

**STATEMENT OF ACCOUNTS 2012/13**

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**1. Purpose**

- 1.1 To present the Draft 2012/13 Statement of Accounts (Annex – circulated separately to the agenda) to the Audit Committee ahead of the external audit to be carried out by Ernst and Young.

**2. Recommendations**

- 2.1 That the Audit Committee reviews the Draft 2012/13 Statement of Accounts and indicates whether there are any issues arising that need to be brought to the attention of the Cabinet/Council.

**3. Background**

- 3.1 The Accounts and Audit Regulations 2011 require the Chief Finance Officer to formally approve the Statement of Accounts by 30 June 2013, reflected by a signature and date in the Statement of Responsibilities within the Statement of Accounts. There is no longer a requirement for Audit Committee to approve the Statement of Accounts before 30 June 2013; however the regulations do require that the Audit Committee approve the Accounts by way of a Committee resolution by 30 September 2013.
- 3.2 The Statement of Accounts will be presented to the External Auditor on 1 July 2013 and will be available to the general public throughout the statutory deposit period of 28 days starting on Monday 29 July 2013 and ending on Friday 23 August 2013. During this time, members of the public may view the document and ask questions.
- 3.3 Any material changes arising from the audit of the 2012/13 accounts will be reported back to the September meeting of the Audit Committee, prior to approval.

#### 4. **Statement of Accounts**

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

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

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

4.3 As in previous years the foreword by the Corporate Director – Resources summarises the financial position for the year. Further detail on the revenue and capital outturn position has been reported to Cabinet on 19 June 2013.

4.4 The Annual Governance Statement for 2012/13, which will be published along with the Statement of Accounts by 30 September, is included as a separate report on this agenda.

#### 5. **Group Accounts**

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

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

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

5.3 It has not been possible to obtain a Local Government Pension Scheme Valuation Report from the Actuary for the Milton Keynes Service Partnership, due to outstanding information awaited from Mouchel Business Services. Bucks County Council have advised that the Actuary Report should be prepared within 6-8 weeks, and therefore it is hoped that the adjustments required to the Accounts will be in

place for the approval of the Accounts in September 2013. A schedule of changes resulting from the pension adjustments will be included in the September report, and the external auditor has been apprised of the situation.

## 6. **Key Areas for Consideration**

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

- Service Expenditure – This provides details of the Council's outturn position and the General Fund Balance at 31 March 2013;
- The Balance Sheet – This details the balances held by the Council at 31 March 2013;
- Material Items of Income and Expenditure – this note details the most significant transactions that have taken place in the year;
- Material Events after the Balance Sheet Date – Any events that have occurred after the 31 March 2013 but which could have a material impact on the Council's financial position are detailed here;
- Transfers to/from Earmarked Reserves – This table and associated notes provides detail of the reserves held by the council, movements in year and the purpose for each;
- Exceptional Items – Also covered in this report at section 7 of this report;
- Group Accounts – Although not material in value, the introduction of Group Accounts for the Council is a material change from previous years.

## 7. **Significant Items**

### Exceptional Item

7.1 In 2012/13, the Council has disclosed one prominent item as exceptional in the Consolidated Income and Expenditure Statement order to provide a fair view of the accounts.

7.2 In December 2012, the council renegotiated the long term contract with Mouchel Business Services Ltd. This renegotiation resulted in a significant change to the contract with Mouchel Business Services Ltd. The council then decided to create a Limited Liability Partnership – the Milton Keynes Service Partnership – which is wholly owned by Milton Keynes Council, on 1 January 2013, and to transfer the staff previously employed by Mouchel Business Services to the new organisation. The MKSP now provides services to the Council.

- 7.3 In December 2012, Milton Keynes Council paid Mouchel Business Services the sum of £6.15m as settlement for the significant variation to the 12 year contract.

#### Long Term Debtor

- 7.4 Milton Keynes Council decided to create a Limited Liability Partnership to manage and exploit the commercial assets purchased from the Homes and Communities Agency. This LLP is known as the Milton Keynes Development Partnership (MKDP).
- 7.5 The Council funded the purchase of the assets through prudential borrowing and this has been reflected in the council's balance sheet as additional Long Term Borrowing. This debt has been passed on to MKDP along with the assets. The Council therefore holds a Long Term Debtor of £32m on its Balance Sheet to reflect the amount owed by the MKDP. As the assets are developed and sold by the MKDP or as the economic benefit is used (in the case of operational assets), the debt will be settled with the Council and the council's long term debtor will be reduced.

#### Housing Revenue Account Net Expenditure

- 7.6 The Comprehensive Income and Expenditure Statement reflects a significant movement between Net Expenditure reported for the Housing Revenue Account in 2011/12 and 2012/13. The reduction of £24.3m against 2011/12 is due to the fact that as a result of the move to HRA Self Financing, the HRA no longer has to pay negative Housing Subsidy (£12.5m) and has incurred lower impairment charges than incurred in 2011/12 (£11m). This is due to less works being identified in the 2013/14 capital programme.
- 7.7 The impact of the impairment loss is reversed out through the Movement in Reserves Statement and therefore has no impact on the Housing Revenue Account Balance. The move to Self-Financing means the HRA took on a debt to buy itself out of the Housing Subsidy regime, therefore the Negative Housing Subsidy no longer payable has been replaced by an increased charge for Interest Payable on borrowing costs which is reported as part of Financing and Investment Income and Expenditure rather than within Cost of Services.

#### Milton Keynes Tariff

- 7.8 There is a potential future liability linked to the Milton Keynes Tariff. In January 2013 the Council took over the management of the Milton Keynes Tariff, which is a framework S106 agreement under which developers contribute to the provision of local and strategic infrastructure to mitigate the impact of growth. The terms of the funding agreement state that the council will manage the expenditure so that the tariff deficit is managed down to zero by the risk share cut off date. In the event that this is not achieved, a risk sharing agreement is in

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

**8. Implications**

8.1 Policy

None

8.2 Financial

None

8.3 Resources and Risk

None

8.4 Legal

None

8.5 Other Implications

None