net Expenditure of HRA Services as included in the whole authority	(75,906)
	Comprehensive Income and Expenditure Statement	
299	HRA Share of Corporate and Democratic Core	290
(66,275)	Net Expenditure of Housing Revenue Account Services	(75,616)
(2,505)	(Gain) / Loss on Sale of HRA Non-Current Assets	(2,636)
9,935	Interest Payable and Similar Charges	10,600
(148)	HRA Interest and Investment Income	(164)
185	Net Interest on the Defined Benefit Liability (Asset)	344
0	Capital Grants and Contributions Receivable	(207)
(58,808)	Surplus / Deficit for the Year on HRA Services	(67,679)

Supplementary Financial Statements

2. MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

This statement illustrates how the Housing Revenue Account Income and Expenditure Statement surplus or deficit for the year reconciles to the movement on the Housing Revenue Account balance for the year.

2013/14 £'000		2014/15 £'000
(4,568)	Housing Revenue Account Balance as at 1 April 2014	(4,641)
(58,808)	(Surplus) / Deficit on HRA Income and Expenditure Statement	(67,679)
50,244	Adjustments between Accounting Basis and Funding Basis Under Regulations	63,683
(8,564)	Net (Increase) / Decrease before Transfers to/from Earmarked Reserves	(3,996)
8,491	Transfer to / (from) Reserves	4,068
(73)	Decrease in year on Housing Revenue Account	72
(4,641)	Housing Revenue Account Balance as at 31 March 2015	(4,569)

3. ANALYSIS OF THE ADJUSTMENT BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made the Housing Revenue Account in the year according with proper accounting practice to the resources that are specified by statutory provisions as being available to the authority to meet capital and revenue expenditure.

2013/14 £'000		2014/15 £'000
33,410	Difference between any other items of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	40,601
(160)	Revenue Expenditure Funded from Capital Under Statute	0
0	Capital Grants & Contributions credited to the Housing Revenue Income & Expenditure Account	207
2,505	Net Gain or Loss on Sale of Non-Current Assets	2,636
12	Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	(16)
(330)	Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	(394)
420	Capital Expenditure funded from the Housing Revenue Account	6,742
(9)	Accumulated Absence Account	(5)
14,300	Transfer to/(from) the Major Repairs Reserve	13,870
96	Prudential Borrowing Principal Repayment	42
50,244	Adjustments between accounting basis & funding basis under regulations	63,683

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4. TRANSFERS TO/FROM EARMARKED RESERVES

The following Reserves were held at 31st March 2015.

	Balance at 31 March 2013 £'000	Transfers Out 2013/14 £'000	Transfers In 2013/14 £'000	Balance at 31 March 2014 £'000	Transfers Out 2014/15 £'000	Transfers In 2014/15 £'000	Balance at 31 March 2015 £'000
Allow for Non-Payment of Debt Reserve	(561)	0	0	(561)	0	0	(561)
Other Earmarked Reserves	(1,355)	467	(2,158)	(3,046)	627	(3,115)	(5,534)
Capital Reserve - HRA	(3,883)	420	(7,219)	(10,682)	6,742	(8,323)	(12,263)
Total HRA Earmarked Reserves	(5,799)	887	(9,377)	(14,289)	7,369	(11,438)	(18,358)

5. HOUSING STOCK

At 1st April 2014 the HRA housing stock was 12,301. During the 2014/15 financial year 80 properties were sold to tenants (includes part-sales of shared ownership dwellings), 33 properties were acquired, 13 dwellings were built, 2 builds were transferred from Commercial HRA stock to HRA Residential Housing, 1 property was converted into two dwellings and 1 dwelling was repossessed. Therefore as at 31st March 2015 the council HRA was responsible for managing a housing stock of 12,270 dwellings of which 981 is the council's portion of shared ownership dwellings. The analysis of the remaining 11,289 dwellings is as follows:

	Houses	Flats	Total	Houses Built	No. of Houses
1 Bedroom	1,471	2,341	3,812	Pre - 1919	46
2 Bedrooms	1,788	845	2,633	1919 - 1944	339
3 or more Bedrooms	4,666	178	4,844	1945 - 1964	1,496
				Post - 1964	6,044
Total	7,925	3,364	11,289		7,925

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6. ASSET VALUES

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

	31 March 2014 £'000	1 April 2014 £'000	31 March 2015 £'000
<u>Operational Assets</u>			
Council Dwellings	456,548	449,777	512,434
Other Land & Buildings	20,191	20,211	20,211
Equipment	20	7	7
<u>Non Operational Assets</u>			
Surplus Assets	702	696	947
Assets Under Construction	73	73	890
Assets Held for Sale	139	139	0
Investment Properties	22	22	22
	<u><u>477,695</u></u>	<u><u>470,925</u></u>	<u><u>534,511</u></u>

As at 1st April 2014, the vacant possession value of the council's dwellings is estimated at £1,463,282,000 compared with the Balance Sheet value of £449,777,000 shown above. This variance reflects the economic cost to the Government of providing council housing at less than open market rents and annual depreciation charged on brought forward balances.

The increase of £63,585,000 between 1st April 2014 and 31st March 2015 is due to further revaluations in the year along with additions, disposals and reclassifications.

7. MAJOR REPAIRS RESERVE

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

2013/14 £'000		2014/15 £'000
(4,614)	Opening Balance at 1 April 2014	(10,549)
(14,300)	Amounts transferred to the Major Repairs Reserve from the HRA during the year	(13,870)
8,365	Debits to the Major Repairs Reserve during the financial year in respect of capital expenditure on land, houses, and other properties within the HRA	6,220
<u><u>(10,549)</u></u>	Balance Carried Forward at 31 March 2015	<u><u>(18,199)</u></u>

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8. CAPITAL EXPENDITURE

Total capital spending within Housing and Other Housing Revenue Account resources and the funding of that expenditure in 2014/15 is shown in the table below.

2013/14 £'000		2014/15 £'000
	<u>Capital Spending</u>	
9,073	- Dwellings	15,539
106	- Other HRA Assets	2,561
160	- Revenue Expenditure Funded from Capital Under Statute	0
<u>9,339</u>		<u>18,100</u>
	<u>Funded By</u>	
(510)	- Usable Capital Receipts	(3,861)
0	- Supported Borrowing	(5)
(8,365)	- Major Repairs Allowance	(6,220)
(20)	- Government Grant	(1,064)
(24)	- Third Party Contributions	(208)
(420)	- Revenue Contributions	(6,742)
<u>(9,339)</u>		<u>(18,100)</u>

9. CAPITAL RECEIPTS

The following capital receipts were received during 2014/15:

2013/14 £'000		2014/15 £'000
	Sales of Dwellings*:	
3,822	Council Houses	4,647
654	Shared Ownership	995
0	Recovered Discount	10
0	Mortgage Receipts	8
1,229	Non RTB Sales	0
<u>5,705</u>	HRA Receipts in Year	<u>5,660</u>
(676)	Less: Statutory Pooling	(756)
<u>5,029</u>	Total HRA Useable Receipts in year	<u>4,904</u>

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

Supplementary Financial Statements

10. DEPRECIATION

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

2013/14 £'000		2014/15 £'000
7,413	Dwellings	7,595
587	Other Assets	635
8,000	Gross Balance Sheet Value	8,230

The charge for depreciation on dwellings from 1st April 2014 has been calculated on an actual life basis.

Other assets are depreciated over their useful life with property being based on 60 years from completion date.

11. IMPAIRMENT

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

Total Impairment 2013/14 £'000		Impairment Loss Charged to HRA 2014/15 £'000	Reversal of Impairment Loss charged to HRA 2014/15 £'000	Revaluation - on 2014/15 £'000	Reversal of Revaluation- on Loss charged to HRA 2014/15 £'000	Total Impairment 2014/15 £'000
(41,410)	Dwellings	246	(10,351)	9,955	(48,663)	(48,813)
49	Other Assets	0	0	133	(111)	22
(41,361)	Total Impairment	246	(10,351)	10,088	(48,774)	(48,791)

The impairment charge on Council Dwellings is mainly recognising the works identified for the HRA 2014/15 Capital Programme.

12. PENSION RESERVE

The transfer to the Pensions Reserve in respect of the Housing Revenue Account is (£394,000). Details of the background to, and reasons for this adjustment, may be found in note 7 to the Statement of Accounting Policies, and note 34 to the Financial Statements.

Supplementary Financial Statements

13. RENTS ARREARS

The total rent income for the year, after allowance is made for empty properties is known as Gross Rent Income. The loss of income as a result of empty properties & garages was £1,015,000 (£989,000 in 2013/14). At 31st March 2015, 0.58% of the housing stock was vacant (0.76% at 31st March 2014).

Rents are expressed in terms of a 50-week year and were increased from 7th April 2014 by an average of 3.5%. The average weekly rent at the end of 2014/15 was £87.18 (£84.17 in 2013/14).

The Housing Revenue Account shows rent income and other miscellaneous charges (for example service charges). Arrears of all charges at 31st March 2015 amounted to £4,114,000 (£4,987,000 at 31st March 2014). During the year ending 31st March 2015 arrears of £334,000 were written off as irrecoverable, which includes rent debt written off amounting to £231,000.

The council has made a total provision against all housing-related debts of £1,373,000. This figure includes a provision against rent arrears, in the sum of £1,197,000.

14. SUBSIDY LIMITATION TRANSFER TO THE GENERAL FUND

Rent Rebates are available under the Housing Benefit scheme for those on low incomes. 63.97% of the council's tenants receive some help with the cost of their rent.

From 1st April 2004, the responsibility for carrying the cost of Housing Benefit passed to the General Fund in accordance with legislative changes. The Housing Revenue Account now only bears the cost of rent rebate subsidy limitation, which is the cost of rent rebates payable on rents above the Government's Limit rent level. In 2014/15 HRA average rents were below Limit rent value therefore the cost to HRA was nil.

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15. COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from tax payers and distribution to local authorities and the government of council tax and non-domestic rates.

2013/14 £'000		Business Rates £'000	Council Tax £'000	2014/15 £'000
INCOME				
(109,210)	Council Tax Receivable	0	(112,794)	(112,794)
(147,667)	Business Rates Receivable	(162,653)	0	(162,653)
(256,877)		(162,653)	(112,794)	(275,447)
EXPENDITURE				
Apportionment of Previous Year Surplus				
0	Central Government	(2,402)	0	(2,402)
1,891	Billing Authority	(2,354)	1,017	(1,337)
95	Fire Authority	(48)	50	2
237	Police Authority	0	133	133
2,223		(4,804)	1,200	(3,604)
Precepts, Demands and Shares				
69,300	Central Government	70,587	0	70,587
157,842	Billing Authority	69,176	91,875	161,051
5,814	Fire Authority	1,412	4,509	5,921
11,784	Police Authority	0	12,241	12,241
244,740		141,175	108,625	249,800
Charges to Collection Fund				
1,535	Less write offs of uncollectable amounts	(907)	433	(474)
1,482	Less: Increase/ Decrease(-) in Bad Debt Provision	2,385	327	2,712
23,200	Less: Increase/ Decrease(-) in Provision for Appeals	9,506	0	9,506
374	Less: Cost of Collection	374	0	374
26,591		11,358	760	12,118
16,677	(Surplus)/Deficit arising during the year	(14,924)	(2,209)	(17,133)
(2,140)	(Surplus)/Deficit b/fwd 1st April	16,746	(2,208)	14,538
14,537	(Surplus)/Deficit c/fwd 31st March	1,822	(4,417)	(2,595)

16. RATEABLE VALUE

The total rateable value of business property as at the end of 2014/15 was £363,395,819 (as compared to £361,117,657 in 2013/14) and the rate multiplier applied was £0.482 (as compared to £0.471 in 2013/14) with a reduced multiplier of £0.462 for those businesses receiving Small Business Relief £0.471 (as compared to £0.462 in 2013/14).

17. TAX BASE

The Council Tax base for 2014/15, 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:

Supplementary Financial Statements

Estimated No. of Taxable Properties after discounts/exemptions	Ratio to Band D	Band D Equivalent
A-	5/9	9.60
A	6/9	8,961.20
B	7/9	20,589.60
C	8/9	22,383.00
D	9/9	12,074.50
E	11/9	12,218.70
F	13/9	7,301.80
G	15/9	4,324.20
H	18/9	220.50
		88,083.10
Anticipated changes during the year		590.00
Provision for non-collection		(1,241.42)
		87,431.68
Impact of Council Tax Reductions		(10,643.84)
Provision for Non Collection		(526.00)
Council Tax Base		76,261.84

18. COLLECTION FUND BALANCE APPORTIONMENT

The Collection Fund is a statutory Fund in which the council records transactions for Council Tax, Business Rates and residual Community Charges. In 2014/15 the Fund is in surplus and the proportionate shares are as follows:

2013/14 Total £'000		2014/15 Council Tax £'000	2014/15 NDR £'000	2014/15 Total £'000
6,336	Milton Keynes Council	(3,735)	892	(2,843)
8,373	Central Government	0	910	910
(247)	Thames Valley Police Authority	(498)	0	(498)
75	Buckinghamshire and Milton Keynes Fire Authority	(182)	18	(164)
14,537		(4,415)	1,820	(2,595)

The Council Tax element of the Collection Fund had an estimated surplus of (£3,408,000), a combination of in year surplus and prior year balance, when the 2015/16 Council Tax was set. The final outturn as above was (£4,416,403) surplus, leaving the balance of (£1,008,403) to be a contribution to the Collection Fund in 2015/16.

The Business Rates element of the Collection Fund has a final outturn of £14,924,000 surplus which will need to be funded in 2014/15.

19. WRITE OFFS

Council Tax debt of £527,690 was written off in 2014/15; (£475,739 in 2013/14).

Supplementary Financial Statements

20. PRECEPTS AND DEMANDS ON THE COLLECTION FUND

2013/14 Total		2014/15 Council Tax Precept / Demand	2014/15 NDR Precept / Demand	2014/15 Total Precept / Demand	Council Tax Share of 2014/15 Surplus	NDRShare of 2014/15 Deficit	Total Share of 2014/15 (Surplus)/ Deficit	2014/15 Total
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000
164,178	Milton Keynes Council	91,875	69,176	161,051	(3,735)	892	(2,843)	158,208
77,673	Central Government	0	70,587	70,587	0	910	910	71,497
11,537	Police & Crime Commissioner for Thames Valley	12,241	0	12,241	(498)	0	(498)	11,743
5,889	Buckinghamshire and Milton Keynes Fire Authority	4,509	1,412	5,921	(182)	18	(164)	5,757
259,277		108,625	141,175	249,800	(4,415)	1,820	(2,595)	247,205

GROUP ACCOUNTS

Group Accounts

INTRODUCTION

The council has an interest in two Limited Liability Partnerships – the Milton Keynes Service Partnership and the Milton Keynes Development Partnership.

Milton Keynes Service Partnership

The Milton Keynes Service Partnership (MKSP) was formed following the renegotiation of the Public Private Partnership with Mouchel Business Services on 31st December 2012.

Created as a Limited Liability Partnership, MKSP is wholly owned by Milton Keynes Council and provides support services to the council including Finance, Human Resources, Business Support, Revenues and Benefits and Information Technology.

The financial position of the Milton Keynes Service Partnership for the year ended 31st March 2015 was an underspend of (£1,028,000) ((£2,404,000) for the year ended 31st March 2014). This was an unexpected underspend due mainly from savings from a reduction in staff costs due to vacancies (£571,000) and a reduction in supplies & Services costs (£377,000); These resources have been earmarked to invest in external trading and invest to save opportunities within the Partnership.

Milton Keynes Development Partnership

The Milton Keynes Development Partnership (MKDP) was incorporated on 14th January 2013, and is a Limited Liability Partnership, wholly owned by Milton Keynes Council.

MKDP was set up by the council to facilitate Milton Keynes' continued growth and economic success by promoting the development of land assets transferred to the council from the Homes and Communities Agency, in line with the council's Corporate Plan and Economic Development Strategy.

The financial position of the Milton Keynes Development Partnership for the period ended 31st March 2015 was a profit of (£498,000).

The significant variations include:

- An underspend on the development brief and site preparation and costs due to sites progressing in a different pattern than originally estimated (£122,000). These costs will be carried forward in the Capital Development Reserves;
- Increased income due to a new CMK Market lease agreement with Hermes (£101,000);
- Parking contractor fees negotiated leading to a saving of (£78,000);
- Increase in parking income compared to budget (£97,000).

Due to the materiality of both of these entities the council has taken the view that the activity warrants full group accounts disclosures.

In order to provide a full picture of the council's economic activities and financial position, the accounting statements of the council, the Milton Keynes Service Partnership LLP and the Milton Keynes Development Partnership LLP have been consolidated. The Group

Group Accounts

Accounts are presented in addition to the council's single entity financial statements and comprise:

- The Group Movement in Reserves Statement; incorporating the movement in year on all the different reserves held by the Group;
- The Group Comprehensive Income and Expenditure Statement; which summarises resources which have been applied and generated in providing services and managing the group during the last year;
- The Group Balance Sheet which sets out the assets and liabilities recognised by the group as at 31st March 2015, and;
- Group Cash Flow Statement, which summarises the changes in cash and cash equivalents of the council during the reporting period.

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

Notes to the Group Financial Statements

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

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

Group Movement in Reserves Statement

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

	General Fund	Earmarked General Fund	Schools Balances	Housing Revenue Account	Earmarked HRA Reserves	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Group Reserves	Reserves Of Group Entities	Total Group Reserves
	Balance	Reserves	Reserve	Account	Reserves	Reserve	Unapplied	Reserve	Reserves		Reserves	Entities	Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2014/15													
Balance at 31 March 2014	(9,852)	(57,288)	(10,150)	(4,641)	(14,289)	(10,549)	(51,699)	(10,715)	(169,183)	(238,037)	(407,220)	0	(407,220)
(Surplus) or Deficit on Provision of Services (Accounting Basis)	(18,367)	0	0	(67,679)	0	0	0	0	(86,046)	0	(86,046)	0	(86,046)
Other Comprehensive Expenditure and Income									0	69,524	69,524	0	69,524
Total Comprehensive Expenditure and Income	(18,367)	0	0	(67,679)	0	0	0	0	(86,046)	69,524	(16,522)	0	(16,522)
Adjustments between Group Accounts and authorities accounts	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Increase/Decrease before Transfers	(18,367)	0	0	(67,679)	0	0	0	0	(86,046)	69,524	(16,522)	0	(16,522)
Adjustments between Accounting Basis & Funding Basis under Regulations	10,904	0	0	63,683	0	(7,650)	(7,961)	14	58,990	(57,025)	1,965	0	1,965
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(7,463)	0	0	(3,996)	0	(7,650)	(7,961)	14	(27,056)	12,499	(14,557)	0	(14,557)
Transfers (to) / from Earmarked Reserves	8,441	(8,316)	(125)	4,068	(4,068)	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers (to) / from Other Reserves													
(Increase) / Decrease in Year	978	(8,316)	(125)	72	(4,068)	(7,650)	(7,961)	14	(27,056)	12,499	(14,557)	0	(14,557)
Balance at 31 March 2015	(8,874)	(65,604)	(10,275)	(4,569)	(18,357)	(18,199)	(59,660)	(10,701)	(196,239)	(225,538)	(421,777)	0	(421,777)

Group Movement in Reserves Statement

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

Group Comprehensive Income and Expenditure Statement

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

31 March 2014	31 March 2015		
Net Exp £'000	Gross Exp £'000	Gross Income £'000	Net Exp £'000
58,619 Adult Social Care	81,271	(22,762)	58,509
8,872 Central Services	10,930	(2,942)	7,988
64,992 Children & Education Services	251,350	(187,912)	63,438
11,719 Culture & Related Services	12,284	(1,637)	10,647
23,963 Environmental & Regulatory Unit	27,725	(4,348)	23,377
12,376 Highways and Transport Services	29,261	(17,242)	12,019
8,854 Housing Services	114,499	(106,062)	8,437
(66,715) Housing Revenue Account	(18,586)	(57,210)	(75,796)
(3,314) Planning Services	7,229	(12,732)	(5,503)
(756) Public Health	8,550	(8,978)	(428)
118,611 Cost of Services	524,513	(421,825)	102,688
Other Operating Expenditure			
5,488 Precepts			5,838
443 Levies			443
676 Payment to the Housing Capital Receipt Pool			756
4,828 (Gain)/Loss on Disposal of non-Current Assets			14,672
11,435 Total Other Operating Expenditure			21,709
19,845 Interest Payable and Similar Charges			21,880
(1,116) Interest and Investment Income			(1,363)
951 (Surplus)/Deficit on Trading Operations			610
(4,993) Income, expenditure and changes in the fair value of investment properties			(10,474)
11,221 Pension Interest Cost and Expected Return on Pension Assets			11,384
25,908 Total Financing and Investment Income and Expenditure			22,037
(83,671) Council Tax Income			(102,073)
(42,004) Non-Domestic Rate Income			(38,667)
(33,949) Capital Grants & Contributions			(36,837)
(69,230) Non-Ringfenced Government Grants			(54,903)
(228,854) Total Taxation and Non-Specific Grant Income			(232,480)
(72,900) (Surplus) or Deficit on Provision of Services			(86,046)
(4,617) (Surplus) or deficit on revaluation of Non-Current Assets			(10,321)
Surplus or deficit on revaluation of available-for-sale financial asset.			544
(4,684) Actuarial (gains) / losses on pension assets / liabilities			79,301
(9,301) Other Comprehensive Income and Expenditure			69,524
(82,201) Total Comprehensive Income and Expenditure			(16,522)

Group Balance Sheet

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

31 March 2014 £'000		Note	31 March 2015 £'000
984,894	Property, Plant & Equipment		1,057,244
744	Heritage Assets		784
55,874	Investment Property	3	64,926
650	Intangible Assets		317
0	Long Term Investments		47,811
13,887	Long Term Debtors		11,944
1,056,049	Long Term Assets	2	1,183,026
35,317	Short Term Investments	2	110,597
1,515	Assets held for sale	2	1,125
410	Inventories	2	317
41,410	Short Term Debtors	4	36,569
86,734	Cash and Cash Equivalents		107,479
165,386	Current Assets		256,087
(27,087)	Short Term Borrowing	2	(30,990)
(57,933)	Short Term Creditors	5	(77,256)
(10,026)	Short Term Provisions	6	(6,289)
(2,394)	Short Term Capital Grants & Contributions Receipts in Advance	2	(18,372)
(10,580)	Short Term Revenue Grants & Contributions Receipts in Advance	2	(11,887)
(108,020)	Current Liabilities		(144,794)
(3,156)	Long Term Provisions	6	(4,192)
(406,913)	Long Term Borrowing	2	(477,977)
(485)	Other Long Term Liabilities	2	0
(263,717)	Liability Related to Defined Benefit Pension Scheme	2	(357,516)
(564)	Long Term Capital Grants & Contributions Receipts in Advance	2	(825)
(31,360)	Long Term Revenue Grants & Contributions Receipts in Advance	2	(32,032)
(706,195)	Long Term Liabilities		(872,542)
407,220	Net Assets		421,777
(169,183)	Usable reserves	7	(196,239)
(238,037)	Unusable Reserves	7	(225,538)
(407,220)	Total Reserves		(421,777)

Group Cash Flow Statement

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

2013/14 £'000		2014/15 £'000
72,900	Net surplus or (deficit) on the provision of services	86,046
(9,742)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(48,551)
(4,519)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1,336
58,639	Net Cash flow from Operating Activities	38,831
	<u>Investing Activities</u>	
(38,154)	Purchase of Property, Plant & Equipment, Investing Properties and Intangible Fixed Assets	(51,817)
(35,235)	Purchase of short-term and long-term investments	(157,718)
(676)	Other payments for investing activities	(756)
7,739	Proceeds of Property, Plant & Equipment, Investing Properties and Intangible Fixed Assets	6,377
60,000	Proceeds of short-term and long-term investments	35,000
43,047	Other receipts from investing activities	65,505
36,721	Net cash flows from investing activities	(103,409)
	<u>Financing Activities</u>	
1,542	Cash receipts of short and long-term borrowing	93,842
4,624	Other receipts from financing activities	10,954
(18,000)	Repayment of short and long-term borrowing	(20,000)
628	Other payments for financing activities	527
(11,206)	Net cash flows from financing activities	85,323
84,154	Net increase or (decrease) in cash and cash equivalents	20,745
2,580	Cash and cash equivalents at the beginning of the reporting period	86,734
86,734	Cash and cash equivalents at the end of the reporting period	107,479

Notes to the Group Accounts

1. ACCOUNTING POLICIES

In preparing the Group Accounts the council has aligned the accounting policies of the partnerships with those of the council and made consolidation adjustments where necessary; has consolidated the financial statements of the partnerships with those of the council on a line by line basis; and has eliminated in full balances, transactions, income and expenses between the council and the partnerships.

2. SUMMARY OF SUBSIDIARIES TRANSACTIONS INCLUDED IN THE GROUP BALANCE SHEET

The Group Balance Sheet contains transactions for both the Milton Keynes Service Partnership and the Milton Keynes Development Partnership. A summary of these balances is provided on the following page. Each organisation is shown prior to the elimination of intra-group transactions (the transactions that took place between the subsidiaries and the council):

Group Total 2013/14 £'000	Milton Keynes Council 2014/15 £'000	Milton Keynes Service Partnership 2014/15 £'000	Milton Keynes Development Partnership 2014/15 £'000	Intra- Company Transactions 2014/15 £'000	Group Total 2014/15 £'000
1,056,049 Long Term Assets	1,178,684	0	35,959	(31,614)	1,183,029
35,317 Short Term Investments	110,362	0	235	0	110,597
1,515 Assets held for sale	1,124	0	0	0	1,124
410 Inventories	317	0	0	0	317
41,410 Short Term Debtors	36,589	702	763	(1,487)	36,567
86,734 Cash and Cash Equivalents	100,219	5,827	1,433	0	107,479
(27,087) Short Term Borrowing	(30,990)	0	0	0	(30,990)
(57,933) Short Term Creditors	(72,940)	(4,025)	(1,778)	1,487	(77,256)
(10,026) Short Term Provisions	(6,289)	0	0	0	(6,289)
(12,974) Short Term Grants & Contributions Receipts in Advance	(30,258)	0	0	0	(30,258)
(3,156) Long Term Provisions	(4,192)	0	0	0	(4,192)
(406,913) Long Term Borrowing	(477,977)	0	0	0	(477,977)
(485) Other Long Term Liabilities	0	0	(31,614)	31,614	0
(263,717) Liability Related to Defined Benefit Pension Scheme	(336,641)	(20,813)	(62)	0	(357,516)
(31,924) Long Term Grants & Contributions Receipts in Advance	(32,858)	0	0	0	(32,858)
407,220 Net Assets	435,150	(18,309)	4,936	0	421,777

Notes to the Group Accounts

3. INVESTMENT PROPERTIES

In 2014/15 the annual rental income from investment properties is £2,331,000.

The movement in the fair value of investment properties during 2014/15 comprised of:

- an increase of £9,438,000 which reflected market conditions and renewed negotiations on future development;
- a reduction of £386,000 relating to reclassifications to Property, Plant and Equipment.

4. DEBTORS

Long term debtors held by the group at 31st March 2015 are detailed below.

Group Total 2013/14 £'000	Milton Keynes Council 2014/15 £'000	Milton Keynes Service Partnership 2014/15 £'000	Milton Keynes Development Partnership 2014/15 £'000	Intra-Company Transactions 2014/15 £'000	Group Total 2014/15 £'000
0 Partnership Loans	31,614	0	0	(31,614)	0
Local Government Reorganisation Debt Payments in 13,717 Advance	11,758	0	0	0	11,758
170 Other Long Term Debtors	186	0	0	0	186
13,887 Total Long Term Debtors	43,558	0	0	(31,614)	11,944

Short term debtors including payments in advance held by the group at 31st March 2015 are detailed in the table below.

Group Total 2013/14 £'000	Milton Keynes Council 2014/15 £'000	Milton Keynes Service Partnership 2014/15 £'000	Milton Keynes Development Partnership 2014/15 £'000	Intra- Company Transactions 2014/15 £'000	Group Total 2014/15 £'000
11,341 Central Government Bodies	7,106	132	67	65	7,370
756 Other Local Authorities	1,315	450	8	(1,552)	221
5,399 NHS Bodies	2,233	0	0	0	2,233
8,401 Bodies External to Central Government	13,139	9	522	0	13,670
3,235 Council Tax Arrears	3,188	0	0	0	3,188
476 NNDR Arrears	226	0	0	0	226
3,742 Housing Rents	2,702	0	0	0	2,702
9 Staff Debtors	3	(2)	(1)	0	0
33,359 Total Short Term Debtors before Payments in	29,912	589	596	(1,487)	29,610
8,051 Payments in Advance	6,677	115	167	0	6,959
41,410 Total Short Term Debtors	36,589	704	763	(1,487)	36,569

Notes to the Group Accounts

5. CREDITORS

Creditors held by the group at 31st March 2015 are detailed below.

Group Total 2013/14 £'000		Milton Keynes Council 2014/15 £'000	Milton Keynes Service Partnership 2014/15 £'000	Milton Keynes Development Partnership 2014/15 £'000	Intra- Company Transactions 2014/15 £'000	Group Total 2014/15 £'000
(8,528)	Central Government Bodies	(20,790)	(931)	(439)	12	(22,148)
(3,921)	Other Local Authorities	(2,864)	(766)	(214)	833	(3,011)
(1,482)	NHS Bodies	(1,461)	0	0	0	(1,461)
(33,084)	Bodies External to Central Government	(38,170)	(1,910)	(659)	642	(40,097)
(5,614)	Staff Creditors	(4,148)	(418)	0	0	(4,566)
(2,075)	Housing Rent Prepayments	(1,513)	0	(466)	0	(1,979)
(2,261)	Council Tax Prepayments	(2,575)	0	0	0	(2,575)
(968)	NDR Prepayments	(1,419)	0	0	0	(1,419)
(57,933)	Total Short Term Creditors	(72,940)	(4,025)	(1,778)	1,487	(77,256)

6. PROVISIONS

There are no provisions set up within the Milton Keynes Service Partnership or the Milton Keynes development Partnership in 2014/15.

7. RESERVES

The reserves held by the Milton Keynes Council, Milton Keynes Service Partnership and Milton Keynes Development Partnership at 31st March 2015 are detailed below:

Group Total 31 Mar 2014 £'000		Milton Keynes Council 31 Mar 2015 £'000	Milton Keynes Service Partnership 31 Mar 2015 £'000	Milton Keynes Development Partnership 31 Mar 2015 £'000	Group Total 31 Mar 2015 £'000
(166,470)	Milton Keynes Council's Usable Reserves	(192,586)	0	0	(192,586)
(2,713)	LLP Retained Earnings	0	(2,923)	(730)	(3,653)
(169,183)	Total Usable Reserves	(192,586)	(2,923)	(730)	(196,239)
(246,989)	Milton Keynes Council's Unusable Reserves	(242,563)	0	0	(242,563)
8952	LLP Non-Distributed Reserves	0	21,231	(4,207)	17,024
(238,037)	Total Unusable Reserves	(242,563)	21,231	(4,207)	(225,539)
(407,220)	Total Reserves	(435,149)	18,308	(4,937)	(421,778)

Notes to the Group Accounts

8. NET CASH FLOW FROM OPERATING ACTIVITIES

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

Group Total 31 Mar 2014	Milton Keynes Council 31 Mar 2015	Milton Keynes Service Partnership 31 Mar 2015	Milton Keynes Development Partnership 31 Mar 2015	Intra-Company Transactions 31 Mar 2015	Group Total 31 Mar 2015
68,343 Net Surplus/(Deficit) on the	86,978	(1,669)	737	0	86,046
	<u>Adjustments to net Surplus or</u>				
(13,124) Depreciation and Impairment of non-current assets	(24,711)	0	(257)	0	(24,968)
(19) Investment Assets Revaluation Gains & Losses	(9,181)	0	0	0	(9,181)
(33,949) Capital Grants & Contributions (Increase) / decrease in	(36,838)	0	0	0	(36,838)
9,368 Creditors	1,358	189	30	1,487	3,064
3,960 Increase / (decrease) in Debtors	5,542	1,052	(95)	(1,487)	5,012
Increase / (decrease) in Inventories and Work in					
(143) Progress	93	0	0	0	93
(Increase) / decrease in					
11,287 Provisions	(2,701)	0	0	0	(2,701)
19,074 Pension Assets / Liabilities	12,410	2,065	23	0	14,498
4,828 Carrying amount of non-current	14,671	0	0	0	14,671
676 Housing Capital Receipts Pool	756	0	0	0	756
Local Government					
(1,959) Reorganisation Transferred Debt	(1,959)	0	0	0	(1,959)
Other non-cash items charged to the net surplus or deficit on the					
(10,268) Provision of Service	(10,998)	0	0	0	(10,998)
	Total Non-Cash Items in the				
(10,269) Provision of Services	(51,558)	3,306	(299)	0	(48,551)
0 Total Investing and Financing	0	0	0	0	0
18,729 Reversal of operating activity	20,597	0	0	0	20,597
	<u>Cash flow from interest</u>				
(24,742) Interest Paid	(20,769)	0	0	0	(20,769)
(127) Interest element of Finance	(122)	0	0	0	(122)
1,621 Interest Received	1,630	0	0	0	1,630
(23,248) Total Cash Flow from Interest	(19,261)	0	0	0	(19,261)
53,555 Net Cash flow from Operating	36,756	4,043	(299)	86,046	38,831

Glossary

Accruals

Sums included in the final accounts of the council to cover income or expenditure attributable to the accounting period for which payment has not been received/made in the financial year. Local authorities accrue for both revenue and capital expenditure.

Actuary

An independent and appropriately qualified adviser who carries out statutorily required pension fund valuations.

Amortisation

The reduction of the value of an asset by prorating its cost over a period of years.

Capital Charges

A charge for the use of fixed assets in the provision of services. The charge comprises depreciation plus notional interest.

Capital Expenditure

Spending that produces or enhances an asset, like land, buildings, vehicles, plant and machinery. Definitions are set out in Section 40 of the Local Government and Housing Act 1989. Any expenditure that does not fall within the definition must be charged to a revenue account.

Capital Receipts

The proceeds from the sale of fixed assets such as land and buildings.

Capital receipts can be used to repay any outstanding debt on fixed assets or, to finance new capital expenditure, within rules set down by government. Capital receipts cannot, however, be used to finance revenue expenditure.

Chartered Institute of Public Finance and Accountancy (CIPFA)

The professional accountancy body concerned with local authorities and the public sector.

Collection Fund

The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the charging Authority in relation to Non-Domestic Rates and Council Tax and illustrates the way in which the fund balance is distributed to preceptors and the General Fund.

Contingent Liabilities/Gains

Potential losses/gains for which a future event will establish whether a liability/gain exists and for which it is inappropriate to set up a provision in the accounts.

Council Tax

This is the means of raising money locally, based upon the value of domestic property and is adjusted for the previous year's surplus or deficit on collection.

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.

Glossary

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 Instruments

A Financial Instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

International Financial Reporting Standard (IFRS)

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

Fixed Assets

Non-current assets that yield benefits to the council and the services it provides for a period of more than one year.

General Fund (GF)

This is the main revenue account of the council. Day to day transactions are conducted through this account, with the exception of those relating to the Housing Revenue Account, Collection Fund or any other trust funds held by the council.

Housing Revenue Account (HRA)

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

Infrastructure Assets

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

Intangible Assets

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

Investments

Deposits for less than one year with approved institutions.

Long Term Debtors

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

Major Repairs Allowance

The estimated average annual cost of maintaining the condition of the council's housing stock over a 30 year period based on the councils mix of dwelling types.

Glossary

Minimum Revenue Provision

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

Non-Domestic Rate (NDR)

Under the revised arrangements for uniform business rates, that came into effect on 1st April 1990, the council collects Non-Domestic Rates for its area based on local rateable values, multiplied by a national uniform rate.

The total amount, less certain reliefs and deductions, is paid to a central pool managed by the government, that in turn, pays back to Authorities their share of the pool based on a standard amount per head of the local adult population.

Non-Operational Assets

Fixed assets held by the council but not directly used or consumed in the delivery of its services. This would include surplus properties awaiting disposal.

Operational Assets

Fixed assets held by the council and used or consumed in the delivery of its services.

Operational Leases

An arrangement whereby the risks and rewards of ownership of the leased asset remain with the leasing company.

Pension Fund

An employees' pension fund maintained by an authority, or a group of authorities, in order primarily to make pension payments on retirement of participants. It is financed from contributions from the employing authority, the employee and investment income.

Precepting Authorities

Those authorities that are not billing authorities (i.e. do not collect Council Tax) precept upon the billing authority, who then collect on their behalf - Thames Valley Police Authority, Buckinghamshire & Milton Keynes Fire Authority and the Parishes that precept upon Milton Keynes Council.

Provisions

Sums set aside to meet future expenditure where a specific liability is known to exist but that cannot be measured accurately.

Public Works Loan Board

The Public Works Loan Board (PWLB) was established in 1793 to provide loans to public bodies from the National Loans Fund. It today provides loans to local authorities of all types in Great Britain, primarily for capital projects, but also as a lender of last resort.

Retained Business rates

This is the amount of business rates an individual authority retains (after adjustments including repayment to central government and the fire authority) to fund council services.

Revenue Support Grant (RSG)

RSG is Government funding which provides general support for council services.