

# MILTON KEYNES COUNCIL

# STATEMENT OF ACCOUNTS

For the year ended 31<sup>st</sup> March 2009





	<b>Page</b>
<b>Foreword by the Chief Finance Officer .....</b>	<b>2</b>
<b>Statement of Auditors Opinion .....</b>	<b>9</b>
<b>Statement of Accounting Policies .....</b>	<b>12</b>
<b>Statement of Responsibilities .....</b>	<b>28</b>
<b>Core Financial Statements .....</b>	<b>29</b>
<b>Notes to the Core Financial Statements .....</b>	<b>35</b>
<b>Supplementary Financial Statements .....</b>	<b>99</b>
<b>Glossary .....</b>	<b>110</b>

## 1. INTRODUCTION

The financial performance for 2008/09 for the activities undertaken by the Council is set out in the Core Financial Statements on pages 29-34. The statements consist of the following:

**a) Statement of Accounting Policies**

Details the legislation and principles on which the Statement of Accounts has been prepared;

**b) Core Financial Statements**

- The Council's Income and Expenditure Account covering income and expenditure on all services;
- The Statement of Movement on the General Fund Balance which shows amounts additional to the surplus or deficit on the Income and Expenditure Account that are required by statute and non-statutory proper practices to be debited or credited to the General Fund for the year;
- The Statement of Total Recognised Gains and Losses which brings together all of the gains and losses of the Council for the year and shows the aggregate increase in its net worth;
- The Balance Sheet which sets out the financial position of the Council as at 31<sup>st</sup> March 2009, and;
- The Cash Flow Statement, which summarises the total movement of the Council's funds.

**c) Notes to the Core Financial Statements**

Notes to support the core financial statements, providing greater detail on specific areas, as required by the Statement of Recommended Practice 2008;

**d) Supplementary Financial Statements**

- The Housing Revenue Income and Expenditure Account which provides details of income and expenditure on Council housing and the change to the fund balance at the end of the year;
- The Collection Fund Account which details income and expenditure in respect of Council Tax and Non-Domestic Rates and the change to the fund balance at the year end;

## Further Information

Further information about the Council's accounts can be found by:

- Writing to the Director of Finance at Saxon Court, 502 Avebury Boulevard, Milton Keynes, MK9 3HS.
- E-mailing [strategic.finance@milton-keynes.gov.uk](mailto:strategic.finance@milton-keynes.gov.uk)
- Or visiting the Council's website at [www.milton-keynes.gov.uk](http://www.milton-keynes.gov.uk)

## 2. REVENUE SPENDING

The revenue spending comprises the day-to-day service running expenses and general income of the Council. It includes expenses such as salaries, heating, lighting, rent, rates, stationery and depreciation. Plus income relating to the services provided.

For 2008/09 the Council developed its budget options, within the resources available, by reference to its Council Plan and strategic objectives. It also drew on information from formal budget consultations with the public and other interested parties.

At a meeting held on 26<sup>th</sup> February 2008, the Council approved a net budget of £170,049,000 for 2008/09. This represented an increase of 8.3% in spending on a comparable basis over the previous year's budget. Spending at this level required a Council Tax increase of 3.9%.

### a) General Fund Revenue Outturn 2008/09

Net expenditure for the General Fund in 2008/09 was £11,296,000 more than the Latest Approved Budget, some £3,500,000 more than anticipated. This £3,500,000 comprised of directorate overspends of £2,126,000, Corporate efficiencies not achieved of £2,100,000, less actual use of General Fund and earmarked reserves which were £700,000 less than anticipated.

The table below details the over and underspends by Directorate:

	Latest Approved		(Under)/Overspends	
	Budget £'000	Actuals £'000	£'000	%
Children & Young Peoples Service	65,083	68,635	3,552	5.46%
Learning, Leisure & Culture	14,299	15,394	1,095	7.66%
Environment	57,876	58,228	352	0.61%
Neighbourhood Services	49,879	49,244	(635)	-1.27%
Strategy, Governance & Performance	2,528	1,697	(831)	-32.87%
Housing Benefit & Council Tax	149	(425)	(574)	-385.23%
Debt Financing	16,056	15,223	(833)	-5.19%
Non-Directorate	(205,870)	(196,700)	9,170	-4.45%
<b>Total</b>	<b>0</b>	<b>11,296</b>	<b>11,296</b>	

Significant variations include:

- The Children and Young People's Service overspent by £3,552,000 due to abortive costs of the Radcliffe School project £1,812,000, the creation of a provision for a loan made to Radcliffe school in 2004 £966,000, agency costs in excess of vacancy savings in Social Care £228,000, Capital Team salary costs unable to be capitalised £245,000 and additional placement costs in Children's External Placements and Time Limited Foster Care £377,000;
- Learning, Leisure and Culture overspent by £1,095,000 due to abortive costs of the Radcliffe School project £730,000, pension strain costs £180,000 and a deficit of £69,000 on Adult Continuing Education;
- Environment overspent by £352,000 mainly due to costs incurred by Architecture MK of £1,800,000 due to a significant decrease in income and closure costs. This was partially offset by a movement of budget to central codes of (£946,000), improved rating saving (£196,000), improved trading surpluses and salary savings;
- Neighbourhood Services achieved an underspend of (£635,000) due to an underspend on Older People of (£1,415,000) in relation to External Nursing Care, and an overspend on Physical Disability for Nursing Homes £215,000 and External Domiciliary Care £101,000. Throughcare and Aftercare overspent by £224,000 and there was a £107,000 overspend on the Joint Venture;
- Strategy, Governance and Performance achieved an underspend of (£831,000). This is due to additional court cost income of (£191,000), savings on projects, trade union posts and childcare costs within Human Resources (£178,000) and amounts allocated to projects that were not required (£228,000);
- Housing Benefit and Council Tax achieved an underspend of (£574,000) due to overpayments recovered (£493,000) and additional Benefit due to an improved recovery rate (£146,000);
- Debt Finance achieved an underspend of (£833,000) due to lower than anticipated long term borrowing and therefore lower interest costs (£540,000) and a reduction in interest payable on balances due to the lower bank base rate (£368,000).

Variations between latest projected outturns and latest approved budgets are monitored on a monthly basis and are reported to Members throughout the year.

Further information on the overall financial performance of the Council in 2008/09 is disclosed in the Income and Expenditure Account and the notes to the Core Financial Statements.

### **b) Housing Revenue Account 2008/09**

The original budget for the year showed a £182,000 deficit. This net budget remained unchanged during the year. The actual outturn was a deficit of £550,000 which represents a variance of £368,000 against the net budget.

Further information on the overall financial performance of the Housing Revenue Account in 2008/09 is disclosed in the Supplementary Financial Statements and the notes to the Supplementary Financial Statements.

### **c) Revenue Financing**

The net budget requirement was financed from three main sources:

- **Redistributed Non-Domestic Rates (£71.300m)**  
NNDR is the amount raised from businesses collected locally but re-distributed nationally.
- **Revenue Support Grant (RSG) (£9.926m)**  
RSG is the main non-specific grant from central government.
- **Council Tax (£88.950m)**  
This is the means of raising money locally, based upon the value of domestic property and is adjusted for the previous year's surplus on collection.

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

From 1<sup>st</sup> April 2007 Schools services have been funded through the Dedicated Schools Grant (DSG). For 2008/09 the Council received £148.6m in DSG funding. Previously this funding was through the RSG and NNDR.

A list of the grants the Council received in 2008/09 can be found on page 98.

### **3. CAPITAL SPENDING**

The Council's total capital expenditure for 2008/09 including amounts accrued for works completed but not paid for at 31<sup>st</sup> March 2009 was £109,134,000 (£116,103,000 2007/08). The amount funded through grants was £44,378,000 (£55,964,000 2007/08). The balance of £64,756,000 (£60,139,000 2007/08) was funded from the Major Repairs Reserve, Capital Reserves, Capital Receipts, supported and unsupported borrowing and Revenue and Third Party Contributions.

Further details in respect of the above figures are disclosed in note 23 to the Core Financial Statements on page 58.

### **4. COLLECTION FUND**

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

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

It was estimated that the fund would have a deficit of £500,000 at 31<sup>st</sup> March 2009. However mainly due to significantly increased collection rates the fund ended in surplus of (£410,000).

A summary of the Collection Fund Account can be found on Page 107.

### **5. PROCUREMENT OF SERVICES**

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

## **6. BORROWING FACILITIES**

During 2008/09 the Council both borrowed and repaid £41,650,000 from/to the Public Works Loan Board as part of a debt rescheduling exercise. In addition a £3,000,000 loan from the Public Works Loan Board matured during the year. No new loans to fund expenditure on capital projects were taken. At the end of the financial year the Council had outstanding long-term borrowing in respect of the funding of capital projects of £320,863,000. Further details of the composition of this sum can be found in note 29 to the Core Financial Statements on page 62.

It was necessary, during the year, for the Council to borrow temporary funds for cash flow purposes. These funds were fully repaid before the year end and consequently, there were no temporary loans outstanding at 31<sup>st</sup> March 2009, although at this date, the Council had £110,102,000 invested with various financial institutions.

## **7. RETIREMENT BENEFITS**

The Council is a member 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 of £124.084m, which is equivalent to 1616% of the Council's General Fund Reserve.

In practice the deficit will be funded through reassessment of Employers contributions as a result of the three-yearly fund valuations by the actuary. This is done in accordance with the appropriate Financial Reporting Standard (FRS) 17 and has no effect on the Council Tax requirement.

Full details of the Local Government Pension Scheme can be found in note 37 to the Core Financial Statements on page 83.

## **8. DATE OF ISSUE**

Events after the balance sheet date are reflected up to the date when the Statement of Accounts was authorised for issue by the Council's Chief Finance Officer. The date of issue is deemed to be the date on which the accounts were approved by the Council, and is therefore planned to be a date in September 2009. The exact date cannot be confirmed in this draft version of the accounts.

## **9. DEDICATED SCHOOLS GRANT (DSG)**

In 2008/09, the Council received a specific grant – the Dedicated Schools Grant. For 2008/09, £148,576,000 was received (£138,853,000 in 2007/2008). This grant is ring fenced to Schools Budget expenditure. £147,780,000 (£139,259,000 in 2007/08) has been credited against the Education service outturn in the Income and Expenditure Account reflecting the carry forward of the 2007/08 deficit and a surplus in 2008/09.

Prior to 2006/07, this was included as part of the Revenue Support Grant. Since 1<sup>st</sup> April 2006, this sum has been shown as income within Net Cost of Services

## **10. IMPACT OF THE CURRENT ECONOMIC CLIMATE**

Two key areas affected by the economic downturn are housing asset valuations and treasury management strategy. The former was recognised an 18.9% deflation adjustment based upon Housing Price Index data for Milton Keynes.

The Council's treasury management approach is based upon market information from a variety of sources. Consequently, the Council was not exposed to the Icelandic banking crisis, having withdrawn any funds held with the affected institutions.

Further, the tax base calculations for forthcoming years take prudent account of the decline in the level of house-building.

Tim Hannam  
Corporate Director – Finance & Risk Management  
Chief Financial Officer







## **1. GENERAL PRINCIPLES**

This Statement of Accounts has been prepared in accordance with the Best Value Accounting Code of Practice on Local Authority Accounting (BVACOP) and the Statement of Recommended Practice: Code of Practice on Local Authority Accounting in the United Kingdom (SORP), which are published by the Chartered Institute of Public Finance and Accountancy. The current BVACOP and SORP apply to Statements of Accounts prepared with effect from 1<sup>st</sup> April 2008.

## **2. INTANGIBLE FIXED ASSETS**

The Council's Intangible Fixed Assets consist of purchased software licences which have a useful economic life of at least three years.

All Intangible Fixed Assets are included at historic cost and amortised, on a straight line basis, over their economic lives from the year following acquisition. The economic lives are reviewed at the end of each reporting period and revised if necessary.

## **3. TANGIBLE FIXED ASSETS**

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

- a. All expenditure on the following has been capitalised on an accruals basis:
- acquisition, reclamation, enhancement or laying out of land;
  - acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures;
  - acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels.

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year and are included as Revenue Expenditure Funded From Capital Under Statute (See Accounting Policy 4).

Expenditure that does not extend the previously assessed standards of performance of assets (e.g. repairs and maintenance) is charged to revenue as it is incurred.

- b. Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use.

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

Operational properties are included in the Balance Sheet at net current replacement cost derived from existing use value for non-specialised properties or depreciated replacement cost for specialised properties.

Non-operational properties are included at open market value.

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

Plant and machinery is included in the valuation of the building where it forms part of the premises. Specialist plant and equipment which is not specific to the property is excluded from property valuations. This plant and equipment along with vehicles are included in the Balance Sheet at depreciated historical cost as a proxy for depreciated current value.

Infrastructure assets and properties regarded as Community Assets are included at their historical cost.

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

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. To recognise unrealised gains increases in valuations are matched by credits to the Revaluation Reserve. In exceptional circumstances gains may be credited to the Income and Expenditure Account where they arise from the reversal of a previously charged impairment loss.

- c. When assets are sold or disposed of, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal i.e. netted off against the carrying value of the asset at the time of disposal. The usable amounts of the capital receipts are held in a Usable Capital Receipts Reserve until utilised to finance further capital expenditure or to repay debt. The usable part of Housing capital receipts is net of claw back

payments to the Homes and Communities Agency on former Milton Keynes Development Corporation properties and net of amounts subject to pooling arrangements under the Local Government Act 2003.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

#### **4. CHANGE IN ACCOUNTING POLICY - REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

The 2008 SORP has introduced a new category of expenditure – Revenue Expenditure Funded from Capital under Statute and this effectively replaces Deferred Charges.

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance 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.

#### **5. CHANGE IN ACCOUNTING POLICY – FRS17 DISCLOSURES**

The Pension SORP (The Financial Reports of Pension Schemes – A Statement of Recommended Practice (2007)) provides authoritative guidance on pension fund annual reports and accounts of funded pension schemes. This edition of the Pension SORP was published in July 2007 and replaces the 2002 edition on which the previous SORP was based. The main changes are that:

- It has been updated to take account of the financial reporting standards issued in respect of investments in particular the presentation requirements of FRS 25 (Financial Instruments: Disclosure and Presentation) and parts of FRS 26 (Financial Instruments: Recognition and Measurement);
- Derivatives are now required to be valued on a fair value basis;
- Investments are required to be valued at their fair value and where there is an active market the bid price is usually the appropriate quoted market price;
- Amended and increased disclosure requirements.

Where appropriate, comparative information has been re-stated to reflect the changes outlined above.

The full disclosure in respect of FRS17 can be found in note 37 to the Core Financial Statements on page 83.

## 6. DEPRECIATION

Depreciation is provided in accordance with the following policy on all fixed 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. The bases for calculating the lives of different classes of assets at acquisition are as follows:

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

- d. 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.
- e. Council dwellings – from 1st April 2008 depreciation for Right To Buy council dwellings has been calculated in relation to the following categories – less than 20 years, 20 to 50 years and more than 50 years. No depreciation is charged on shared ownership dwellings.
- f. 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.

## **7. RELATIONSHIPS WITH COMPANIES**

Information previously disclosed in this section is now disclosed in note 42 to the core financial statements under the heading "Investments in Companies". Further significant relationships with Companies are disclosed in note 30 under the heading "Long Term Contracts".

## **8. CHARGING FOR THE USE OF CAPITAL ASSETS**

General Fund service revenue accounts, central support services and trading accounts are charged with the following for all fixed assets used in the provision of their services to record the real cost of holding those assets during the year:

- a. Depreciation and where required, any related impairment loss attributable to the clear consumption of economic benefits
- b. Other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- c. Amortisation of intangible fixed assets

The charge made to the Housing Revenue Account is calculated in accordance with the Item 8 Credit and Item 8 Debit (General) Determination 2008/2009.

External interest payable is charged to Net Operating Costs section of the Income and Expenditure Account on page 29.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. An annual provision from revenue is made to contribute towards the reduction in its overall borrowing requirement. Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balances by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

## **9. REDEMPTION OF DEBT**

### **a. Minimum Revenue Provision (MRP)**

The Council has based the 2008-09 statutory General Fund MRP on 4% of the opening Capital Financing Requirement. This is in line with Regulation implemented under the Local Government Act 2003. These Regulations have been replaced with a more flexible MRP system based on statutory guidance under which the Council will calculate charges with effect from 2009-10. An adjustment is made through the

Capital Adjustment Account in respect of any under or over provision for depreciation.

The MRP calculation also provides for:

- i) the repayment of capitalisation directions issued by the Secretary of State in respect of expenditure incurred at Local Government Reorganisation
- ii) an adjustment in respect of commuted payments made to or for the benefit of the Council in 1992-1993

**b. Additional Debt Redemption**

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

- i) additional revenue contributions
- ii) use of capital receipts
- iii) use of the Major Repairs Allowance

**c. Debt Restructuring**

The Council has, on occasions when satisfactory market conditions prevail, restructured certain long term loans with the Public Works Loan Board. This results in either a premium being paid or a discount received and these are written down in accordance with current legislation (currently the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007 (Statutory Instrument 2007 No. 573) as amended by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (Statutory Instrument 2008 No. 414)).

**10. INVESTMENTS**

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

**11. INTEREST**

Interest payable on external borrowings and interest income is accounted for in the accounts on an accruals basis.

## **12. PROVISIONS**

Provisions are amounts set aside for losses or liabilities that are likely or certain to be incurred, but where the Council is uncertain as to the precise amounts required or dates on which the liabilities will arise. Details of all material provisions can be found in the notes to the core financial statements (see note 31, page 64). Provisions are required to be recognised when:

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

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

## **13. RESERVES**

Amounts set aside for purposes falling outside the definition of provisions are classified as reserves. The Council has established a number of reserves to fund possible future expenditure. The nature of these reserves is set out in the notes to the core financial statements (see note 33, Page 67).

Capital reserves are not available for revenue purposes, and are accounted for separately. The Council maintains the following capital reserves, some of which can only be used for specific statutory purposes and, in accordance with SORP 2008, have been re-designated as accounts:

- a. Major Repairs Reserve – Note 6 to the Housing Revenue Account on page 102.
- b. Capital Adjustment Account – Note 33a to the Notes to Core Financial Statements on page 68.
- c. Revaluation Reserve – Note 33b to the Notes to Core Financial Statements on page 69.
- d. Capital Reserve – Note 33c to the Notes to Core Financial Statements on page 69.

- e. Usable Capital Receipts Reserve – Note 33d to the Notes to Core Financial Statements on page 70.

#### 14. INTERNAL INSURANCE ARRANGEMENTS

The Council's insurance arrangements involve both internal and external cover. Internal cover is provided by way of an Earmarked Reserve for all claims notified to the Council by 31<sup>st</sup> March each year (the amount provided for those claims being based on advice from the Council's Insurers). Some risks are not fully funded, with losses up to a specified amount being met from revenue as they arise. To obtain insurance cover in the most cost effective manner, the Council has chosen to carry excesses in respect of claims made under liability and material damage insurances. A reserve has been set up from the Council's internal funds to cover uninsured risks. This reserve has been based on the total potential liability that could accrue up to 31<sup>st</sup> March 2009.

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

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

## **15. LEASES**

### **The Council as a Lessee:**

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

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

### **The Council as a Lessor:**

Assets held for use in operating leases are recorded as Tangible Fixed Assets and depreciated over their useful lives. The rentals receivable from these leases are credited to revenue over the life of the lease.

## **16. GOVERNMENT GRANTS AND CONTRIBUTIONS**

Government grants and contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

Government grants and contributions used either wholly or in part to acquire fixed assets are credited to the Government Grants Deferred Account and written off to the relevant service over the useful life of the asset.

## **17. CAPITAL RECEIPTS**

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

Under new regulations introduced from April 2004 the Council is required to pay a percentage of receipts from the sale of housing assets to the Department for Communities and Local Government. This percentage is 75% for dwellings and 50% for any other interest in housing land.

## **18. WORK IN PROGRESS, STOCKS AND STORES**

### **a. Work in Progress**

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

### **b. Stocks and Stores**

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

## **19. PENSIONS**

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 Children, Schools and Families (DCSF).
- 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 mean 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 and the Children and Education Services revenue account in the Income and Expenditure Account is charged with the employer's contributions payable to teachers' pensions in the year.

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).

The change in the net pension's liability is analysed into seven components:

- Current Service Cost – the increase in liabilities as result of years of service earned this year, allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked;
- Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, charged to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid, charged to Net Operating Expenditure in the Income and Expenditure Account;
- Expected Return on Assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return, credited to Net Operating Expenditure in the Income and Expenditure Account;
- Gains/Losses on Settlements and Curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees, charged to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- 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 Statement of Total Recognised Gains and Losses;
- Contributions paid to the Buckinghamshire pension fund – cash paid as employer's contributions to the pension fund.

The accounting treatment for pensions benefits is in accordance with Financial Reporting Standard (FRS) 17. 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 at the Balance Sheet date, even if the actual benefits are paid out over many years into the future. These policies reflect the Council's commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund. The discount rate for pension's liabilities is calculated using the AA Corporate Bond Rate.

In relation to retirement benefits, statutory provisions require the General Fund 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 Statement of Movement on General Fund Balance this means that there are appropriations 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.

Full disclosures in respect of the Local Government Pension Scheme can be found in note 37 to the Core Financial Statements on page 83.

### **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 member 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.

## **20. DEBTORS AND CREDITORS**

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

## **21. OVERHEADS**

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

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

<b>a. Human Resources</b>	Pro rata to number of staff.
<b>b. Payroll</b>	Per payslip.
<b>c. Administrative Buildings</b>	Pro rata to number of staff.
<b>d. Computer Services</b>	Pro rata to number of PC's for Information Technology Hardware.  By system for other Information Technology areas.
<b>e. Payments and Income</b>	Per transaction.

## **22. BAD DEBT AND IMPAIRMENT PROVISIONS**

The 2008 SORP states that where debtors meet the definition of a Financial Instrument, the process of providing for debts is replaced by a requirement to recognise impairment of the balance using the "Incurred losses" basis – reviewing debtors based on historical loss experience and considering current factors such as the economic climate.

The Council has therefore reviewed all debtors which meet this requirement and created an Impairment Provision in order to adjust the carrying amount of the debtor balance to the probable recoverable amount.

This Impairment Provision replaces the Bad Debt Provision which has been taken back to the Income and Expenditure Account as per the SORP guidance.

Details of the Impairment Provision can be found in note 27b to the Core Financial Statements on page 61.

## **23. IMPAIRMENT**

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account

- Otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

## **24. GROUP ACCOUNTS**

Group Accounts as required under SORP 2008, and in accordance with Financial Reporting Standard 2 - Accounting for Subsidiary Undertakings and Financial Reporting Standard 9 - Associates and Joint Ventures.

In 2007/08, the Council set up Connect: MK which is a company that provides broadband services to residents and businesses within the borough of Milton Keynes.

Details of the company can be found in note 40 to the Core Financial Statements on page 89. Full group accounts disclosure is not required for 2008/09 due to the limited activity of the company during the year.

Details of companies to which the Council has appointed directors and who therefore exercise voting rights can be found in note 42 to the Core Financial Statements on page 90. Further significant relationships with companies are disclosed in note 30 under the heading Long Term Contracts on page 63.

## **25. VALUE ADDED TAX**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from it.

## **26. LOANS AND BORROWING**

Loans are measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the rate of interest for the instrument. For all of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and the interest charged to

the Income and Expenditure Account 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 Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

## **27. AREA BASED GRANT**

The Local Area Agreement Grant (LAA) was replaced by the Area Based Grant (ABG) from 1st April 2008. ABG is a non-ring-fenced grant, with no conditions imposed upon its use as part of the grant determination. This ensures that the Council has full control over how the funding can be used. Unlike LAA, ABG is paid directly to the authority that benefits from the grant, rather than being paid to the upper-tier authority with an area, who would act as the accountable body for onward distributions.

ABG is included in the Income and Expenditure Account with other general income sources, such as income from the Collection Fund and Non-Domestic Rate Distribution. A breakdown of general grant income by type can be found in note 15 to the Core Financial Statements on page 50.

## **28. FINANCIAL INSTRUMENTS**

### **a. Financial Liabilities**

Financial liabilities are initially measured at fair value (the amount that the liability could be settled for) and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For all of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

### **b. Financial Assets**

Financial Assets are classified into two types –

- 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.

Loans and receivables – Loans and receivables are initially measured at fair value and carries at amortised cost. Annual credits to the Income and Expenditure Account 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 Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Available for sale assets – The Council does not hold any available for sale financial assets.

## **29. 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

## **1. THE COUNCIL'S RESPONSIBILITIES**

The Council is required:

- a)** to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the 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.

On behalf of the Council:

Councillor Brian White  
Chair of the Audit Committee

## **2. 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 2005 ("the Code of Practice").

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

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

The Chief Finance Officer has also:

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

The Statement of Accounts presents fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2009.

Tim Hannam  
Corporate Director - Finance and Risk Management  
Chief Financial Officer  
Date

**1. INCOME AND EXPENDITURE ACCOUNT**

This account summarises the resources that have been applied and generated in providing services and managing the Council during the last year. It includes all day-to-day expenses on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and real value of retirement benefits earned by employees in the year.

<b>2007/08</b>		<b>2008/09</b>	<b>2008/09</b>	<b>2008/09</b>
<b>Net</b>		<b>Exp</b>	<b>Inc</b>	<b>Net</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
43,225	Adult Social Care	70,353	(22,617)	47,736
	Central Services			
5,649	Corporate and Democratic Core	7,937	(69)	7,868
840	Non-Distributed Costs	3,043	0	3,043
179	Central Services to the Public	14,566	(14,404)	162
	Cultural and Related Services			
16,086	Cultural Services	24,216	(3,490)	20,726
22,333	Environmental Services	32,016	(4,408)	27,608
6,093	Planning and Development Services	10,351	(4,585)	5,766
	Children's and Education Services			
74,003	Education	442,084	(394,657)	47,427
26,139	Children's Social Care	43,405	(10,117)	33,288
12,406	Highways, Roads and Transport Services	32,387	(10,908)	21,479
(858)	Local Authority Housing	210,164	(47,638)	162,526
3,123	Housing Services	78,673	(75,916)	2,757
998	Court Services	325	(3)	322
<b>210,216</b>	<b>Net Cost of Services</b>	<b>969,520</b>	<b>(588,812)</b>	<b>380,708</b>
4,435	Loss on Disposal of Fixed Assets			183
4,122	Parish Council Precepts			4,460
(66)	Net Loss on Trading Operations			965
16,513	Interest Payable and Similar Charges			18,651
2,001	Contribution to Housing Capital Receipts			548
(9,837)	Interest and Investment Income			(7,792)
4,798	Pensions Interest Cost and Expected Return on Pension Assets			7,707
368	Levies			377
<b>232,550</b>	<b>Net Operating Expenditure</b>			<b>405,807</b>
(83,443)	Demand on Collection Fund			(88,950)
(13,851)	General Government Grants			(20,782)
(63,046)	Non-Domestic Rate Re-Distributable			(71,300)
<b>72,210</b>	<b>(Surplus)/Deficit for the Year</b>			<b>224,775</b>

**2. STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

The Income and Expenditure Account on page 29 shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- \* Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed;
- \* Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance shows whether the Council has over or under spent against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The amounts in addition to the Income and Expenditure Account surplus or deficit for the year that are required by statute and non-statutory proper practices to be charged or credited to the General Fund in determining the movement on the General Fund Balance for the year are as follows:

<b>2007/08</b> <b>£'000</b>		<b>2008/09</b> <b>£'000</b>
72,210	(Surplus)/Deficit for the year on the Income & Expenditure Account	224,775
	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	
<u>(75,357)</u>		<u>(214,419)</u>
(3,147)	(Increase)/Decrease in General Fund Balance for the year	10,356
(23,835)	General Fund Balance brought forward	(26,982)
<u><b>(26,982)</b></u>	General Fund Balance carried forward	<u><b>(16,626)</b></u>
	Amount of General Fund Balance held by schools under Local Management Schemes	
(8,225)		(9,165)
	Amount of General Fund Balance generally available for new expenditure	
(18,757)		(7,461)
<u><b>(26,982)</b></u>		<u><b>(16,626)</b></u>

**3. STATUTORY AND NON-STATUTORY ADJUSTMENTS TO THE INCOME AND EXPENDITURE ACCOUNT**

The table below provides a breakdown of the amounts additional to the surplus or deficit on the income & expenditure account that are required by statute and non-statutory proper practices to be debited or credited to the general fund for the year:

<b>2007/08 £'000</b>		<b>2008/09 £'000</b>
(35)	Amortisation of Intangible Fixed Assets	(125)
(79,155)	Depreciation and Impairment of Fixed Assets	(211,507)
32,720	Government Grants Deferred Amortisation	829
(33,384)	Revenue Expenditure Funded from Capital Under Statute	(10,609)
(4,435)	Net loss on sale of fixed assets	(183)
150	Differences between statutory debits/credits and amounts recognised as income and expenditure in relation to Financial Instruments	82
(17,852)	Net charges made for retirement benefits in accordance with FRS17	(26,999)
<b>(101,991)</b>	<b>Amounts included in the Income &amp; Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>	<b>(248,512)</b>
6,215	Minimum Revenue Provision for capital financing	7,389
192	Capital expenditure charged in year to the General Fund Balance	1,386
2493	Capital expenditure charged in year to the HRA Balance	3,357
(2,001)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(548)
14,379	Employers Contributions payable to the Bucks County Council Pension Fund and retirement benefits payable direct to pensioners	14,551
<b>21,278</b>	<b>Amounts not included in the Income &amp; Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>	<b>26,135</b>
3,641	Housing Revenue Account Balance	(550)
1,959	In Year Write Down of Prepayment re LGR Transferred Debt	1,959
0	Voluntary Revenue Provision for capital financing	0
(244)	Net transfer to or from earmarked reserves	6,549
<b>5,356</b>	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>	<b>7,958</b>
<b>(75,357)</b>	<b>Net additional amount required to be credited to the General Fund Balance for the year</b>	<b>(214,419)</b>

**4. STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

This statement brings together all of the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

<b>2007/08</b>		<b>2008/09</b>
<b>£'000</b>		<b>£'000</b>
72,210	Deficit for the year on the Income and Expenditure Account	224,775
(40,635)	Surplus arising on revaluation of fixed assets	(42,087)
(7,848)	Actuarial (Gains)/losses on pension fund assets	1,468
188	(Gain)/Loss on Collection Fund	(347)
0	Other Gains and Losses	82
<b><u>23,915</u></b>	<b>Total Recognised (Gain)/Loss for the year</b>	<b><u>183,891</u></b>

**5) BALANCE SHEET**

This account shows the Council's final position as at 31<sup>st</sup> March 2009.

2007/08 £'000		2008/09 £'000
339	<b>Intangible Assets</b>	416
	<b>Tangible Fixed Assets</b>	
	Operational Assets:	
691,576	Council Dwellings	524,832
392,811	Other Land and Buildings	415,737
6,747	Vehicles, Plant and Equipment	6,209
69,188	Infrastructure Assets	95,055
254	Community Assets	256
	Non-Operational Assets:	
63,334	Fixed Assets in Use/Investment Properties	66,980
35,055	Fixed Assets Under Construction	54,237
<b>1,259,304</b>	<b>Total Fixed Assets</b>	<b>1,163,722</b>
8,809	<b>Long-Term Investments</b>	6,305
216	<b>Long-Term Debtors</b>	259
<b>1,268,329</b>	<b>Total Long-Term Assets</b>	<b>1,170,286</b>
	<b>Current Assets</b>	
214	Stocks and Work in Progress	313
98,929	Debtors (including Payments in Advance)	84,577
(9,416)	Less: Provision for Impairment of Loans and Receivables	(9,177)
95,344	Investments	103,797
276	Cash and Bank	89
<b>185,347</b>		<b>179,599</b>
<b>1,453,676</b>	<b>Total Assets</b>	<b>1,349,885</b>
	<b>Current Liabilities</b>	
(3,044)	Borrowing repayable on demand or within 12 months	0
(71,767)	Creditors (including Income in Advance)	(72,569)
(16,200)	Bank Overdraft	(13,107)
<b>(91,011)</b>		<b>(85,676)</b>
<b>94,336</b>	<b>Total Net Current Assets</b>	<b>93,923</b>
<b>1,362,665</b>	<b>Total Assets less Current Liabilities</b>	<b>1,264,209</b>
(320,442)	Borrowing repayable within a period in excess of 12 months	(320,863)
(17)	Deferred Liabilities	0
(1,817)	Provisions	(1,415)
(6,384)	Capital Grants Unapplied	(26,686)
(452)	Third Party Contributions Unapplied	(1,669)
(36,822)	Government Grants Deferred & Third Party Contributions	(87,321)
(110,669)	Liability Related Defined Benefit Pension Scheme	(124,084)
<b>886,062</b>	<b>Total Assets less Liabilities</b>	<b>702,171</b>
	<b>Represented by:</b>	
68,918	Revaluation Reserve	107,121
874,173	Capital Adjustment Account	668,785
1,228	Capital Reserve	471
3,874	Usable Capital Receipts Reserve	4,140
(1,216)	Financial Instruments Adjustment Account	(628)
108	Deferred Capital Receipts	97
(110,669)	Pension Reserve	(124,084)
11,279	Earmarked Reserves	17,395
	Balances:	
18,757	General Fund and Non-Earmarked Reserves	7,461
(197)	Collection Fund Residual Balance - Milton Keynes Council	150
6,693	Housing Revenue Account	6,143
13,114	LMS/Foundation Schools Reserve	15,120
<b>886,062</b>	<b>Total Net Worth</b>	<b>702,171</b>

**6) CASH FLOW STATEMENT**

2007/08			2008/09	
£'000	£'000		£'000	£'000
		<b>REVENUE ACTIVITIES</b>		
		<u>Cash Outflows</u>		
223,429		Cash paid to and on behalf of Employees	235,777	
275,992		Other Operating Cash Payments	331,330	
37,085		Housing Benefit paid out	46,001	
19,066		Precepts Paid	20,410	
130,427		NNDR Payments to National Pool	135,428	
33,294	719,293	Revenue Expenditure Funded from Capital under Statute	10,609	779,555
		<u>Cash Inflows</u>		
(20,760)		Rents (after rebates)	(21,908)	
(86,878)		Council Tax Receipts	(92,045)	
(120,670)		NNDR Receipts	(133,369)	
(63,046)		NNDR Receipts from National Pool	(71,300)	
0		Net Adjusting Receipts in respect of NNDR Pool	(9,071)	
(10,580)		Revenue Support Grant	(9,926)	
(2,000)		Targeted Support Grant	0	
(72,242)		DWP Grants for Benefits	(84,227)	
0		Area Based Grant	(9,806)	
(136,792)		Other Government Grants	(287,197)	
(58,003)		Cash Received for Goods and Services	(37,240)	
(132,795)	(703,766)	Other Operating Cash Receipts	(25,155)	(781,244)
	<u>15,527</u>	<b>Revenue Activities</b>		<u>(1,689)</u>
		<b>RETURNS ON INVESTMENTS &amp; SERVICING OF FINANCE</b>		
		<u>Cash Outflows</u>		
21,542		Interest paid	19,578	
5	21,547	Interest element of Finance Lease rental payments	4	19,582
		<u>Cash Inflows</u>		
	(7,188)	Interest received		(8,611)
	<u>14,359</u>	<b>Returns on Investments &amp; Servicing of Finance</b>		<u>10,971</u>
		<b>CAPITAL ACTIVITIES</b>		
		<u>Cash Outflows</u>		
82,762		Purchase of Fixed Assets	83,251	
5,000		Purchase of Long-Term Investment	4,000	
2,001		Payments to the Capital Receipts Pool	548	
18	89,781	Other Capital Cash Payments	0	87,799
		<u>Cash Inflows</u>		
(3,186)		Sale of Fixed Assets	(2,317)	
(54,507)		Capital Grants received	(81,443)	
(7,032)	(64,725)	Other Capital Cash Receipts	(23,241)	(107,001)
	<u>25,056</u>	<b>Capital Activities</b>		<u>(19,202)</u>
		<b>MANAGEMENT OF LIQUID RESOURCES</b>		
(6,361)		Net increase/decrease in short term deposits	3,953	
	<u>(6,361)</u>	<b>Management of Liquid Resources</b>		<u>3,953</u>
	<u>48,581</u>	<b>Net cash inflow/outflow before financing</b>		<u>(5,967)</u>
		<b>FINANCING</b>		
		<u>Cash Outflows</u>		
0		Repayments of amounts borrowed	44,694	
22	22	Capital element of Finance Lease rental payments	17	44,711
		<u>Cash Inflows</u>		
	(42,282)	New Loans raised		(41,650)
	<u>(42,260)</u>	<b>Financing</b>		<u>3,061</u>
	<u>6,321</u>	<b>Net Decrease/(Increase) in Cash</b>		<u>(2,906)</u>

**1) TRADING SERVICES**

2007/08 (Surplus)/ Deficit £'000		2008/09 Expenditure £'000	2008/09 Income £'000	2008/09 (Surplus)/ Deficit £'000
985	a) Commercial Properties	601	(648)	(47)
(763)	b) Architecture MK	3,214	(1,370)	1,844
(30)	c) Building	1,441	(1,477)	(36)
425	d) Catering	0	(87)	(87)
(151)	e) Transport Fleet	2,566	(2,731)	(165)
113	f) Emberton Park	326	(200)	126
0	g) Stores	566	(566)	0
(237)	h) Highways	5,694	(6,134)	(440)
(10)	i) Vehicle Maintenance	451	(461)	(10)
(158)	j) Landscape	3,813	(3,966)	(153)
1	k) Play Areas	111	(107)	4
0	l) Hospitality Services	140	(171)	(31)
(241)	m) Broadband	345	(385)	(40)
<u>(66)</u>	<b>Total</b>	<u>19,268</u>	<u>(18,303)</u>	<u>965</u>

**a. Commercial Properties**

The Council received a number of commercial properties in June 1992, following the wind-up of the Development Corporation. The Council receives income from these properties and this income is offset against any expenditure incurred by the service.

**b. Architecture MK**

Architecture MK worked within the Council providing a professional service designing new schools and other buildings. It also provided a maintenance service for the Council's corporate buildings. Architecture MK also carried out work for outside bodies providing income to the Council. During 2008/9, it was decided that this activity should be discontinued. Although this service has closed, there is still limited potential for costs and income in 2009/10.

**c. Building**

A small unit is maintained by the Council to undertake small building maintenance works. This includes the Synergy Depot and key holding services.

**d. Catering**

This service provided a catering service to several schools in the area, as well as operating the schools packed lunch service. The service closed on 4<sup>th</sup> April 2008.

**e. Transport Fleet**

Streetcare provides a successful Fleet Management Service for the Council.

**f. Emberton Park**

Streetcare continued to manage the operation of Emberton Park throughout 2008/09.

**g. Stores**

The stores area provides a wide range of materials for all the trading activities within Streetcare. It also provides a service for all other areas of Milton Keynes Council on a commercial basis.

**h. Highways**

The Highways DSO work group undertakes a range of highways maintenance and construction activities for a number of areas of the Council, primarily for the Environment directorate. This includes a 24 hour emergency service and winter gritting, snow clearing etc.

**i. Vehicle Maintenance**

Streetcare operated the vehicle maintenance contract for the Council in 2008/09.

**j. Landscape**

Streetcare carries out landscape maintenance work for the Council, as well as schools and public bodies in the area.

**k. Play Areas**

Streetcare carries out maintenance work on play areas within the borough for the Council.

**l. Hospitality Services**

Streetcare carries out a catering hospitality service to officers and members of the Council to service meetings and functions.

**m. Broadband**

This service provides broadband (MKSchools.net) to schools and receives subscription income from them. The capital costs are funded by the schools, and they have the option to use MKSchools.net as their broadband provider.

**2) PUBLICITY**

Total expenditure on publicity during 2008/2009 is detailed below:

<b>2007/08</b>		<b>2008/09</b>
<b>£'000</b>		<b>£'000</b>
900	Recruitment Advertising	896
75	Statutory and Public Notices	97
0	Housing Stock - Tenant Consultation	0
95	Publishing LiveMK	76
34	Publishing Mk@Work	19
300	Other Advertising and Publicity Expenditure	375
<b><u>1,404</u></b>		<b><u>1,463</u></b>

Other Advertising and Publicity Expenditure totalling £375,000 was mainly spent on advertising and promotional items relating to planning and transport, highways and traffic and transportation special events along with brochures for Adult Education.

**3) BUILDING CONTROL TRADING ACCOUNT**

<b>Building Regulations Charging Account 2008/09</b>	<b>Chargeable 2008/09 £'000</b>	<b>Non- Chargeable 2008/09 £'000</b>	<b>Total Building Control 2008/09 £'000</b>
<b>Expenditure</b>			
Employee Expenses	487	149	636
Premises	0	0	0
Transport	21	7	28
Supplies and Services	70	13	83
Central and Support Service Charges	186	57	243
<b>Total Expenditure</b>	<b>764</b>	<b>226</b>	<b>990</b>
<b>Income</b>			
Building Regulation Charges	(574)	0	(574)
Miscellaneous Income	0	(2)	(2)
<b>Total Income</b>	<b>(574)</b>	<b>(2)</b>	<b>(576)</b>
<b>(Surplus)/Deficit for the year</b>	<b>190</b>	<b>224</b>	<b>414</b>
<b>Three Year Rolling Programme</b>			
2006/2007	2		
2007/2008	220		
2008/2009	190		
<b>Total Deficit</b>	<b>412</b>		

The Building (Local Authority Charges) Regulations 1998 require an authority to determine a scale of charges such that the income it is reasonably expected will be derived shall not be less than the costs directly or indirectly incurred in performing the Building Regulation functions over a continuous three year period. The amount of income and proper costs related to the Scheme in the financial year 2008/09 together with comparator figures for the previous two years is shown in the table above.

**Building Control Scheme and Scale of Charges**

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

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

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

Milton Keynes Council and all Buckinghamshire District Councils decided to use the same scale of charges, with minor variations based on the model scheme produced by the Local Government Association.

#### 4) AGENCY EXPENDITURE

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

2007/08 Net Sum Recovered £'000		2008/09 Expenditure £'000	2008/09 Net Sum Recovered £'000
17	<b>English Partnerships</b> Street Lighting	26	26
1,712	<b>Primary Care Trust</b> Care Home Placements	2,226	2,226
<u><u>1,729</u></u>	<b>Total</b>	<u><u>2,252</u></u>	<u><u>2,252</u></u>

Since 2003, the Council has acted as an agent for Milton Keynes Primary Care NHS Trust in respect of the provision of nursing care to residents in care homes and the payment for that care.

**5) PERMITTED AND SPECIAL PARKING AREA ACCOUNT**

The Council was designated a Permitted and Special Parking Area from 25<sup>th</sup> 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.

<b>2007/08</b> <b>£'000</b>		<b>2008/09</b> <b>£'000</b>
	<b>Expenditure</b>	
1,306	Contractors Management Fee	1,374
53	Pay and Display Installation Costs	59
154	Staffing Cost	222
182	Supplies and Services	177
181	Support Costs	189
23	Surveys and Fees	24
21	Decriminalised Costs	36
6	CMK Pay to Park	3
15	CMK Parking	0
150	Signing Costs	19
31	Audit Fees	0
0	Landscaping	37
67	Street Lighting	125
9	Highway Management	10
20	Gully Emptying	10
<b>2,218</b>	<b>Total Expenditure</b>	<b>2,285</b>
	<b>Income</b>	
(932)	Excess Charge/Penalty Charge Notices	(841)
(633)	Business Permits	(560)
(14)	Suspensions	(15)
(392)	Scratch Cards	(410)
(5,792)	Pay and Display Income	(5,723)
0	Court Costs Recovered	0
0	Default Notifications	0
<b>(7,763)</b>	<b>Total Income</b>	<b>(7,549)</b>
<b>(5,545)</b>	<b>Surplus achieved in year</b>	<b>(5,264)</b>
<b>550</b>	<b>Transfer to Special Parking Reserve</b>	<b>0</b>
<b>(4,995)</b>	<b>Surplus for the year</b>	<b>(5,264)</b>

The surplus of £5,264,000 has been fully spent during the year to fund a variety of traffic and transportation projects. Examples of such projects undertaken include provision and maintenance of off-street car parking (£574,000), residential parking grant (£75,000), passenger transport subsidies, including rural and community transport (£2,939,000), concessionary fares (£1,825,000).

**6) SUPPLY OF GOODS AND SERVICES TO OTHER LOCAL AUTHORITIES AND BODIES**

The Council received income of £2,093,000 in 2008/2009 in respect of the provision of professional services under the Local Government (Goods and Services) Act 1970 (£1,866,000 2007/2008), and the related expenditure was £2,087,000 in 2008/09 (1,866,000 in 2007/08).

**7) POOLED BUDGET SCHEMES ESTABLISHED UNDER THE HEALTH ACT 1999**

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

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

**a. Integrated Community Equipment Service (ICES)**

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

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

2007/08 £'000	Integrated Community Equipment Service (ICES)	2008/09 £'000
	<b>Gross Funding</b>	
(211)	Milton Keynes Council	(181)
(137)	Milton Keynes Primary Care Trust	(219)
<u>(348)</u>	<b>Total Funding</b>	<u>(400)</u>
376	<b>Expenditure</b>	400
<u>376</u>	<b>Total Expenditure</b>	<u>400</u>
<u>28</u>	<b>Net (Surplus)/Deficit</b>	<u>0</u>
(28)	<b>Net Surplus Brought Forward</b>	0
<u>0</u>	<b>Net Surplus Carried Forward</b>	<u>0</u>

**b. Mental Health**

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

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

<b>2007/08</b>	<b>Mental Health</b>	<b>2008/09</b>
<b>£'000</b>		<b>£'000</b>
	<b>Gross Funding</b>	
(3,363)	Milton Keynes Council	(3,669)
(12,891)	Milton Keynes Primary Care Trust	(12,809)
0	Miscellaneous	0
<b>(16,254)</b>	<b>Total Funding</b>	<b>(16,478)</b>
	<b>Expenditure</b>	
2,627	Commissioning	1,906
13,297	Provider	14,200
<b>15,924</b>	<b>Total Expenditure</b>	<b>16,106</b>
<b>(330)</b>	<b>Net Surplus</b>	<b>(372)</b>

**c. Learning Disability**

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

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

<b>2007/08</b>	<b>Learning Disability</b>	<b>2008/09</b>
<b>£'000</b>		<b>£'000</b>
	<b>Gross Funding</b>	
(11,370)	Milton Keynes Council	(12,391)
(2,237)	Milton Keynes Primary Care Trust	(2,605)
<b>(13,607)</b>	<b>Total Funding</b>	<b>(14,996)</b>
	<b>Expenditure</b>	
203	Senior Management	121
539	Team A / Intake and Assessment	344
297	T & D, QA & Policy / Training Quality & Review	462
357	Team B / Mental Health & Learning Disability	279
3,619	External Residential Care	4,447
1,110	Fremantle	640
280	MacIntyre	112
0	Group Homes	6
1,067	Mathieson Road	1,087
2,486	Internal Day Care	2,534
397	Purchased Day Care	426
139	Thrift Farm	146
189	External Domiciliary	203
128	Direct Payments	144
715	Peripatetic	664
1,103	External Supported Living	2,399
278	Psychology & Challenging Behaviour	293
215	Medical Services	224
246	Supported Employment	234
239	Learning Disability Development Fund	231
<b>13,607</b>	<b>Total Expenditure</b>	<b>14,996</b>
<b>0</b>	<b>Net (Surplus)/Deficit</b>	<b>0</b>

## 8) MEMBERS ALLOWANCES

Total Members' Allowances paid during 2008/2009 were as follows:

2007/08 £'000		2008/09 £'000
470	Basic Allowance	486
189	Special Responsibility Allowance	199
0	Telephone and Incidental Allowance	6
0	Travel and Subsistence payments	17
<u>659</u>	<b>TOTAL</b>	<u>708</u>

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

Disclosure of Telephone and Incidental Allowance and Travel and Subsistence Payments is a new requirement for the 2008/09 accounts.

## 9) EMOLUMENTS

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

2007/08 Number of Employees	£ Band	2008/09 Number of Employees	2008/09 Number of Redundancies
166	50,000 - 59,999	158	6
55	60,000 - 69,999	89	0
16	70,000 - 79,999	19	2
8	80,000 - 89,999	11	0
5	90,000 - 99,999	4	0
3	100,000 - 109,999	5	0
2	110,000 - 119,999	2	0
0	120,000 - 129,999	0	0
0	130,000 - 139,999	2	0
1	140,000 - 149,999	0	0
0	150,000 - 159,999	0	0
0	160,000 - 169,999	0	0
0	170,000 - 179,999	1	0
<u>256</u>		<u>291</u>	<u>8</u>

## **10) RELATED PARTY TRANSACTIONS**

The Council is required to disclose material transactions with related parties – bodies or individuals – that have the potential to control or influence the council or to be controlled or influenced by the Council. Disclosure of these transactions allows an assessment of the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

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

All members of the Council, Chief Officers and Heads of Service were sent a questionnaire asking them to disclose any transactions with related parties. Consideration has also been given to the Declarations of Interests supplied by officers. Material transactions have been identified using the Related Party Transaction Questionnaires, the Declarations of Interests and the Register of Members' interests.

Members of the Council have direct control over the Council's financial and operating policies. During 2008/09, works and services to the value of £2,130,000 (£1,756,000 2007/08) were commissioned from companies in which 35 members had an interest. Of this amount £135,000 was paid over to Milton Keynes College. This figure comprises a large number of smaller payments relating to a variety of services, for example course fees and room hire. The Council has appointed a member as a governor of the College. A Further £292,000 was paid over to the Milton Keynes Council of Voluntary organisations. This figure comprises a large number of smaller payments predominantly relating to the Children's Fund Mobiliser Unit.

The Council awarded grants totalling £1,107,000 (£1,808,000 2007/08) to voluntary organisations in which 22 members had an interest. Grants totalling £424,000 (£479,000 2007/08) was awarded to Woughton Leisure Trust for the provision and management of leisure activities. The Leisure Trust also received £11,000 in Discretionary rate relief. One councillor is a member of Woughton Leisure Trust.

Income received during 2008/09 totalled £2,817,000 (£1,455,000 2007/08) from 37 organisations in which 34 members had an interest. Of this sum, £485,000 (£481,000 2007/08) was received from Woughton Leisure Trust for the provision of payroll services and various leisure related services, and £162,000 was received from Milton Keynes College relating to Course fees

In addition Discretionary Rate Relief of £94,000 was awarded to 21 organisations in which 19 members had an interest.

Two Members are on the board of the Shenley Leisure Centre Trust with one also representing the Council on the board of Shenley Leisure Centre Trading Ltd. Transactions between the Council and the Leisure Trust in 2008/09 totalled £262,000 in grants (£257,000 2007/08), £2,700 (£36,000 2007/08) in works and services and £10,000 in discretionary rate relief which has remained the same from 2007/08. There were no transactions in 2008/09 between the Council and the Trading Company.

Details of all the transactions summarised in the table are available for inspection on request and are included in the Income and Expenditure Account on page 29. No other material related party transactions have been disclosed.

## 11) EXTERNAL AUDIT COSTS

The total amount paid to the Audit Commission during 2008/2009 is as follows:

2007/08 £'000		2008/09 £'000
326	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed Auditor	430
55	Fees payable to the Audit Commission in respect of statutory inspection	25
75	Fees payable to the Audit Commission for the certification of grant claims and returns	68
<u>456</u>		<u>523</u>

## 12) LEASES

### The Council as a Lessee:

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

The Council has acquired Information Technology, furniture and catering equipment under finance leases. The amounts paid under these arrangements were as follows:

2007/08 £'000		2008/09 £'000
	<b>Operating Leases</b>	
1,161	Vehicles, Plant and Equipment	1,172
1,578	Land and Buildings	1,393
	<b>Finance Leases*</b>	
27	Vehicles, Plant and Equipment	21
<u><u>2,766</u></u>	<b>Total</b>	<u><u>2,586</u></u>

\*The rentals payable under Finance Leases in 2008/09 were split as follows:

- i. £4,000 – Relates to finance costs charged to the Income and Expenditure Account;
- ii. £17,000 – Relates to the capital element of the payment, which reduces the obligation to the Lessor.

There are no outstanding obligations to make payments under finance leases (excluding finance costs) at 31<sup>st</sup> March 2009.

The Council was committed at 31<sup>st</sup> March 2009 to making the following payments under operating leases in 2009/10:

	Vehicles, Plant, Furniture and Equipment £'000	Other Land and Buildings £'000	Total £'000
Leases expiring in 2009/10	19	50	69
Leases expiring between 2010/11 and 2013/14	770	168	938
Leases expiring after 2013/14	75	1,194	1,269
<b>Total</b>	<u><u>864</u></u>	<u><u>1,412</u></u>	<u><u>2,276</u></u>

**The Council as a Lessor:**

The Council has granted a number of leases which are accounted for as operating leases. The total amount of rentals receivable in 2008/09 is £2,000,000 (£2,000,000 in 2007/08).

With regard to the Council's activities as a Lessor, the gross value of assets held in operating leases was £107,000,000 with a total accumulated depreciation of £3,000,000 at 31<sup>st</sup> March 2009.

**13) DEDICATED SCHOOLS GRANT**

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families, 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 (England) Regulations 2008. 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.

Details of the deployment of DSG receivable for 2008/09 are as follows:

	Central Expenditure £'000	ISB £'000	Total £'000
<b>Final DSG for 2008/09</b>			(148,576)
(Deficit) Brought forward from 2007/08			488
Carry forward to 2009/10 Agreed in Advance			(414)
<b>Agreed Budgeted distribution of DSG in 2008/09</b>	<b>(15,186)</b>	<b>(133,316)</b>	<b>(148,502)</b>
Actual Central Expenditure (excluding funds devolved/delegated to schools in year )	12,484	0	12,484
Actual ISB deployed to Schools (after allocation of contingencies etc from Central Expenditure Budgets delegated/devolved to schools in year)	0	135,958	135,958
Local Authority Contribution for 2009/10	(68)	(594)	(662)
<b>Total DSG Carried Forward to 2009/10</b>	<b><u>(2,770)</u></b>	<b><u>2,048</u></b>	<b><u>(722)</u></b>
Carry forward to 2009/10 Previously Agreed (above)			<b>(414)</b>
Additional DSG Carry Forward to 2009/10			<b>(308)</b>
<b>Total DSG Carried Forward to 2009/10</b>			<b><u>(722)</u></b>

**14) LOCAL AREA AGREEMENT GRANT**

In 2007/08 the Council was a participant in a Local Area Agreement Grant (LAA) – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services.

In 2008/09 the Area Based Grant (ABG) replaced the LAA Grant. The Area Based Grant builds on the work of the LAA grant by further increasing local flexibility over the use of resources, and reducing reporting requirements. Unlike the LAA grant, which was allocated for the purposes of supporting the achievement of LAA targets, Area Based Grant is a non-ring fenced general grant. Details of the ABG can be found in the Note 15 to the Core Financial Statements on page 50.

The authority was permitted to carry forward 5% of the total LAA grant income received in 2007/08 to the value of £164,000. This carry forward has been fully spent in 2008/09.

The LAA Grant was reported as part of the Net Cost of Services in the I&E Account in 2007/08, however, the ABG is to be included in General Government Grants, below Net Operating Expenditure in from 2008/09 onwards. Please see note 15 of the Notes to the Core Financial Statements for details.

Details of amounts carried forward are provided in the table below:

<b>Funding Stream</b>	<b>Funding £'000</b>
Waste Performance and Efficiency Grant	0
CYP Travel to School Initiative (School Modal Shift Grant)	0
Safer and Stronger Community Fund	24
Anti Social Behaviour Grant	0
Drugs Partnership Support Grant	0
Rural, Social and Community Programme	2
School Development Grant Fund	35
Children's Services Grant	0
Key Stage 3 Behaviour and Attendance	0
Key Stage 3 Secondary Co-ordination	95
PAYP - Positive Activities for Young People	6
Primary Strategy Central Co-ordination	2
<b>Total</b>	<b>164</b>

**15) GENERAL GOVERNMENT GRANTS**

Total income from General Government Grants during 2008/09 is detailed below:

	<b>2008/09 £'000</b>
Revenue Support Grant	(9,926)
Local Authority Business Grant Initiative	(1,050)
Area Based Grant	(9,806)
	<u><u><b>(20,782)</b></u></u>

**Revenue Support Grant**

Revenue Support Grant is provided by the Department for Communities and Local Government (DCLG) and is based on the Government's assessment as to what should be spent on local services. The amount is fixed at the beginning of each financial year.

**Local Authority Business Grant Initiative**

The Local Authority Business Growth Incentive (LABGI) Scheme rewards local authorities for successfully encouraging new business growth. It allows local authorities to retain a share of increased National Domestic Rate (NDR) revenue through the payment of an unringfenced government grant. The scheme began in 2005/06.

**Area Based Grant**

Area based grant (ABG) replaced Local Area Agreement (LAA) grant from 2008/09. Unlike LAA grant, ABG is a non-ring fenced general grant. As such, no conditions on use are imposed as part of the ABG determination, and its use is not restricted to supporting the achievement of the LAA targets.

The SORP requires ABG to be accounted for as a general grant, which should be included in the Income & Expenditure Account with other general income sources such as income from the collection fund and NDR distributions.

As with any other non-ring fenced general grant, any amount unspent at the end of the year is included in the General Fund Balance.

**16) INTANGIBLE FIXED ASSETS**

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

<b>2007/08 £'000</b>		<b>Purchased Software/ Licences £'000</b>	<b>Custom Built Software/ Development £'000</b>	<b>2008/09 £'000</b>
759	Balance at 1 April 2008	339	0	339
(650)	Reclassifications	0	0	0
266	Expenditure in the year	202	0	202
(36)	Written off to Revenue in the year	(125)	0	(125)
<b>339</b>	<b>Balance at 31 March 2009</b>	<b>416</b>	<b>0</b>	<b>416</b>

A de minimus level of £1,000 has been applied to expenditure on Intangible Fixed Assets.

The total purchased software licenses of £416,000 will be amortised over their useful economic lives of three years.

17) TANGIBLE FIXED ASSETS

	OPERATIONAL ASSETS					Community Assets	NON OPERATIONAL ASSETS			Total £'000
	Council Dwellings £'000	Other Land & Buildings £'000	Vehicle, Plant & Equipment		Infra-structure Assets £'000		Surplus £'000	Investment Properties £'000	Assets Under Construction £'000	
			Finance Lease £'000	Other £'000						
<b>Cost or Valuation</b>										
Gross Book Value at 1 April 2008	691,576	399,500	105	10,140	85,293	254	8,820	54,514	35,055	1,285,257
<b>Additions</b>										
From Capital Expenditure	11,553	3,152	0	783	7,298	2	0	132	63,886	86,806
Donations	0	0	0	18	0	0	0	0	0	18
Disposals	(1,008)	(1,461)	0	(51)	0	0	(2,757)	(48)	0	(5,325)
Reclassifications	(45)	20,610	(18)	18	20,764	0	577	1,114	(43,020)	0
Revaluations	844	32,896	0	0	0	0	2,921	5,057	0	41,718
Impairments	(158,213)	(29,290)	0	0	0	0	(26)	(3,324)	0	(190,853)
<b>Other Movements</b>										
Transfer to Revenue	0	0	0	0	0	0	0	0	(1,684)	(1,684)
Valuation Adjustment	(9,627)	0	0	0	0	0	0	0	0	(9,627)
Gross Book value at 31 March 2009	535,080	425,407	87	10,908	113,355	256	9,535	57,445	54,237	1,206,310
<b>Depreciation and Impairment</b>										
Depreciation value at 1 April 2008	0	(6,690)	(81)	(3,376)	(16,105)	0	0	0	0	(26,252)
Impairment value at 1 April 2008	0	0	0	(41)	0	0	0	0	0	(41)
Depreciation charge in year	(9,627)	(8,304)	(19)	(1,254)	(2,195)	0	0	0	0	(21,399)
Impairment charge in year	(10,248)	(1,399)	0	(66)	0	0	0	(48)	0	(11,761)
Disposals	0	1,461	0	51	0	0	0	48	0	1,560
Reclassifications	(24)	103	18	(18)	0	0	0	(79)	0	0
Revaluations	9,651	5,159	0	0	0	0	0	79	0	14,889
Balance Sheet Amount at 31 March 2009	524,832	415,737	5	6,204	95,055	256	9,535	57,445	54,237	1,163,306
Balance Sheet Amount at 1 April 2008	691,576	392,810	24	6,723	69,188	254	8,820	54,514	35,055	1,258,964
<b>Summary of Depreciation &amp; Impairment</b>										
Accumulated Depreciation at 31 March 2009	0	(9,671)	(82)	(4,627)	(18,300)	0	0	0	0	(32,680)
Accumulated Impairment at 31 March 2009	(10,248)	0	0	(76)	0	0	0	0	0	(10,324)
	(10,248)	(9,671)	(82)	(4,703)	(18,300)	0	0	0	0	(43,004)

## **FIXED ASSET VALUATION**

- i. The Council has a five year rolling programme for undertaking valuations of its property assets. In the 2008 valuations all those properties not valued within the previous five years, excluding Council Dwellings, were valued by R J Harris BSc (Est. Man.) FRICS, Jonathon Willson BSc FRICS and Ian Vivian MRICS of Mouchel Business Services Ltd, the appointed external valuers.

The valuation date was 1<sup>st</sup> April 2008 in accordance with the revised Code of Practice – A Statement of Recommended Practice (the SORP) produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) on Local Authority Accounting.

The valuations were prepared in accordance with the Valuations Standards 6<sup>th</sup> Edition of the Royal Institution of Chartered Surveyors. In accordance with the relaxations agreed between the RICS and CIPFA, not all properties were inspected.

Council Dwellings have been valued as at 1<sup>st</sup> April 2008 by external valuers Countrywide Chartered Surveyors in accordance with DTLR Guidance on Stock Valuation and the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards. The deflation decrease in 2008/09 has been estimated based on the Land Registry House Price Index Report for Milton Keynes. An impairment charge for the consumption of economic benefit has been made at 31<sup>st</sup> March 2009.

- ii. Assets which transferred to the Council from English Partnerships are subject to 'clawback' on disposal: compensation in respect of transferred asset value. In 2008/2009 the Council paid £715,092 in clawback on housing stock sales of £1,251,920. As at 31<sup>st</sup> March 2009 60.1% of the Council's housing stock and 3.5% of the non-housing stock are subject to clawback.
- iii. A review has been undertaken of the Council's property portfolio as at 31<sup>st</sup> March 2009. Property impairment arising from consumption of economic benefit in the financial year 2008/09 relates to the demolition of the Waterhall School and the Granville Centre. The land associated with the Waterhall School has been used for the construction of the New Waterhall School. A review of the Council's land values reported for the financial year 2008/09 has also been undertaken. The conclusion of this review is that land values have fallen during this period and has resulted in an impairment charge of £9,791,269.

An enhancement review has also been undertaken and where properties were extended during 2008/09 revaluations have been conducted as at 31<sup>st</sup> March 2009. A separate report and Valuation Certificate has been produced relating to enhancement.

## **18) FOUNDATION SCHOOLS ASSET VALUES**

Under the Schools Standards and Framework Act 1998, Foundation Schools Assets are vested in the Governing Bodies of the individual foundation schools. Therefore the values for these assets have not been consolidated in the Balance Sheet.

At 31<sup>st</sup> March 2009, there were nineteen foundation schools with an estimated fixed asset valuation of £269,374,000 (Nineteen schools at £277,815,000 as at 31<sup>st</sup> March 2008).

**19) FIXED ASSETS HELD BY THE COUNCIL**

31 Mar 2008 Number/Length		31 Mar 2009 Number/Length	
2	Allotments	2	*
712	Bridges	712	
35	Car Parks	33	
13	Cemeteries	14	*
3	Children's Homes	3	
12,641	Council Dwellings	12,626	
2,709	Council Dwellings Garages	2,760	
76	Community / Children's Centres	83	
1	Crematoria	1	*
13	Day Centres	13	
5	Day Nurseries	7	
95	Education (Schools)	90	
8	Education (Other Buildings)	8	
2	Elderly Persons Homes	2	
4	Factories	4	
7	Garages	7	
24	Ground Leases	24	
2	Traveller Sites	2	
3	Helipads	3	
9	Hostels	9	
29	Landscape Site Depots	28	
43	Leisure Sites	44	
9	Libraries	9	
0	Meals on Wheels Kitchen	0	
2	Museums	2	
4	Neighbourhood Houses	4	
31	Offices	33	
11	Parks	12	*
1	Plant Nurseries	1	
6	Public Conveniences	3	
1	Public Houses	1	
24	Recreation Grounds	24	*
272.5Km	Redways	272.5km	
1,191.4Km	Roads	1200.65km	
14	Smallholdings / Farms / Agricultural Land	14	
113	Shops	113	
71	Substation Sites - Electricity	71	
1	Theatres	1	
5	Vehicles	5	
9	Plant	9	
7	Waste Recycling / Disposal Sites	6	
1	Windmills	1	*
6	Workshops	6	
9	Youth Facilities	9	
25	Other	27	*

\* Includes Community Assets

**20) DEPRECIATION**

Depreciation should be provided on all fixed 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.

	Useful Life of Asset Years	2008/09 Depreciation Charge		
		General Fund £'000	HRA £'000	Total £'000
Council Dwellings	45	0	9,627	<b>9,627</b>
Property - Operational	20 - 60*	8,167	137	<b>8,304</b>
Vehicles and Plant	3 - 40**	50	0	<b>50</b>
Furniture and Equipment	3 - 40**	1,068	135	<b>1,203</b>
Leased Equipment	3 - 40**	19	0	<b>19</b>
Infrastructure - Highways	40	2,195	0	<b>2,195</b>
Infrastructure - Other	20			
		<b>11,499</b>	<b>9,899</b>	<b>21,398</b>

\* The depreciation calculation for operational buildings 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. Please see the Accounting Policy for Depreciation on page 12 for further details.

\*\* Varies from 3 to 40 years depending on the estimated life of each asset.

**21)CHANGE IN THE DEPRECIATION METHOD APPLIED**

There has been no change in the depreciation method used in the 2008/2009 Statement of Accounts.

Depreciation is calculated by allocating 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.

**22)CHANGE IN THE AMORTISATION METHOD APPLIED**

There has been no change in the amortisation method used in the 2008/2009 Statement of Accounts.

All Intangible Fixed Assets are included at historic cost and amortised, on a straight line basis, over their economic lives. The economic lives are reviewed at the end of each reporting period and revised if necessary.

**23) CAPITAL EXPENDITURE**

	£'000	£'000
<b>Operational Assets</b>		
Dwellings	11,552	
Schools	2,061	
Social Services Minor Works	131	
Other	960	
	<u>          </u>	14,704
<b>Vehicles, Plant and Equipment Assets</b>		
Information Technology Schemes	465	
Social Services Schemes	100	
Environment Schemes	110	
Other	107	
	<u>          </u>	782
<b>Infrastructure Assets</b>		
Highways, Bridges and Road Safety Schemes	7,071	
Open Spaces and Play Areas	226	
	<u>          </u>	7,297
<b>Community Assets</b>		
Parks and Recreation Grounds		2
<b>Non-Operational Assets</b>		
Other	133	
Fixed Assets Under Construction:		
Schools	42,833	
Social Services	94	
Leisure Services	10,751	
Environment Schemes	9,793	
Other	416	
	<u>          </u>	64,020
<b>Intangible Fixed Assets</b>		202
<b>Deferred Charges</b>		0
<b>Revenue Expenditure Funded from Capital under Statute</b>		22,127
<b>Total</b>		<u><u>109,134</u></u>
<b>This expenditure was financed as follows:</b>		
Supported Borrowing		18,431
Unsupported Borrowing		10,658
Capital Receipts		5,010
Government Grants		44,378
Third Party Contributions		18,452
Revenue Contributions		4,605
Major Repairs Allowance		7,600
<b>Total</b>		<u><u>109,134</u></u>

**24) CAPITAL COMMITMENTS**

<b>2007/08</b> <b>£000</b>		<b>2008/09</b> <b>£000</b>
	Contracted for but not provided in the financial statements:	
183	Information Technology Schemes	57
9,711	Transport, Infrastructure & Environmental Schemes	945
11,712	Education, Leisure and Culture Schemes	16,989
189	Housing & Social Services Schemes	43
182	Housing Revenue Account Schemes	15
<b><u>21,977</u></b>		<b><u>18,049</u></b>

**25) GOVERNMENT GRANTS DEFERRED AND THIRD PARTY CONTRIBUTIONS**

The Government Grants Deferred and Third Party Contributions disclosed on the Balance Sheet can be broken down as follows:

<b>31 Mar 2008</b> <b>£'000</b>		<b>31 Mar 2009</b> <b>£'000</b>
(32,787)	Government Grants Deferred	(68,036)
(4,035)	Third Party Contributions	(19,285)
<b><u>(36,822)</u></b>	<b>Total</b>	<b><u>(87,321)</u></b>

**26) STOCKS AND WORK IN PROGRESS**

Stocks and Work in Progress comprise:

<b>31 Mar 2008</b> <b>£'000</b>		<b>31 Mar 2009</b> <b>£'000</b>
	<b>Work in Progress</b>	
0	Insurance Rechargeables	0
34	Other Rechargeables	85
<u>34</u>		<u>85</u>
	<b>Stocks</b>	
115	Main Council Stores (Net of Write-off Provisions)	138
2	Catering	0
16	Integrated Community Equipment Service Pool	51
47	Other Stocks	39
<u>180</u>		<u>228</u>
<u><u>214</u></u>	<b>Total</b>	<u><u>313</u></u>

**27) DEBTORS**

a. The analysis of Debtors is as follows:

<b>31 Mar 2008</b> <b>£'000</b>		<b>31 Mar 2009</b> <b>£'000</b>
32,459	Government Departments	12,055
7,363	Council Tax Arrears	6,515
4,403	NNDR Arrears	6,119
1,369	Other Local Authorities	2,695
3,391	Housing Rents	3,281
72	Council Staff Debtors	50
10,189	Sundry Debtors	15,420
372	Landfill Allowances Asset Account	0
<u>59,618</u>		<u>46,135</u>
39,311	Payments in Advance	38,442
<u><u>98,929</u></u>	<b>Total</b>	<u><u>84,577</u></u>

**b. Provision for Impairment of Loans and Receivables:**

As per FRS17, and resulting changes to the SORP, the method of providing for doubtful debt has changed. The previous practice was based on providing for debt on the basis of its age.

The new guidance requires that 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 referred to in the SORP as the Incurred Losses method.

The Council has therefore reviewed all debt, with consideration given both to classes of debt as well as significant individual debts, and a provision for impairment has been calculated. For comparability, the new impairment provision is provided below in the same format as the previous Bad Debt provision.

<b>31 Mar 2008</b>		<b>31 Mar 2009</b>
<b>£'000</b>		<b>£'000</b>
(1,437)	Housing Rents	(621)
(2,435)	Council Tax Arrears	(1,716)
(1,354)	NNDR Arrears	(2,797)
0	Radcliffe School Loan	(966)
	Sundry Debtors:	
(3,688)	General Provision	(2,919)
(470)	Housing Revenue Provision	(126)
(32)	Mortgages	(32)
<b><u>(9,416)</u></b>	<b>Total</b>	<b><u>(9,177)</u></b>

The Council entered into a formal loan agreement with Radcliffe School in March 2004 to fund the school's construction of a building for teaching of music and the arts, at a cost of £966,000. This amount was to be repaid through the sale of school land by the end of March 2006.

Continuing uncertainty over the school's status has resulted in the loan still being unsettled. Although the Council has a legal charge over the land to be sold, confirmation of how the receipt could be used is needed from the government. Until this is given, the Council has provided against the possibility that it will not be available to meet the outstanding balance due from the school.

## 28) CREDITORS

The analysis of Creditors is as follows:

31 Mar 2008 £'000		31 Mar 2009 £'000
(5,571)	Government Departments	(3,735)
(2,270)	Other Local Authorities	(2,814)
(1,228)	Housing Rent Prepayments	(1,114)
(5,640)	Council Tax and NNDR Prepayments	(5,618)
(25,901)	Sundry Creditors	(34,005)
(290)	Liability for Actual BMW Landfill Usage	0
(40,900)		(47,286)
(30,867)	Income in Advance	(25,283)
(71,767)	<b>Total</b>	<b>(72,569)</b>

## 29) BORROWING REPAYABLE WITHIN A PERIOD IN EXCESS OF 12 MONTHS

a. Analysis of Loans by type:

31 Mar 2008 £'000	Source of Loan	Range of Interest Rates - 31 March 2008	31 Mar 2009 £'000
(305,442)	Public Works Loan Board	3.700% - 10.875%	(305,605)
(15,000)	Bonds	3.750% - 6.620%	(15,258)
(320,442)	<b>Total</b>		<b>(320,863)</b>

b. Analysis of Loans by maturity:

31 Mar 2008 £'000		31 Mar 2009 £'000
0	Maturing in 1 to 2 years	(10,132)
(35,246)	Maturing in 2 to 5 years	(43,318)
(7,553)	Maturing in 5 to 10 years	(36,664)
(277,643)	Maturing in more than 10 years	(230,749)
(320,442)	<b>Total</b>	<b>(320,863)</b>

### **30) LONG TERM CONTRACTS**

The paragraph below set out the long term contracts currently in place within the Council, with a value in excess of £6,500,000.

#### **Council Housing Stock**

In October 2005, the Council entered into a five year contract with Apollo London Ltd to be a strategic partner in major works to council housing stock between 2005 and 2009. The contract is valued at £11,000,000 and is scheduled to end in July 2010.

#### **Responsive Repairs and Voids**

In January 2007, the Council entered into a contract with Mitie Property Services UK Ltd for responsive repairs to Council housing stock. The actual level of payments will depend on the Council's take up of repairs work but the contract is capped at a value of £25,000,000 and is due to expire in March 2011.

#### **Construction Related Professional Services**

In January 2009, the Council entered into a three year contract in place for Project management, Cost Control, CDMC and Design. The contract is valued at £6,800,000 and scheduled to end in 2012, with the option to extend to 2013.

#### **Waste**

In October 2000, the Council entered into a contract with Corey Environmental Ltd for the collection and disposal of waste within the borough. The Council pays Corey an annual sum of £12,000,000. This contract ended in February 2009. In March 2009, the council entered into a contract with Serco Limited for the value of £11,000,000, the contract is due to end in March 2016.

#### **Public Private Partnership**

On 1 January 2004 the Council entered into a 12-year contract with HBS, now trading as Mouchel Business Services at an approved cost of £207,120,000 excluding inflation, work volume changes or any additional work commissioned. The contract, which is a public private partnership arrangement, covers the provision of administration, facilities management, finance, human resources, ICT, revenues and benefits and management of several other services. As at 31<sup>st</sup> March 2009 there was an undischarged obligation under this contract, calculated pro rata on a 2004 price base, of £116,505,000.

**31) PROVISIONS**

	Balance at 1 Apr 2008 £'000	Increases to/New Provisions £'000	Amounts Used/Paid/ Transferred £'000	Balance at 31 Mar 2009 £'000
<b><u>Housing Revenue Account</u></b>				
a) Heating and Utilities Provision	(528)	(120)	0	(648)
b) Bonus Payment Provision	(80)	0	37	(43)
c) Rental Constraint Allowance	(138)	0	138	0
	<u>(746)</u>	<u>(120)</u>	<u>175</u>	<u>(691)</u>
<b><u>General Fund</u></b>				
d) Adult Social Care Provisions	(190)	0	160	(30)
e) Section 117 Provision	(102)	0	0	(102)
f) Overpaid Benefit Provision	(480)	0	0	(480)
g) Revenues Volumetrics Provision	(100)	0	100	0
h) Catering Provision	(70)	0	70	0
i) Other Provisions	(129)	0	17	(112)
	<u>(1,071)</u>	<u>0</u>	<u>347</u>	<u>(724)</u>
<b>Total</b>	<b><u>(1,817)</u></b>	<b><u>(120)</u></b>	<b><u>522</u></b>	<b><u>(1,415)</u></b>

**a. Heating and Utilities Provision**

This provision has been set-aside to cover the costs of potential refunds to sheltered area tenants and leaseholders in respect of over-recovered utility costs.

**b. Bonus Payment Provision**

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

**c. Rental Constraint Allowance**

A rounding error on the second advance generated a difference between actual Rental Constraint Allowance calculation and the Allowance generated by the form. Because the difference was a material sum, a provision was required until the Final Advance for 2007-08 had been audited.

**d. Adult Social Care Provisions**

In 2005/06 the Council introduced a Home Bond pilot scheme, primarily financed through the Homelessness grant to develop the availability of private sector accommodation. Instead of a rent deposit the Home Bond Scheme provides a bond. This is an undertaking to cover damages or loss of rent up to the value of one months rent. At the end of the 2008/09 there were a total of 441 participants in the Home Bond

Scheme of which 152 were new scheme participants in 2008/09. There were 71 defaults in 2008/09 at an average cost of £564 each.

**e. Section 117 Provision**

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

**f. Overpaid Benefit Provision**

The Council has created a provision to meet the cost of any overpaid Housing Benefit currently recovered through a reduction in on-going benefit payments, which becomes unrecoverable due to a change in tenant circumstance.

**g. Revenue Volumetrics Provision**

The negotiations between Mouchel and the Council have not yet reached a stage where a liability can be recorded in the accounts. In 2007/08 it was felt that progress was more advanced, but subsequently it has been decided to incorporate this as part of a wider negotiation in respect of volumetrics. This is now recorded as a contingent liability.

**h. Catering Provision**

A provision was created during 2007/08 in relation to the closure of the catering trading account. The catering service ceased operation on the 4<sup>th</sup> April 2008. The provision was required to cover the closure costs of the operation including the removal of the kitchen equipment from the Administration Buildings.

**i. Other Provisions**

Following an Employment Tribunal in February 2004, Milton Keynes Council was awarded £10,000, which had not been received at 31<sup>st</sup> March 2009. There is also a provision in respect of leased IT and Transport equipment, set up to cover the cost of any damage to or loss of such equipment leased by the Council.

### **32)INSURANCE RESERVE**

The Council's insurance arrangements involve both internal and external cover. Internal cover is provided by way of an Earmarked Reserve for all claims notified to the Council by 31<sup>st</sup> March each year (the amount provided for those claims being based on advice from the Council's Insurers). Some risks are not fully funded, with losses up to a specified amount being met from revenue as they arise. To obtain insurance cover in the most cost effective manner, the Council has chosen to carry excesses in respect of claims made under liability and material damage insurances. A reserve has been set up from the Council's internal funds to cover self- insured risks. This reserve is based on the total potential liability that could accrue up to 31<sup>st</sup> March 2009.

At 31<sup>st</sup> March 2008, the reserve stood at £2,176,000. During the year, the balance was increased by £872,000 to £3,048,000 following a review of outstanding insurance risk.

Details of the internal insurance arrangements are provided in the Accounting Policy note 14 on page 19.

**33)RESERVES**

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resource for future spending plans.

The reserves are summarised in the table below, with further detail on each one provided as a note following the table:

	Balance	Transfers	Movement	Balance	
	Between				
	01-Apr-08	Reserves	In Year	31-Mar-09	Note
	£'000	£'000	£'000	£'000	
Capital Adjustment Account	(874,173)	0	205,388	(668,785)	a
Revaluation Reserve	(68,918)	0	(38,203)	(107,121)	b
Capital Reserve	(1,228)	0	757	(471)	c
Usable Capital Receipts Reserve	(3,874)	0	(266)	(4,140)	d
Financial Instruments Adjustment Account	1,216	0	(588)	628	e
Pensions Reserve	110,669	0	13,415	124,084	f
Earmarked Reserves					
Bad and Doubtful Debt Review Reserve	0	0	(2,423)	(2,423)	g
Benefit Subsidy Reserve	(38)	0	38	0	h
CCTV Reserve	(89)	0	(12)	(101)	i
Budget Rollovers	(505)	(76)	(3,209)	(3,790)	j
Debt Financing Reserve	(888)	0	0	(888)	k
Insurance Reserve	(2,176)	0	(872)	(3,048)	l
Landfill Allowances Reserve	(289)	0	82	(207)	m
Lease Rental Equalisation Reserve	(839)	0	0	(839)	n
Planning Gains	(1,065)	0	(175)	(1,240)	o
Repairs & Renewals	(333)	0	24	(309)	p
Revenue Financing Reserve	(254)	(4)	(180)	(438)	q
SALIX Reserve	(400)	0	(100)	(500)	r
Saxon Court Refurbishment Reserve	(70)	0	0	(70)	s
Local Authority Business Growth Incentive	(2,595)	0	295	(2,300)	t
Giles Brook Reserve	(174)	0	174	0	u
Special Parking Reserve	(550)	0	0	(550)	v
Lloyds Court Dilapidation Reserve	(300)	0	0	(300)	w
Other Reserves	(714)	80	242	(392)	x
General Fund	(18,757)	0	11,296	(7,461)	
Collection Fund	197	0	(347)	(150)	
Housing Revenue Account	(6,693)	0	550	(6,143)	
LMS	(13,114)	0	(2,006)	(15,120)	y
	<b>(885,954)</b>	<b>(0)</b>	<b>183,880</b>	<b>(702,074)</b>	

The purpose of these reserves is as follows:

**a. Capital Adjustment Account**

The Capital Adjustment Account was created on 1<sup>st</sup> April 2007, upon the implementation of the Revaluation Reserve. The account contains the historical cost of acquiring, creating or enhancing fixed assets, over the life of those assets. It also contains the historical cost of Deferred Charges and any resources set aside to finance capital expenditure.

	£'000	£'000
<b>Balance at 1 April 2008</b>		(874,173)
2008/09 Capital Financing:		
- Capital Receipts	(3,908)	
- Revenue Contributions	(4,605)	
- Capital Grants	(829)	
- Major Repairs Reserve	<u>(7,600)</u>	
		(16,942)
2008/09 MRP (less Depreciation Provision)		(7,389)
2008/09 Movements on Fixed Assets:		
- Depreciation Charge for the Year		21,398
- Difference between Current Cost and Historic Cost Depreciation		(1,573)
- Revaluations		48,000
- Clearance of Revaluation Reserve Balance for Disposals		0
- Impairment (Clear Consumption of Economic Benefit)		11,620
- Impairment (No Clear Consumption of Economic Benefit)		137,969
- Fixed Asset Disposals		1,587
- Transfer of Foundation schools		0
Finance Leases - Capital Element Charged in Year		(17)
Less: Housing Act Advances Repaid		1
Revenue Expenditure funded from Capital under statute		10,609
Write Down of Intangible Fixed Assets		125
<b>Balance at 31st March 2009</b>		<b><u>(668,785)</u></b>

**b. Revaluation Reserve**

The Revaluation Reserve contains revaluation gains recognised since 1<sup>st</sup> April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

	<b>£'000</b>
<b>Balance at 1 April 2008</b>	(68,918)
Revaluation movements since 1 April 2008	(42,094)
Other Fixed Asset Additions	0
Other Movements	3,890
Fixed Asset Disposals - clearance of Revaluation Reserve balance	1
<b>Balance at 31 March 2009</b>	<u><u>(107,121)</u></u>

**c. Capital Reserve**

The General Fund and Housing Revenue Account capital reserve holds contributions from the Income and Expenditure Account and Housing Revenue Account to fund capital expenditure.

The balance at year end represents those amounts unapplied during 2008/09. There will be carried forward to fund capital expenditure in 2009/10 and future years. The balance can be analysed as follows:

	<b>General Fund</b>	<b>Housing Revenue Account</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April 2008</b>	(1,059)	(169)	(1,228)
Revenue Contributions	895	(138)	757
<b>Balance at 31 March 2009</b>	<u><u>(164)</u></u>	<u><u>(307)</u></u>	<u><u>(471)</u></u>

**d. Useable Capital Receipts**

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

	<b>£'000</b>
<b>Balance at 1 April 2008</b>	(3,874)
Capital Receipts in year from Sale of Assets	(4,714)
Capital Receipts in year from Repayments of Advances	(8)
	<u>(8,596)</u>
<u>Less:</u>	
Capital Receipts applied to finance capital expenditure	3,908
Statutory Pooling	548
	<u>4,456</u>
<b>Balance at 31 March 2009</b>	<u><u>(4,140)</u></u>

**e. Financial Instrument Adjustment Account**

The Financial Instruments Adjustment Account records the timing difference between the rate at which gains and losses are recognised and the rate at which debits and credits are required to be made against Council Tax.

**f. Pension Reserve**

The table below details the movements during 2008/09. Full details of the Pensions Reserve and the actuarial data that supports the movement in year are provided at note 37 to the Core Financial Statements on page 83.

<b>2007/08 Restated £'000</b>		<b>2008/09 £'000</b>
322,930	Estimated Liabilities in the Scheme	306,810
6,784	Estimated Unfunded Liabilities	6,597
(219,045)	Estimated Assets in the Scheme	(189,323)
<u><u>110,669</u></u>	<b>Net Liabilities</b>	<u><u>124,084</u></u>

**g. Bad and Doubtful Debt Review**

Under FRS12 and resulting changes to the SORP, Local Authorities are required to calculate a provision for impairment on loans and receivables in place of the Bad Debt Provision used in previous years.

The Impairment Provision is calculated on an incurred losses basis, and this has resulted in a lower provision than was previously recognised in the balance sheet.

The SORP states that authorities are able to create an earmarked reserve where material differences exist between the Bad Debt Provision and the new Impairment Provision.

A large project will be undertaken in 2009/10 to review all aged debt, and this reserve will be used to offset the cost to the Council of any resulting write-offs. Details of the Provision for Impairment on Loans and Receivables can be found on page 56.

**h. Benefit Subsidy Reserve**

This reserve was set up to cover potential liabilities resulting from possible over-claimed benefit subsidies identified in the audit of such claims. During 2008/09 a decision has been made to not maintain a reserve and any additional claims will be claims against the general fund. This is in line with the improved audit results of the DWP subsidy claims.

**i. Budget Rollovers**

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

**j. CCTV Reserve**

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

**k. Debt Financing Equalisation Reserve**

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

**l. Insurance Reserve**

These are funds set aside to meet uninsured excesses on insurance (Note 32 to the notes to the Core Financial Statements, Page 66).

**m. Landfill Allowance Reserve**

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

**n. Lease Rental Equalisation Reserve**

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

**o. Planning Gains**

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

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

**p. Repairs and Renewals Funds (Landscape)**

The reserve is held to ensure, firstly, that the Council's obligations in respect of Bradwell Abbey are appropriately funded and, secondly, that a contingency fund is built to fund anticipated periodic major expenditure on the fabric of this historic building. The reserve is accessed by the budget holder in response to approved requests from the City Discovery Centre CEO for payment of necessary repairs/improvements.

**q. Revenue Financing Reserve**

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

**r. SALIX Reserve**

The SALIX Reserve holds funding for carbon management schemes. The Council has agreed to establish and operate a local fund to assist in reducing energy use within its boundary through the uptake of energy saving and renewable energy technologies. The reserve holds the funding received from SALIX and the match funding put into the local fund by the Council as outlined in the terms of the funding agreement.

**s. Saxon Court Refurbishment Reserve**

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

**t. Local Authority Business Growth Incentive (LABGI) Grant Reserve**

This reserve holds unspent grant monies received in respect of the LABGI Scheme. Of the balance in the reserve at 31<sup>st</sup> March 2009, £722,000 has been agreed by cabinet to fund growth items in 2009/10 and 2010/11.

**u. Giles Brook Reserve**

Structural failures at Giles Brook School in 2006/07 were estimated to require additional expenditure on remedial actions. This reserve has been fully used during 2008/09 to meet expenditure funded from revenue.

**v. Special Parking Reserve**

The Parking Surplus reserve was set up under the terms of Section 55 of the Road Traffic Regulation Act 1984. The reserve holds surplus achieved through the provision of on-street parking (known as the Permitted and Special Area Parking Account) to be spent in accordance with the Act.

**w. Lloyds Court Dilapidation Reserve**

The reserve was set up to recognise the Council's contractual commitment that on relinquishment of the lease it will return the Lloyds Court premises to the standard of the building at the commencement of the contract, or to pay an agreed equivalent cash sum to the landlord.

**x. Other Reserves**

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

**y. Local Management of Schools (LMS) Reserve**

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

<b>31 Mar 2008</b>		<b>31 March 2009</b>		
<b>Net</b>		<b>Surplus</b>	<b>Deficit</b>	<b>Net</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
(49)	Nursery	(83)	0	(83)
(5,273)	Primary	(5,163)	30	(5,133)
15	Secondary	(1,183)	62	(1,121)
(377)	Special	(716)	61	(655)
<u>(5,684)</u>		<u>(7,145)</u>	153	<u>(6,992)</u>
(2,541)	Foundation	(3,147)	974	(2,173)
<u><b>(8,225)</b></u>	<b>Total</b>	<u><b>(10,292)</b></u>	<u><b>1,127</b></u>	<u><b>(9,165)</b></u>

Under the Government's Standards Fund Grant arrangements, it is now possible for authorities to carry forward unspent Standards Fund Grant to be spent in the following financial year. There is a restriction to the carry forward arrangements for these schools in that the grant must be spent by August 2009. The exception to this is Devolved Capital to schools, which can be carried forward for up to three years. The table below details the amount carried forward into 2009/10 under these arrangements:

<b>2007/08</b>		<b>2008/09</b>
<b>£'000</b>		<b>£'000</b>
(4,889)	School Capital Standard Fund Reserves	(5,955)
<u><b>(4,889)</b></u>	<b>Total</b>	<u><b>(5,955)</b></u>

The School Standards and Framework Act 1998 changed the status of Grant Maintained Schools to Foundation Schools maintained by the Local Education Authority. The change for funding purposes took effect from 1<sup>st</sup> April 1999. This change has resulted in the inclusion of opening and closing balances for current assets and liabilities controlled by Foundation schools in the Balance Sheet. Please see note 18 to the Core Financial Statements on page 54 for further details.

**34) USE OF FINANCIAL INSTRUMENTS**

Financial reporting Standard 13 (Derivatives and Other Financial Instruments: Disclosures) requires 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 Instruments Balances**

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

	Long Term		Current	
	31 Mar 2008 £'000	31 Mar 2009 £'000	31 Mar 2008 £'000	31 Mar 2009 £'000
Financial Liabilities at Amortised Cost	320,442	320,863	3,044	0
Financial Liabilities at Fair Value Through Profit and Loss	0	0	9,465	15,269
<b>Total Borrowings</b>	<b>320,442</b>	<b>320,863</b>	<b>12,509</b>	<b>15,269</b>
Loans and Receivables	8,809	6,305	95,645	113,565
Available-for-sale Financial Assets	0	0	0	0
Unquoted Equity Investment at Cost	0	0	0	0
<b>Total Investments</b>	<b>8,809</b>	<b>6,305</b>	<b>95,645</b>	<b>113,565</b>

**b. Financial Instruments Gains/Losses**

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

	<b>2008/09 Financial Liabilities Measured at Amortised Cost £'000</b>
Interest Expense	(18,253)
Losses on Derecognition	0
Impairment Losses	0
Interest payable and similar charges	<u><u>(18,253)</u></u>
Interest Income	7,342
Gains on Derecognition	0
<b>Interest &amp; Investment Income</b>	<u><u>7,342</u></u>
<b>Net loss for the year</b>	<u><u>(10,911)</u></u>

**c. Fair Value of Assets and Liabilities Carried at Amortised Cost**

Financial liabilities and financial assets 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 31 March 2009 for PWLB loans and by Sector, for other loans and receivables;
- Where an instrument will mature in the next 12 months, 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.

<b>31 Mar 2008</b>			<b>31 Mar 2009</b>	
<b>Carrying Amount</b>	<b>Fair Value</b>		<b>Carrying Amount</b>	<b>Fair Value</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
323,486	357,717	Financial Liabilities	320,863	372,323
104,153	104,298	Loans and Receivables	110,102	111,080

**d. Nature and Extent of Risks Arising from Financial Instruments**

**Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. In accordance with the council's treasury policies, deposits are not made with banks and financial institutions unless they are rated independently and comply with the matrix compiled by the council's treasury advisors. The authority also limits the total invested with individual counterparties.

	Amount at 31 Mar 2009 £'000 A	Historical Experience of Default % B	Historical Experience Adjusted for Market Conditions at 31 Mar 2009 % C	Estimated Maximum Exposure to Default and Uncollectibility £'000 D
Deposits with Banks and Financial Institutions*	108,430	0	0	0
Bonds*	0	0	0	0
Customers:				
Government Department	12,055	0%	0%	0
Other Local Authorities	2,695	0%	0%	0
Housing Rents	3,281	5.41%	5%	178
Council Staff	50	0	0%	0
Residential Care	1,100	1%	1%	11
Home Care	312	1%	1%	3
Former Tenant Arrears	966	63%	63%	613
Commercial Rents	626	0%	0%	0
Sundry Debtors	10,621	9%	9%	974
	<b>31,706</b>			
Benefits Overpayments	1,795	100%	100%	1,795
<b>Total Customer Debt</b>	<b>33,501</b>			

**Past due amounts analysed by age**

	<b>2008/09 £'000</b>
Less than three months	2,444
Three to six months	185
Six months to one year	204
More than one year	1,290
	<u><u><b>4,123</b></u></u>

**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 rate becomes favourable.

	<b>2008/09 £'000</b>
Less than one year	0
Between one and two years	10,000
Between two and five years	43,000
More than five years	265,204
	<u><u><b>318,204</b></u></u>

**Interest rate 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 risk. These are set out in the annual Treasury Strategy which is approved by Council in March each year.

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

	<b>2008/09 £'000</b>
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(283)
Increase in government grant receivable for financing costs	(2,731)
Impact on Income and Expenditure Account	<u>(3,014)</u>
Share of overall impact debited to the HRA	<u>795</u>
Decrease in fair value of fixed rate investment assets Impact on STRGL	<u>(835)</u>
Decrease in fair value of fixed rate borrowings liabilities	<u>40,578</u>

### **Price Risk**

The Council does not invest in equity shares and therefore is not exposed to losses arising from movements in the prices of shares.

### **Foreign Exchange Risk**

The council has no financial assets or liabilities denominated in foreign currencies and therefore have no exposure to loss arising from movements in exchange rate.

## **35) CONTINGENT LIABILITIES AND GAINS**

- a. The Council is currently under threat of judicial review regarding aspects of its land charge search processes, including the charge made for searches undertaken by Council officers. There is no certainty of whether a judicial review will take place, what its finding would be and whether there would be a necessity to refund "excessive" charges made over the previous ten years i.e. from the commencement of the unitary authority. The Head of Legal Services is of the opinion that there is only a remote chance of refunds needing to be made.
- b. The Court of Appeal has ruled that under Section 117 of the Mental Health Act 1983, local authorities cannot charge for aftercare of people hospitalised for mental health reasons. A financial provision is maintained to meet the estimated costs of the remaining identified claimants. There is uncertainty over the potential number of claimants yet to come forward and it is therefore not possible to estimate the ultimate cost that may result.

- c. One of the Adult Social Care providers is seeking significant recompense for what it considers to be inadequate previous year inflationary uplifts. The provider contends that interim settlements were agreed whereas MKC believes the settlements were conclusive. Work is being undertaken to evaluate the reasonableness of the claim.
- d. The build of a children's centre at Beanhill has generated a cost overrun of approximately £500,000. The cost is hoped to be recovered from the company responsible for the project management.
- e. The Council entered into a contract for the provision of school meals to 73 primary schools with a third party on 4 April 2008. During the first year of the contract, the service was delivered unsatisfactorily and was poorly received. Contractual negotiations ended in contract termination being notified by the third party in December 2008. The supplier made a claim against the Council for material changes and variations to the contract amounting to £330,000. This claim was settled on 21<sup>st</sup> August 2009 resulting in a sum to be paid to the third party of £37,000.
- f. In the past, part time workers were not permitted to join the Local Government Pension Scheme. Under the Part Time Workers (Prevention of Less Favourable Treatment) Regulations 2000, it is now possible for these workers to claim for backdated pension contributions. No new claims have been received for over a year.
- g. Remedial works required at four schools across the borough following inspections of building work completed. Negotiations are underway with the relevant contractors in order to recover the costs of the remedial work required. The legal costs of pursuing recovery of the costs are estimated at £400,000.
- h. All work has been completed on the Giles Brook school building and the school is in full occupation, with the playing fields due to be handed over this summer. During 2009/10 current estimates of expenditure are £250,000. Legal action has started against the main contractor and a formal claim has been lodged against them, to which a response is awaited. Expectation is that negotiations will take place initially. Should these fail then the option of legal action will need to be considered. Depending upon how far such action progresses costs could increase up to approximately £500,000.
- i. Issues relating to the construction of Tattenhoe Pavilion have the potential to cost the Council up to £500,000 to rectify. Legal advice suggests that this sum may be recoverable from the contractor, but as yet no action has been taken.
- j. The Council is subject to a High Court legal challenge to the planning permission granted for a Wind Farm. This is currently ongoing, and the potential costs are currently unknown.

- k. Discussions have taken place with Mouchel regarding the cost of increases in volumes in the Partnership contract relating to Revenues, ICT and Facilities. As it is uncertain if there is a liability or how much the agreed sum will be, no provision has been included in the accounts. However the liability could be in a range from between £100,000 and £480,000.
- l. As a major employer the Council is, from time to time in receipt of employment tribunal claims. There are currently 5 active employment tribunal cases at varying stages. One of which is in relation to a disability discrimination case, to be finalised in varying timescales during 2009/10. The joint liability to the Council could be in the region of £180,000. None of the other four current cases have clear and substantiated liability.
- m. The subject of liability under Equal Pay Legislation has been raised with the council over a period of time by the recognised representative organisations. The Council's move at a very early stage to single status of its workforce addressed a significant number of anomalies at the time. The Council has operated formal job evaluation processes which allocate jobs to the grading structures since that time. The Council is moving towards implementing a new job evaluation process which will ensure equality issues do not arise in the future. Equal pay audit and review have been carried out and no significant equal pay issues have been identified. Whilst there is a belief that there will be no significant pay impact, until the new methodology is in place there is a risk that equal pay issues could be found and each carries with it a liability to the Council of the compensation payment of six years to each impacted employee.
- n. The Housing Revenue Account is currently under threat of Court action regarding a claim from contractor Jeakins Weir regarding use of skips for waste removal from major voids on contracts between 1998-2001 and 2001-2006. In addition Jeakins Weir has also lodged a claim for interest on said outstanding payments. Invoices have been issued for £28,044 and £8,545 respectively, excluding VAT, for the claimed expenditure but no amount has been requested in respect of interest payable.

The Council is disputing this claim because Jeakins Weir have not produced any evidence that skips were used on these tasks, despite there being a requirement in the contract that such claims be documented. There is no certainty as to whether any court action will take place, or what the findings would be and whether the Housing Revenue Account is liable for these amounts.

### **36) 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 31<sup>st</sup> March was £10,954 (£10,855 at 31<sup>st</sup> March 2008). No expenditure was incurred in 2008/09 (Nil in 2007/08).
- 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 2008/09, expenditure on the Tower totalled £3,130 (£200 in 2007/08).
- c. The Simpson and Fenny Stratford/Bletchley War Memorial Trusts were passed to the Council to ensure that the memorials were maintained and repaired. There are no funds attached to the trusts and Milton Keynes Council meets all expenditure. However, in 2008/09 there were no costs incurred (Nil in 2007/08).
- d. The Council acts as administrator for 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 31<sup>st</sup> March was £69,509 (£89,656 in 2007/08). In 2008/09 dividends received generated an income of £3,354 (£3,005 in 2007/08) and no expenditure was paid out in grants (£2,500 in 2007/08).

**37) LOCAL GOVERNMENT PENSION SCHEME****Participation in pension schemes**

As part of the terms and conditions of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

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

**Transactions relating to retirement benefits**

The authority recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required against council tax is based on cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement on General Fund Balance during the year:

	<b>2008/09</b>	<b>2007/08</b>
	<b>£'000</b>	<b>Restated £'000</b>
<b>Income &amp; Expenditure Account</b>		
Net Cost of Services		
Current Service Cost	17,018	12,952
Past Service Costs	1,703	5
Losses/(Gains) on Curtailments	571	97
Net Operating Expenditure		
Interest Cost	22,200	19,162
Expected Return on Scheme Assets	(14,493)	(14,364)
<b>Net Charge to the Income &amp; Expenditure Account</b>	<b>26,999</b>	<b>17,852</b>
<b>Statement of Movement on General Fund Balance</b>		
Reversal of net charges made for retirement benefits in accordance with FRS17	(26,999)	(17,852)
<i>Actual Amount Charged Against the General Fund Balance for Pensions in Year</i>		
Employers Contributions Payable to Scheme	14,551	14,379

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £1,468,000

(£7,848,000 2007/08 as restated) were include in the Statement of Total Recognised Gains and Losses

### Assets and Liabilities in Relation to Retirement Benefits

Below is a reconciliation of the present value of scheme liabilities:

	<b>2008/09</b>	<b>2007/08</b>
	<b>£'000</b>	<b>Restated £'000</b>
<b>1st April</b>	329,713	335,301
Current Service Cost	17,018	12,952
Interest Cost	22,200	19,162
Contributions by Scheme Participants	4,850	3,871
Actuarial Gains and Losses	(54,295)	(38,118)
Benefits Paid	(7,852)	(3,121)
Past Service Costs	1,703	5
Losses/(Gains) on Curtailments	571	97
Unfunded Pension Payments	(501)	(436)
<b>31st March</b>	<b>313,407</b>	<b>329,713</b>

Below is a reconciliation of the fair value of the scheme assets:

	<b>2008/09</b>	<b>2007/08</b>
	<b>£'000</b>	<b>Restated £'000</b>
<b>1st April</b>	219,044	219,822
Expected Rate of Return	14,493	14,364
Actuarial Gains and Losses	(55,763)	(30,271)
Employer Contributions	15,052	14,815
Contributions by Scheme Participants	4,850	3,871
Benefits Paid	(8,353)	(3,557)
<b>31st March</b>	<b>189,323</b>	<b>219,044</b>

The expected return on assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £41,270,000 (£4,617,000 2007/08).

## Scheme History

	31 March 2009 £'000	31 March 2008 £'000	31 March 2007 £'000	31 March 2006* £'000	31 March 2005* £'000
Present Value of Liabilities	306,810	322,930	327,272	309,781	255,233
Fair Value of Assets in the Local Government Pension Scheme	(189,323)	(219,045)	(219,821)	(193,668)	(139,048)
Present Value of Unfunded Obligation	6,597	6,784	8,028	8,279	7,883
Surplus/(Deficit) in the Scheme	124,084	110,669	115,479	124,392	124,068

\* The council has elected not to restate fair value of scheme assets for 2005/06 and 2004/05 as permitted by FRS17 (as revised).

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £124.08m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy because the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions made to the Local Government Pension Scheme by the council in the year to 31st March 2009 were £14.551m.

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Barnet Waddingham Public Sector Consulting, estimates for the council being based on the latest full valuation which took place on 31st March 2007.

The principal assumptions used by the actuary have been:

	<b>2008/09 £'000</b>
Long Term Expected Rate of Return on Assets in the Scheme:	
Equity Investments	7.3%
Gilts	4.0%
Bonds	6.5%
Property	6.8%
Cash	3.0%
Mortality Assumptions:	
Longevity at 65 for current pensioners	
Men	22.21
Women	25.26
Longevity at 65 for future pensioners	
Men	22.96
Women	25.99
Rate of Inflation	3.0%
Rate of Increase in Salaries	4.5%
Rate of Increase in Pensions	3.0%
Rate for Discounting Scheme Liabilities	6.7%
Take up of option to convert annual pension into retirement lump sum	50%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of total assets held:

	<b>31 Mar 2008</b>	<b>31 Mar 2009</b>
	%	%
Equity Investments	64.1	61.1
Bonds	24.2	27.7
Other Assets	11.7	11.2
	<b>100.0</b>	<b>100.0</b>

### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets and liabilities at 31st March 2009:

	31 Mar 2009	31 Mar 2008
	%	Restated %
Difference Between the Expected and Actual Return on Assets	(55,763)	(18,973)
Experience Gains and Losses on Liabilities	0	(24,303)

### 38) TEACHERS PENSIONS

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

Payments to the TPF are based on percentages of pay detailed in the Teachers Pensions Regulations. In 2008/2009 the Council paid £10,807,000 (£10,333,000 in 2007/08) in contributions, equivalent to 14.1% (14.1% in 2007/08) of total pensionable pay. The Council also paid additional sums in respect of added years awarded to former employees amounting to £391,000 (£416,000 in 2007/08).

**39) LANDFILL ALLOWANCES TRADING SCHEME**

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. From 1<sup>st</sup> April 2005 it introduced a trading scheme, which allocates tradable landfill allowances.

The figures below are shown as current assets and current liabilities in the Balance Sheet. Each year the figures are based on estimated usage for the final quarter of the year. The opening balance has been adjusted to reflect the final position for the previous year.

2007/08		2008/09	
Tonnes	£'000	Tonnes	£'000
<b>(19,608)</b>	<b>(376)</b>	<b>(16,456)</b>	<b>(82)</b>
	<b>Opening Balance at 1st April 2008</b>		
2,974	Adjustment to opening balance to reflect audited 46 final tonnages and value for previous years	(373)	(2)
<b>(16,634)</b>	<b>(330)</b>	<b>(16,829)</b>	<b>(84)</b>
	<b>Adjusted opening balance</b>		
0	247 Revaluation of LATS	0	84
(57,755)	(289) Allowances Received	(51,845)	0
0	0 Purchases	0	0
0	0 Sales	0	0
57,933	290 Allowances Used	56,119	0
0	0 Allowances written off	12,555	0
<b>(16,456)</b>	<b>(82)</b>	<b>0</b>	<b>0</b>
	<b>Balance at 31st March 2009</b>		

The Council has used the average value of all 2008/09 trades nationally to estimate the values of its allowances at £0.00 per tonne.

#### 40) GROUP ACCOUNTS

During 2007/08, Milton Keynes Council formed a company called Connect:MK in partnership with FREEDOM4 to provide a broadband service to residents and businesses within the borough of Milton Keynes.

Connect:MK's Board of Directors comprises three Heads of Service and a Council Member.

Connect:MK achieved turnover of £98,000 in 2008/09 and expenditure totalled £122,000. The Council has taken the view that the activity of the company does not therefore warrant full Group Accounts disclosures.

#### 41) NET ASSETS EMPLOYED

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

<b>31 Mar 2008</b> <b>£'000</b>		<b>31 Mar 2009</b> <b>£'000</b>
177,398	General Fund	175,345
(197)	Collection Fund	150
11,737	Trading Services	7,685
697,124	Housing Revenue Account	518,991
<u><b>886,062</b></u>	<b>Total</b>	<u><b>702,171</b></u>

## **42) INVESTMENTS IN COMPANIES**

This note discloses details of companies to which the Council has appointed directors and who therefore exercise voting rights. The note has been compiled using 2007/2008 audited information, (with the exception of Countec and Central Milton Keynes Ltd, who have yet to file 2007/2008 information):

### **a. COUNTEC Ltd**

During 2006/07, Milton Keynes Council had a 15% representation (two members appointed by the Council) on the Board of Directors of COUNTEC Ltd, which is a company limited by guarantee and not having share capital. At 31 July 2007 the company's net assets were £191,746 (£127,895 at 31 July 2006), and the net surplus for 2006/2007 was £385, (net surplus of £36,989 reported for 2005/2006).

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

### **b. Milton Keynes Theatre and Gallery Ltd**

Milton Keynes Council has 20% representation (two member's appointed by the Council) on the Board of Directors of Milton Keynes Theatre and Gallery Ltd, which is a company limited by guarantee and not having share capital. At 31 March 2008 the company's net assets were £732,534 (£1,047,013 at 31 March 2007), and the deficit for 2007/2008 was £314,479 (£108,996 surplus reported for 2006/2007).

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

### **c. Artworks MK Ltd**

Milton Keynes Council no longer has any representation on the Board of Directors of Artworks MK Ltd, which is a company limited by guarantee and not having share capital. At 31 March 2008 the company's net assets were £90,787 (£63,985 at 31 March 2007), and the surplus for 2007/2008 was £26,802 (deficit of £1,194 reported for 2006/2007).

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

**d. Milton Keynes Parks Trust Ltd**

Milton Keynes Council has 14% representation (two members appointed by the Council) on the Board of Directors of Milton Keynes Parks Trust Ltd, which is a company limited by guarantee and not having share capital. At 31 March 2008 the company's net assets were £72,866,598 (£79,950,366 at 31 March 2007), and the surplus for 2007/2008 was £1,284,511 (£991,133 reported for 2006/2007).

The company is responsible for the management and maintenance of the major woodlands and parkways of the city of Milton Keynes for the benefit of the inhabitants and visitors to the area.

**e. MOBEBLO Ltd**

Milton Keynes Council has no representation (one member appointed by the Council but he actually represents Countec, of which he is Chairman) on the Board of Directors of MOBEBLO Ltd, which is a company limited by guarantee and not having share capital. At 31 March 2008 the company's net assets were £748 (£4,817 at 31 March 2007), and the deficit for 2007/2008 was £4,069 (surplus £22 reported for 2006/2007).

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

**f. United Sustainable Energy Agency**

Milton Keynes Council has 38% representation (two member's and one officer appointed by the Council) on the Board of Directors of United Sustainable Energy Agency, formerly the Milton Keynes Energy Agency Ltd, which is a company limited by guarantee and not having share capital. At 31 March 2008 the company's net assets were £332,125 (£244,822 at 31 March 2007), and the surplus for 2007/2008 was £87,303 (surplus of £42,914 reported for 2006/2007).

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

**g. MK Business Venture Ltd**

Milton Keynes Council has 50% representation (one officer appointed by the Council) on the Board of Directors of MK Business Venture Ltd which is a company limited by guarantee and not having share capital. At 31 March 2008 the company had no net assets (£nil at 31 March 2007) and the surplus for 2007/2008 was £nil (deficit of £54,319 reported for 2006/2007).

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

**h. MKBV Trading Ltd**

Milton Keynes Council has 50% representation (one officer appointed by the Council) on the Board of Directors of MKBV Trading Ltd which is a company limited by guarantee and not having share capital. At 31 March 2008 the company's net liabilities were £39,076 (deficit of £97,355 at 31 March 2007) and the surplus for 2007/2008 was £1,727 (deficit of £16,533 reported for 2006/2007).

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

**i. MK Web Ltd**

Milton Keynes Council has 20% representation (one Member appointed by the Council) on the Board of Directors of MK Web Ltd. The company has share capital of £100 and is jointly owned by the Council (20%) and Iliffe Digital Media Ltd formerly Apollo Digital Media Ltd (80%). At 31 December 2007 the company's net assets were £1,760 (£769 at 1 January 2007).

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

**j. Inter-Action Ltd**

Milton Keynes Council has 13% representation (one member appointed by the Council) on the Board of Directors of Inter-Action Ltd which is a company limited by guarantee and not having share capital. At 31 March 2008 the company's net assets were £73,069 (£66,933 at 31 March 2007) and the surplus for 2007/2008 was £6,136 (£48,512 deficit reported for 2006/2007).

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

**k. Milton Keynes and North Buckinghamshire Company Ltd**

Milton Keynes Council has 14% representation (one member appointed by the Council) on the Board of Directors of Milton Keynes and North Buckinghamshire Company Ltd which is a company limited by guarantee and not having share capital. At 31 March 2008 the company's net assets were £32,754 (£44,952 as at 31<sup>st</sup> March 2007) and the deficit for 2007/2008 was reported at £12,198 (£6,907 surplus in 2006/2007).

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

**l. Shenley Leisure Centre Trust Ltd**

Milton Keynes Council has 20% representation (three members appointed by the Council) on the Board of Directors of Shenley Leisure Centre Trust Ltd which is a company limited by guarantee and not having share capital. At 31 March 2008 the company's net assets were reported to be £884,117 (£881,364 for 2006/2007) and the surplus for 2007/2008 was reported at £2,753 (£30,205 for 2006/2007).

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

**m. Woughton Leisure Trust (MK) Ltd**

During 2007/08, Milton Keynes Council had an 11% representation (one member appointed by the Council) on the Board of Directors of Woughton Leisure Trust (MK) Ltd which is a company limited by guarantee and not having share capital. At 31 March 2008 the company's net liabilities were (£85,165) (Liability of (£70,474) for 2006/2007) and the deficit for 2007/2008 was reported at £14,691 (deficit of £21,555 in 2006/2007).

The company is a charity which aims to provide or assist in the provision in Milton Keynes and surrounding areas of facilities for

recreation and other leisure time occupation to the public at large in the interests of social welfare, special facilities being provided to the young, the aged, the infirm and the disabled at the Directors' discretion.

**n. Central Milton Keynes Company Ltd**

Milton Keynes Council has 17% representation (one Member appointed by the Council) on the Board of Directors of the Central Milton Keynes Company Ltd, which is a company limited by guarantee and not having share capital. The company's net assets as at 31<sup>st</sup> March 2008 were £215,393 (£156,437 for 2006/2007).

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

**o. National Hockey Foundation**

Milton Keynes Council has 13% representation (one member appointed by the Council) on the Board of Directors of the National Hockey Foundation, which is a charitable company, limited by guarantee. The company's net assets as at 31<sup>st</sup> March 2008 were £3,357,276 (£3,245,396 for 2006/2007) and the surplus reported for 2007/2008 was £111,880 (£5,225,390 deficit in 2006/2007).

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

**p. Milton Keynes Play Association**

Milton Keynes Council has a 22% representation (one member appointed by the Council) on the Board of Directors of the Milton Keynes Play Association, which is a company limited by guarantee and a registered charity. The company's net assets as at 31<sup>st</sup> March 2008 were £128,978 (£71,418 in 2006/2007) and the surplus reported as at 31<sup>st</sup> March 2008 was £57,560 (£7,810 deficit in 2006/2007).

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.

**q. Board Representation**

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

<b>Company</b>	<b>Representation on Board of Directors</b>
	<b>%</b>
Countec Ltd	15
MK Theatre & Gallery Company	20
Artworks MK Ltd	0
MK Parks Trust Ltd	14
MOBEBLO Ltd	0
United Sustainable Energy Agency	38
MK Business Venture Ltd	50
MKBV Trading	50
MK Web Ltd	20
InterAction Ltd	13
MK & North Bucks Partnership	14
Shenley Leisure	20
Woughton	11
Central Milton Keynes Company	17
National Hockey Foundation	13
MK Play Association	22

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

**r. Other Companies**

The Council has identified a further 21 organisations to which Councillors, 20 in total, have been appointed where the actual form of the entity concerned takes the form of a company and where the Councillors concerned may be involved in decision-making by the controlling body, ie the Board of Directors. The actual nature of the Councillors' appointment has not yet been fully established and no accounts have been received from these companies. In all cases these companies are recorded at Companies House as companies limited by guarantee and not having share capital. Essentially these appointments are made in response to requests from the organisations concerned because of some common purpose or activity in relation to the Council's own diverse activities, not to oversee any Council financial investment. Related party transactions with these companies have been considered by the Council and are in no instance considered to be material.

Financial transactions between the Council and all of the above companies scheduled in paragraphs a) to r) inclusive have been included in the figures for Related Party Transactions in Note 10 to the Core Financial Statements.

#### 43) RECONCILIATION OF REVENUE NET SURPLUS TO NET REVENUE CASHFLOW

2007/08 £'000		2008/09 £'000
	(Surplus)/Deficit for year:	
(2,357)	General Fund	11,295
188	Collection Fund	(347)
(1,482)	Housing Revenue Account	550
33,294	Revenue Expenditure funded from Capital Under Statute	22,127
29,643		33,625
	Non-Cash items:	
(6,215)	Minimum Revenue Provision	(7,389)
(150)	Amortised Premiums/(Discounts)	(589)
230	Provisions set aside in year	402
(317)	Net Contributions from Reserves	(8,121)
(6,452)		(15,697)
	Items on an Accruals basis:	
(40)	Increase/(Decrease) in Stocks and Work in Progress	99
2,221	Increase/(Decrease) in Debtors	(10,454)
4,255	(Increase)/Decrease in Creditors	1,596
6,436		(8,759)
	(14,100) Net Interest Payments shown in Servicing of Finance	(10,858)
<b>15,527</b>	<b>Net Cash inflow from Revenue activities</b>	<b>(1,689)</b>

#### 44) RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

2007/08 £'000		2008/09 £'000
(6,321)	Increase/(Decrease) in Cash in the Year	2,906
(42,282)	Less - Cash inflow from new debt	(41,650)
22	Add Cash outflow from redemption of debt	44,711
<b>(48,581)</b>	<b>Changes in net debt</b>	<b>5,967</b>
(290,846)	Net debt at start of the year	(339,427)
<b>(339,427)</b>	<b>Net debt at the end of the year</b>	<b>(333,460)</b>

**45) MOVEMENTS IN FINANCING AND MANAGEMENT OF LIQUID RESOURCES**

Liquid resources are current asset investments held as readily disposable stores of value, i.e. disposable without curtailing or disrupting an authority's activities, and either readily convertible into known amounts of cash at close to its carrying amount, or traded in an active market.

The Council holds the following liquid resources:

	<b>Balance 31 Mar 2008 £'000</b>	<b>Balance 31 Mar 2009 £'000</b>	<b>Movement In Year £'000</b>
Long Term Borrowing:			
Public Works Loan Board	305,442	305,605	163
Bonds	15,000	15,258	258
<b>Total Long Term Borrowing</b>	<b><u>320,442</u></b>	<b><u>320,863</u></b>	<b><u>421</u></b>
Deferred Liabilities	17	0	(17)
Short Term Borrowing	3,044	0	(3,044)
<b>Movement in Financing</b>	<b><u>323,503</u></b>	<b><u>320,863</u></b>	<b><u>(2,640)</u></b>
Short Term Investments	95,344	103,797	8,453
<b>Movement in Management of Liquid Resources</b>	<b><u>95,344</u></b>	<b><u>103,797</u></b>	<b><u>8,453</u></b>

**46) ANALYSIS OF NET DEBT**

	<b>Balance 31 Mar 2008 £'000</b>	<b>Balance 31 Mar 2009 £'000</b>	<b>Movement In Year £'000</b>
Bank Overdraft	(16,200)	(13,107)	3,093
Long Term Borrowing	(320,442)	(320,863)	(421)
Deferred Liabilities	(17)	0	17
Short Term Borrowing	(3,044)	0	3,044
Cash in Hand	276	89	(187)
	<b><u>(339,427)</u></b>	<b><u>(333,881)</u></b>	<b><u>5,546</u></b>

**47) GOVERNMENT GRANTS RECEIVED**

The table below lists all revenue grants received in excess of £500,000 and shows the overall total received.

<b>Name of Grant</b>	<b>Amount £'000</b>
Adult and Community Learning	(845)
Dedicated Schools Grant	(148,576)
Education Special Grants (Schools Standards Grant)	(8,185)
General Sure Start Grant	(3,668)
LPSA2 Performance Reward Grant	(1,962)
LSC Grant	(15,914)
National Bus Concession	(743)
Planning and Delivery Grant	(895)
Standards Fund	(95,239)
Supporting People Programme Grant	(5,242)
Sure Start Local Programme	(568)
Unaccompanied Asylum Seeking Children	(596)
Total of grants below £500,000	(4,764)
	<b><u>(287,197)</u></b>

**48) POST BALANCE SHEET EVENTS**

The Council has no post balance sheet events to disclose for the financial year ending 31<sup>st</sup> March 2009.

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

**1. HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT**

<b>2007/08</b>		<b>2008/09</b>
<b>£'000</b>		<b>£'000</b>
	<b>Income</b>	
(43,422)	Dwelling Rents	(44,602)
(1,428)	Non Dwelling Rents	(1,410)
(783)	Charges for Services and Facilities - Tenants	(835)
(639)	- Leaseholders	(618)
0	Housing Revenue Account subsidy receivable	0
(216)	Contributions Towards Expenditure	(173)
<b>(46,488)</b>	<b>Total Income</b>	<b>(47,638)</b>
	<b>Expenditure</b>	
10,111	Repairs and Maintenance	10,146
6,964	Supervision and Management	7,745
2,797	Special Services	2,822
300	Rents, Rates, Taxes and Other Charges	418
7,874	Negative housing revenue account subsidy payable	10,223 10
2,516	Rent Rebate Subsidy Limitation transferred to General Fund	1,907 12
8,580	Depreciation - Dwellings	9,627 9
216	- All Other HRA Assets	272 9
4,575	Impairment - Dwellings	167,788
978	- All Other HRA Assets	66
(92)	Government Grants Deferred Amortisation	0
0	Revenue Expenditure funded from capital under statute (REFCUS)	29
94	Amortisation of Intangible Fixed Assets	15 13
36	Debt Management Expenses	34
681	Contribution to Reserve for Bad and Doubtful Debts	(928)
<b>45,630</b>	<b>Total Expenditure</b>	<b>210,164</b>
<b>(858)</b>	<b>Net Cost of HRA Services per Income and Expenditure Account</b>	<b>162,526</b>
0	HRA services share of Corporate and Democratic Core	56
0	HRA share of other amounts included in the whole authority Net	
0	Costs of services but not allocated to specific services	69
<b>(858)</b>	<b>Net Costs of HRA Services</b>	<b>162,651</b>
4,412	(Gain) or loss on sale of HRA Fixed Assets	494
4,092	Interest payable and Similar charges	4,055
0	Amortised Premiums and Discounts	0
(595)	Interest and Investment Income	(466)
168	Pensions interest costs and expected return on pension assets	257
<b>7,219</b>	<b>Deficit for the Year</b>	<b>166,991</b>

**2. STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE**

The Statement of Movement on the Housing Revenue Account Balance shows how the Housing Revenue Account Income and Expenditure Account surplus for the year reconciles to the movement on the Housing Revenue Account Balance for the year.

7,219	(Surplus) or deficit for the year on the HRA Income and Expenditure Account	166,991
(8,701)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(166,441)
<b>(1,482)</b>	<b>(Increase) or decrease in the Housing Revenue Account Balance</b>	<b>550</b>
<u>(5,211)</u>	Housing Revenue Account surplus brought forward	<u>(6,693)</u>
<u>(6,693)</u>	Housing Revenue Account surplus carried forward	<u>(6,143)</u>

**3. NOTE TO THE STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE**

	<b>Items included in the HRA income and Expenditure account but</b>	<b>Note</b>
66	Difference between amounts charged to income and expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute.	10
(5,553)	Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory requirements.	(167,854)
89	Government Grants Deferred Amortisation	0
0	Revenue Expenditure funded from capital under statute (REFCUS)	(29) 13
(94)	Amortisation of Deferred Charges/Intangible Assets	(15) 13
(4,412)	Gain or loss on sale of HRA fixed assets	(494)
<u>(623)</u>	Net Charges made for retirement benefits in accordance with FRS17	<u>(902)</u>
<u>(10,527)</u>		<u>(169,284)</u>
	<b>Items not included in the HRA income and Expenditure account but included in the movement on HRA Balance for the year</b>	
(1,169)	Transfer to/ (from) Major Repairs Reserve	(2,299) 6
0	Transfers to/(from) earmarked reserves	1,299
502	Employer's contributions payable to the Pension Fund and Retirement benefits payable direct to pensioners	486
0	Voluntary set aside for debt repayment	0
<u>2,493</u>	Capital Expenditure funded by the HRA	<u>3,357</u>
<u>1,826</u>		<u>2,843</u>
<u>(8,701)</u>	<b>Net Movement on the HRA Balance</b>	<u>(166,441)</u>

#### 4. HOUSING STOCK

At 31<sup>st</sup> March 2009, the Council was responsible for managing a housing stock of 12,626 dwellings of which 1,013 is the Council's portion of shared ownership dwellings and 41 are dwellings in multiple-occupation. During the year 14 properties were sold to tenants (includes part-sales of shared ownership dwellings), 3 empty properties sold on the open market, 1 property re-converted back into 2 properties. The analysis of the remaining stock is as follows (which includes 54 dwellings approved for demolition during 2009-10):

	Houses	Flats	Total	Houses Built	No. of Houses
1 Bedroom	1,474	2,441	3,915	Pre - 1919	51
2 Bedrooms	1,813	859	2,672	1919 - 1944	351
3 or more Bedrooms	4,800	185	4,985	1945 - 1964	1,513
				Post - 1964	6,172
<b>Total</b>	<b>8,087</b>	<b>3,485</b>	<b>11,572</b>		<b>8,087</b>

#### 5. ASSET VALUES

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

	31 March 2008 £'000	1 April 2008 £'000	31 March 2009 £'000
Operational Assets			
Dwellings	691,576	670,475	535,080
Other Land and Buildings	4,823	5,561	5,424
Equipment	360	360	351
Non-operational Assets	11,452	11,736	11,736
	<b>708,211</b>	<b>688,132</b>	<b>552,591</b>

The difference between valuations at 31<sup>st</sup> March and 1<sup>st</sup> April is due to any reclassification and then revaluation of assets on 1<sup>st</sup> April each year.

The decrease of £135,541,000 between 1<sup>st</sup> April 2008 and 31<sup>st</sup> March 2009 is due to disposals and a general fall in house prices within Milton Keynes during the year.

As at 1<sup>st</sup> April 2008, the vacant possession value of the Council's dwellings is estimated at £1,489,944,000, compared with the Balance Sheet value of £670,475,000 shown above. This variance reflects the economic cost to the Government of providing council housing at less than market value.

Although impairment has been recognised for a number of property assets this is due to a general fall in prices. No assets have fallen in value as a result of impairment due to economic consumption.

## 6. MAJOR REPAIRS RESERVE

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

	£'000
Opening Balance at 1 April 2008	0
Depreciation - Dwellings	(9,627)
Depreciation - Non-Dwellings	(272)
Capital Expenditure	7,600
Reversal of Depreciation in excess of Major Repairs Allowance	2,299
<b>Balance Carried Forward at 31 March 2009</b>	<b><u>(0)</u></b>

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

The Depreciation charged to the account (Dwellings and Non-Dwellings) less the MRA of £7,600,000 equals the Reversal of Depreciation figure of £2,299,000 shown in the account.

## 7. CAPITAL SPENDING

Total capital spending within the Housing Revenue Account and its funding in 2008/2009 is shown in the table below.

	£'000
<b><u>Capital Spending</u></b>	
- Dwellings	11,552
- Other HRA Assets	185
- Revenue expenditure funded from capital under statute	29
	<u>11,766</u>
<b><u>Funded By</u></b>	
- Usable Capital Receipts	148
- Supported Borrowing	749
- Major Repairs Allowance	7,600
- Government Grant	50
- Third Party Contributions	0
- Revenue Contributions	3,219
	<u>11,766</u>

## 8. CAPITAL RECEIPTS

The following capital receipts were received during 2008/2009:

	£'000
Sales of Dwellings*:	
Council Houses	438
Shared Ownership	83
Recovered Discount	85
Mortgage Receipts	11
Other Sales	23
Non RTB Sales	317
Capital Improvement receipts	32
<b>HRA Receipts in Year</b>	<u>989</u>
Less: Statutory Pooling	(579)
<b>Total HRA Useable Receipts in year</b>	<u>410</u>

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

## 9. DEPRECIATION

The total charge for depreciation within the Housing Revenue Account for 2008/2009 is made up as follows:

	£'000
Operational Assets	
Dwellings	9,627
Other Land & Buildings	272
<b>Gross Balance Sheet Value</b>	<b><u>9,899</u></b>

The charge for depreciation on dwellings from 1<sup>st</sup> April 2008 has been calculated in relation to the following categories – less than 20 years, 20 to 50 years and more than 50 years.

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

## 10. GOVERNMENT SUBSIDY

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

	£'000
Management and Maintenance	(18,523)
Charges for Capital	(4,538)
Rental Constraint Allowance	0
Interest on Receipts	7
Guideline Rent Income	<u>40,877</u>
<b>HRA Negative Subsidy Entitlement for year</b>	<b>17,823</b>
Major Repairs Allowance	(7,600)
<b>Total HRA Negative Subsidy Payable in Year</b>	<b><u>10,223</u></b>

The total negative subsidy charged within the HRA of £17,823,000 is partially offset by the Government's Major Repairs Allowance of £7,600,000, used in the funding of capital expenditure.

## **11. RENT ARREARS**

The total rent income for the year, after allowance is made for voids, is known as Gross Rent Income. The loss of income as a result of voids was £912,000 (£1,067,000 2007/2008). At 31<sup>st</sup> March 2009, 1.09% of properties available to let were vacant (0.84% at 31<sup>st</sup> March 2008).

Rents are expressed in terms of a 50-week year and were increased from 1<sup>st</sup> April 2008 by 3.25%. The average weekly rent at the end of 2008/09 was £71.49 (£69.23 2007/2008).

The Housing Revenue Account shows rent income and other miscellaneous charges (for example service charges). Arrears of all charges at 31<sup>st</sup> March 2009 amounted to £3,440,000 (£3,542,000 at 31<sup>st</sup> March 2008). During the year ending 31<sup>st</sup> March 2009 arrears of £169,000 were written off as irrecoverable, which includes rent debt written off amounting to £142,000.

The Council has made a total provision against all housing-related debts of £1,972,000. This figure includes a provision against rent arrears, using the formula suggested by the Department for Communities and Local Government, in the sum of £1,498,000.

## **12. SUBSIDY LIMITATION TRANSFER TO GENERAL FUND**

Rent rebates are available under the Housing Benefit scheme for those on low incomes. 61.60% of the Council's tenants receive some help with the cost of their rent.

From 1<sup>st</sup> 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 2008/09 this cost was £1,907,000.

### **13. REVENUE EXPENDITURE FUNDED BY CAPITAL UNDER STATUTE AND INTANGIBLE FIXED ASSETS**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a fixed asset has been charged as expenditure to the Housing Revenue Account in the year.

Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the Housing Revenue Account Balance so there is no impact on the level of council tax. In 2008/09, expenditure of this nature totalled £28,000.

Intangible Fixed Assets comprise of purchased software licences and custom built software prepared for use for a period of a least one year and amortised over their useful economic lives. In 2008/09, intangible fixed assets of £10,000 were written down to the Housing Revenue Account.

### **14. TRANSFER TO PENSIONS RESERVE**

The transfer to the Pensions Reserve in respect of the Housing Revenue Account is £416,000. Details of the background to, and reasons for this adjustment, may be found in Note 19 to the Statement of Accounting Policies, and Note 37 to the Core Financial Statements.

**15. COLLECTION FUND**

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

<b>2007/08</b> <b>£'000</b>		<b>2008/09</b> <b>£'000</b>
	<b>Expenditure</b>	
	Precepts:	
10,871	Thames Valley Police Authority	11,578
4,087	Bucks & Milton Keynes Fire Authority	4,395
<u>83,528</u>	Milton Keynes Council	<u>88,950</u>
98,486		104,923
	Contributions:	
0	TVPA Share of Surplus	0
0	Fire Authority Share of Surplus	0
<u>0</u>	MKC Share of Surplus	<u>0</u>
0		0
	Business Rates:	
121,328	NNDR Payment to National Pool	137,125
376	Cost of Collecting Business Rates	380
<u>324</u>	Interest on NNDR Payments	<u>279</u>
122,028		137,784
554	Council Tax Bad Debt Provision	130
<u><b>221,068</b></u>		<u><b>242,837</b></u>
	<b>Income</b>	
	Council Tax due in year:	
(86,805)	Net Income	(91,940)
(11,917)	Benefits	(13,373)
5	Transitional Relief	1
(11)	TVPA Share Estimated Deficit	(17)
(4)	Fire Authority Share of Estimated Deficit	(6)
(85)	MKC Share of Estimated Deficit	(127)
<u>0</u>	Compensation for Council Tax Benefit Subsidy Limitation	<u>0</u>
(98,817)		(105,462)
(122,028)	Income from Business Ratepayers	(137,783)
(1)	Community Charge Adjustments	(2)
<u><b>(220,846)</b></u>		<u><b>(243,247)</b></u>
<u><b>222</b></u>	<b>Net (Surplus)/Deficit for the year</b>	<u><b>(410)</b></u>

## 16. COLLECTION FUND BALANCE

2007/08 £'000		2008/09 £'000	Note
11	Balance brought forward at 1 April 2008	233	
222	(Surplus)/Deficit for the year	(410)	
<u>233</u>	<b>Balance carried forward at 31 March 2009</b>	<u>(177)</u>	19

## 17. RATEABLE VALUE

The total rateable value of business property at 31st March 2009 was £326,471,846 (£326,864,012 2007/08) and the rate multiplier applied in 2008/09 was £0.462 (£0.444 2007/08) with a new reduced multiplier of £0.458 for those businesses receiving Small Business Relief (£0.441 in 2007/08).

## 18. TAX BASE

The Council Tax base for 2008/2009, i.e. the number of chargeable dwellings in each band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, was calculated as follows:

Estimated No. of Taxable Properties after discounts/exemptions	Ratio to Band D	Band D Equivalent
A-	5/9	12.50
A	6/9	8,097.20
B	7/9	17,740.30
C	8/9	20,564.70
D	9/9	10,619.00
E	11/9	10,772.70
F	13/9	6,659.30
G	15/9	4,147.50
H	18/9	191.00
		<u>78,804.20</u>
Anticipated changes during the year		1,960.00
Provision for non-collection (1.3%)		(1,053.43)
Reductions for Discounts		272.35
<b>Council Tax Base</b>		<u><u>79,983.12</u></u>

**19. 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. The balance on the Fund is available for financing the expenditure of the Council and the Police and Fire Authorities. In 2008/09 the Fund is in surplus and is attributable to:

<b>2007/08</b> <b>£'000</b>		<b>2008/09</b> <b>£'000</b>
197	Milton Keynes Council	(150)
26	Thames Valley Police Authority	(20)
10	Buckinghamshire and Milton Keynes Fire Authority	(7)
<u>233</u>		<u>(177)</u>

A Collection Fund deficit of £500,000 for 2008/09 had been estimated when the 2009/2010 Council Tax was set. The final outturn as above, was £177,000 surplus, leaving the balance of £677,000 to be a contribution to the Collection Fund in 2009/10.

**20. WRITE OFFS**

Council Tax debt of £828,020 was written off in 2008/09 (£1,091,000 2007/08).

### **Accruals**

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

### **Asset Management Revenue Account**

Until 31<sup>st</sup> March 2006, the Council was required to maintain an account under capital accounting arrangements. It contained the credit for capital charges and government grants deferred contributions, offset by charges for depreciation and external interest payments.

### **Capital Charges**

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

### **Capital Expenditure**

Spending that produces or enhances an asset, like land, buildings, vehicles, plant and machinery.

Definitions are set out in Section 40 of the Local Government and Housing Act 1989. Any expenditure that does not fall within the definition must be charged to a revenue account.

### **Capital Financing Account**

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

### **Capital Receipts**

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

Capital receipts can be used to repay any outstanding debt on fixed assets or, to finance new capital expenditure, within rules set down by government.

Capital receipts cannot, however, be used to finance revenue expenditure.

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

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

### **Collection Fund**

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

### **Contingent Liabilities/Gains**

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

### **Deferred Credits**

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

### **Deferred Grants**

Amounts received or receivable that have been used to finance capital expenditure. Under the capital accounting arrangements these amounts will be released to offset depreciation in respect of the fixed assets to which they relate.

### **Depreciation**

The measure of the wearing out, consumption or other reduction in the useful life of a fixed asset.

### **Earmarked Reserves**

These are reserves set aside for a specific purpose or a particular service, or type of expenditure.

### **Finance Leases**

Arrangement whereby the lessee is treated as owner of the leased asset and is required to include such assets within fixed assets on the balance sheet.

### **Financial Reporting Standard (FRS)**

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

### **Fixed Assets**

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

### **Housing Revenue Account**

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

### **Infrastructure Assets**

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

### **Intangible Assets**

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

### **Investments**

Deposits for less than one year with approved institutions.

### **Long Term Debtors**

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

### **Major Repairs Allowance**

The estimated average annual cost of maintaining the condition of the Council's housing stock over a 30 year period based on each authority's mix of dwelling types

### **Minimum Revenue Provision**

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

### **National Non-Domestic Rate (NNDR)**

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

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

### **Non-Operational Assets**

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

### **Operational Assets**

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

### **Operational Leases**

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

### **Pension Fund**

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

### **Precepting Authorities**

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

### **Provisions**

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

### **Revenue Support Grant**

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

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