Milton Keynes Council

Statement of Accounts for the year 2019/20

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Introduction

This document presents the statutory financial statements for Milton Keynes Council (the council) for the period 1 April 2019 to 31 March 2020 and gives a comprehensive summary of the overall financial position of the council giving a true and fair view.

The accounts are presented in the format recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA), as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code). Our core financial statements use this format and meet the conditions of the Code.

This narrative report provides a summary of the most significant matters reported within the accounts and of the council's current financial position and performance. It also looks forward to future years and how the council will continue to meet its responsibilities for the people of Milton Keynes.

Priorities

Milton Keynes Council operated through 2019/20 in line with the priorities set out in the 2016-2022 Council Plan. The Plan sets out a vision and desired outcomes for Milton Keynes, together with a series of priority actions to provide a shared framework for both the council and its partner organisations.

The Council Plan has nine priority themes within which there are specific commitments for action, these sit under three overall aims for Milton Keynes: to be a place of opportunity, an affordable place and a healthy place. Priorities are set out to reflect the most significant outcomes and making the greatest impact. Progress against delivery is reported to councillors and other stakeholders.

The Three Key Aims detailed in the Council Plan are as follows:

- A City of Opportunity - Milton Keynes has limitless potential. We want every person to have the chance of a good, well paid job and the skills to do it in a more equal society; a prosperous Milton Keynes with a strong, diverse economy that has an international reputation for innovation.
- An Affordable City - We want to create communities that can attract, retain and enable people from every background. Milton Keynes has been built on meeting the aspirations of people to live in a good home at a price they can afford to rent or buy, and businesses being able to access high quality, affordable premises that meet their needs.
- A Healthy City - We will ensure lifelong wellbeing for all. We want Milton Keynes to be an active, vibrant place with people living long, healthy and fulfilling lives.

Further details on the council's aims, visions and priorities can be found in the Milton Keynes Council Plan 2016-22 which is published on the Internet https://www.milton-keynes.gov.uk/your-council-and-elections/council-information-and-accounts/strategies-plans-and-policies/council-plan-2016-2020.

Milton Keynes Council is governed through a Labour and Liberal democrat partnership which was formally agreed in 2016. Owing to the Covid-19 pandemic, the May 2020 elections were cancelled so the partnership remains in place for the foreseeable future.

Milton Keynes is a Unitary Authority with a growing population of c272,000 and is the landlord for approximately 12,071 properties of which 953 is the council's portion of shared ownership dwellings, whose income and expenditure is operated through a Housing Revenue Account (HRA).

The Council's 2019/20 Financial Position

Service Expenditure – General Fund

The Council's 2019/20 reported outturn shows a small overspend of £0.158m for the year. This performance masks some significant issues within the overall budget and equates to an overspend of 0.086% of the net General Fund budget. This small overspend has significant challenges in areas of high demand such as Homelessness and Children's Social Care, and also a large number of other significant overspends across services. The Outturn position was offset by underspends within Adult Social care, Debt Financing and the Corporate codes.

General Fund - Income & Expenditure Summary at 31 March 2020.

General Fund High Level Revenue Summary	2019/20 Full Year Budget	Actual to 31/03/20	Variance to Budget
Service	**£m's**	**£m's**	**£m's**
Adult Social Care & Homelessness	65.308	64.784	(0.525)
Public Health	11.105	11.105	(0.000)
Children's Services	53.860	55.677	1.816
Policy, Insight & Communications	1.276	1.161	(0.115)
Strategy and Futures	0.240	0.224	(0.016)
Housing and Regeneration	1.093	1.182	0.089
Growth, Economy and Culture	5.288	5.015	(0.273)
Environment and Property	58.389	60.106	1.718
Resources - Retained MKC	(0.053)	(1.226)	(1.173)
Resources - LGSS	7.599	7.620	0.021
Law & Governance	1.906	2.129	0.223
Debt financing, corporate codes	4.385	2.777	(1.608)
Net Cost of Services	**210.396**	**210.554**	**0.158**
Reversal of Capital Charges	(27.434)	(27.434)	0.000
Total Financing	**(182.962)**	**(182.962)**	**0.000**
Net Surplus / Deficit	**0.000**	**0.158**	**0.158**

Significant Overall Revenue Variances

Adult Social Care & Homelessness – Underspend £0.525m

- There was a £2.343m saving on care packages and placements across Adult Services; £1.274m of which relates to Older People. This is the impact of the demand management project and enhanced controls and processes that have been implemented over the last 12 months. This includes the introduction of a Financial Authorisation Board, increased frequency of reviews and utilising capacity within our internal home care service.
- There was additional income of £0.560m from health funded service users attending the Internal Day and Short Breaks services. This was a result of implementing a full cost recovery model for Continuing Health Care funded service users. In addition, there were staffing underspends of £0.284m within the Learning Disability Internal Day Services.
- There was an overspend in Homelessness Prevention & Access of £3.672m, due to an increase in demand (1020 households compared to budgeted 670). Low supply of housing stock and slower private sector nominations were also a contributing factor (210 Households compared to 275 budgeted).
- There is an underspend on the Manor House contract of £0.689m. Manor House was a provision for those with Learning Disabilities, which closed some years ago, and the service users were moved to various care homes across Buckinghamshire. MKC no longer places new service users under this contract.

Children's Services – Overspend £1.816m

- Children's Social Work service overspent by £1.472m mainly due to an overspend in staffing £0.997m, within the multi-agency safeguarding and statutory children's social care teams. There has been an increase in activity and a resultant need for additional staff to meet service demands. The service has also seen an overspend on legal expenses £0.257m as a result of judicial reviews for unaccompanied asylum seeker children (UASC) challenging age assessments that have been completed and restrictions with court time and being able to meet the 26 week target.
- Corporate Parenting over spent by £0.211m. This is made up of £0.190m on placements. There was also an overspend on staff costs, £0.106m, across corporate parenting due to meeting service demand and covering vacant posts, sickness and maternity cover which resulted in the use of agency staff.
- Setting and school sufficiency and access service has an overspend of £0.457m as a result of increase home to school transport costs as a result of an 11% increase in pupil numbers receiving transport (1,155 pupils Sept 18 to 1,282 March 20). A number of the existing contracts are now full so additional contracts have needed to be procured.

- Social Care Grant contributions at £1.100m were used to fund a number of one-off costs in Children's Services including looked after children placement costs, income reductions and one off equipment.

Growth Economy & Culture – Underspend £0.273m

- Planning income was over by £0.167m, despite a change in the pricing policy for Planning Performance Agreements (PPA) from November with charges being reduced and a reduction of £0.160m income in March compared to that expected, related to the COVID-19 lockdown. In addition there are salary vacancies within the Development Management and Development Plans Teams of £0.319m, with a full establishment expected to be in place next financial year and a favourable position of £0.106m in Land Charges due to the delay in this service being transferred to central government, a move that is expected to take place in 2020/21. However, it has been necessary, due mainly to the nature of the leisure industry following COVID-19, to include a bad debt provision of £0.302m for which there is no budget.

Environment & Property – Overspend £1.718m

- Property - overall there was an overspend of £1.123m. However, this includes unbudgeted property debt financing costs of £0.695m which has been offset by a corresponding surplus in debt financing. The remaining £0.428m overspend is mainly due to the shortfall in income and additional costs at the Brookland's Health Centre of £0.238m. There are also additional building maintenance costs of £0.297m as the old and new contracts overlap along with added one off work carried out on Civic but income in Commercial Properties and Sponsorship was better than budget by £0.120m.
- Patronage of concessionary fares was higher than planned resulting in an overspend of £0.112m which has been offset by the use of Bus Services Operator Grant.
- The car parking income is under budget by £0.632m but £0.353m is as a result of a dip in March due to COVID-19 and there is provision to offset this in the corporate area by using one off government grant funding for the impact of COVID-19. There was also £0.210m income received in year for parking suspensions that relates to 2020/21 and so has been carried forward.
- In highways, the Adoptions income is £0.569m above budget as a result of continuing housing developments and Highways Permit income is £0.233m above budget as a result of increased works requiring stopping up of the highways. In addition, there was an over provision for bad debt in 2018/19 which resulted in a credit to highways of £0.112m. However, there is a net pressure of £0.947m on highways repairs due to increased pothole works carried out under the new Local Code of Practice. There was accident damage in excess of budget of £0.147m in traffic management that may be recoverable in 2020/21, street lighting maintenance additional costs of £0.146m and Winter Maintenance was over by £0.157m due to increased runs in March. Work is already

underway aiming to prevent this maintenance over spend position from occurring in 2020/21.

Resources MKC – Underspend £1.173m

- £0.553 underspend in Revenues and Benefits due to a lower level of debt and caseload outstanding than last year at the year-end so a lower bad debt provision required and a greater recovery of housing benefits subsidy to the value of £0.326m. Offsetting this is an overspend of £0.178m in Customer Services due to a pressure of £0.092m against a savings target and increased agency staffing costs to cover vacant posts. The Transformation process is now underway and Customer Services is expected to be within budget in 2020/21. There was also an unallocated budget within the Print Service of £0.209m that was not used in 2019/20 but will be required in 2020/21 when the LGSS IT budgets are repatriated.

Law & Governance – Overspend £0.233m

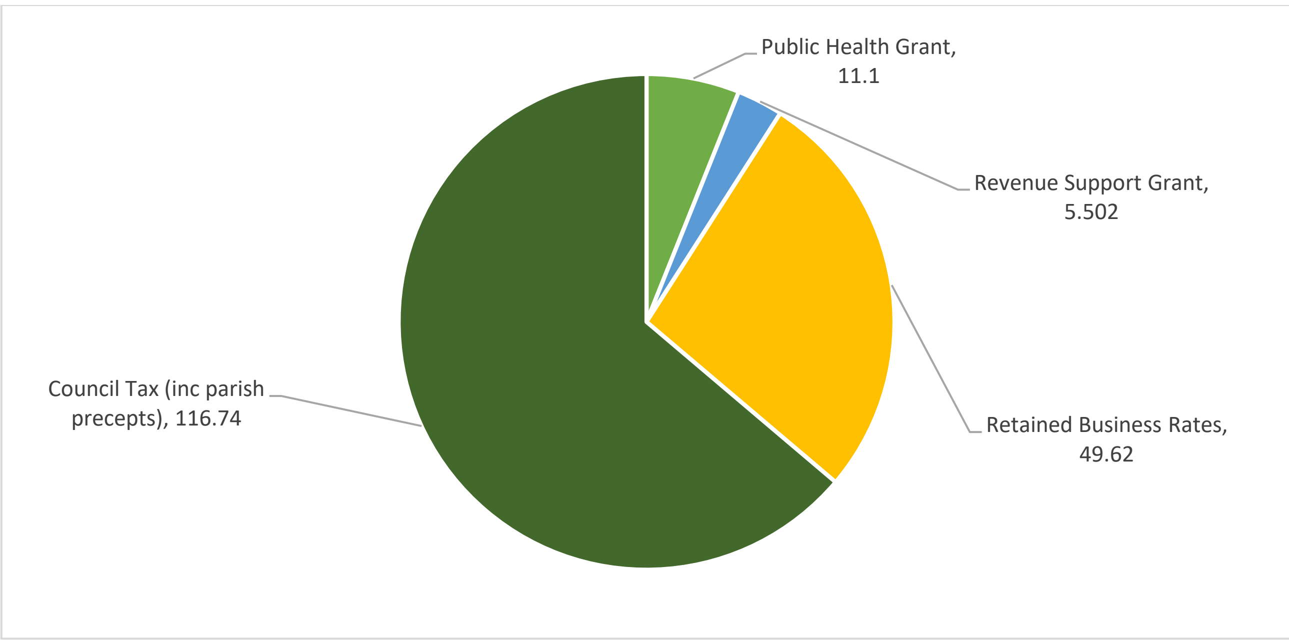
- A combination of under recovery of income and overspends on subscriptions for external advice and staffing resulted in Legal Services being over by £0.137m with Democratic Services staffing costs being the remaining £0.086m.

Debt Financing & Corporate Codes – Underspend £1.609m

- £0.695m underspend from unbudgeted debt financing charges to services. £0.330m additional interest received due the significant slippage within the Capital Programme, and £0.373m additional funding from the Government to fund Covid-19 related expenditure and loss of income.

Sources of Finance - Income from Grants, Local Tax Payers and Other Sources

Milton Keynes Council's net cost of service is funded through Council Tax, Business Rates and Grants. The chart below details how the 2019/20 budget requirement of £182.962m was financed.



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

Service Expenditure – Cost Reductions and Income in 2019/20

Savings of £6.039m were approved for implementation in 2019/20 and £0.288m savings carried forward from 2018/19, with £5.259m (83.12%) of these being delivered in year and £1.068m (16.88%) will either not be delivered until next year or are now undeliverable. Where the saving cannot be delivered or not the full amount this has been reflected in the 2020/21 budget.

The main cost reduction and income proposals that have been delayed or undeliverable are:

- Reduce reliance on residential care by supporting people with learning disabilities to move to supported living either where they are currently living or by moving to back to Milton Keynes £0.380m. Project has not been completed, however saving's target has been achieved through other measures.
- Savings in Temporary Accommodation budget £0.295m Challenges in recruitment to the prevention posts has been depressing both prevention savings and use of Prevention Fund to deliver year to date savings, however establishment is now fully in place and £1.393m of the target of £1.688m has been achieved in year.
- Full Review of the council's customer Services, moving to a comprehensive offer for all council Services with improved used of technology £0.100m. Customer Service programme board and project managers were in place to start delivering these savings at in 2020/21 but due to Covid-19 this saving is unlikely to be achieved in 2020/21.
- An increased recharge to the Housing Revenue Account (HRA) to reflect the correct level of costs associated with the Grounds Maintenance contract £0.100m. Saving planned to be delivered in 2020/21.
- Savings from increase in Temporary Accommodation supply (deployment of modular structures as temporary accommodation) £0.081m. The implementation of the modular structures has been delayed and will not be available for use until September 2020/21.

The impact of Covid-19 is likely to have a significant impact on our ability to achieve our savings target for 2020/21 and any delayed saving from 2019/20.

Service Expenditure – Capital

In 2019/20 £108.346m was spent against a budget of £168.536m, a £60.190m underspend.

The main areas of underspend are:

- Whitehouse 12FE Secondary School £8.326m underspend due to re-phasing of works, forecast completion date remains at the 01/01/2021.
- HRA New Build Housing programme £15.902m underspend and forecast slippage to 2020/21 due to changes to the procurement process. Forecast completion dates for the phase two projects have now been identified as March 21 and March 22, these were originally built in to complete in 2019/20.
- HRA Asset management Programme £14.460m underspend and forecast slippage to future years due to the programme delivery forecasts for 2019/20 being over ambitious given the delays to a number of projects at the start of the year. This was compounded by delays in relation to leaseholder works. The asset management programme has been rebased over the medium term.
- Tattenhoe Park Community Wellness Hub £1.877m underspend and forecast slippage to 2020/21 construction will be starting on site July 2020 and is due to complete in January 2021.
- Fairfield Leisure and Community Facilities £1.550m underspend and forecast slippage to 2020/21 work has now partly started (the artificial grass pitch aspect) with the changing rooms expected to be complete in February 2021.
- Purchase of properties £3.133m underspend - Purchases were below target due to a lack of suitable properties on the market within our price cap. This was due to a slow market for most of the year due to Brexit concerns, elections and then Covid-19.

A review of all projects in the Capital Programme has been undertaken to confirm deliverability and spend approval for the capital programme in year and over the medium term. The Capital Programme has been rebased to reflect current expected deliverability taking into account the impact Of Covid-19 with revised 2020/21 year Programme of £128.2m and £355.7m agreed programme over the medium term.

The main capital schemes in 2020/21 are:

- Whitehouse 12FE Secondary School £21.6m
- HRA New Build Housing programme £20.7m
- Purchase of properties £6.9m
- HRA Asset Management £27.2m

COVID-19 Pandemic

On the 12 March 2020 the World Health Organisation declared COVID-19 a world Pandemic and the subsequent UK lockdown which started on the 23 March 2020. The COVID-19 pandemic has brought further demands and pressures to the services provided by the Council and the population of Milton Keynes.

As a Category 1 responder, MKC has been providing a wide range of support to vulnerable residents, businesses and partner organisations. This has required the Council to incur additional costs outside of our approved budget and take decisions in line with new government direction and guidance to ensure that essential services are able to continue in what is an extremely challenging situation.

Local Government has received funding from government to help meet the costs of dealing with the emergency and to recognise the wider financial impact that this is having in terms of lost fees and charges, taxation revenues and delays to planned savings. This support includes the income support scheme, which allows the Council to recover up to 70% of fees and charges income losses, forecast to be £8.998m, and £20.312m General Fund Government Support.

In addition to the general Government Grant allocation above, the council has been managing and accessing various other Government support funds. The Council had received £7.8m in specific Grants to deal with the Pandemic at period 9 such as Test & Trace Service Support Grant, Contained Outbreak Management Fund, Next Steps Accommodation grant etc. The Government have also allocated funding which has been passported on to businesses, schools and others within the community

Financial Outlook – COVID-19 Impact

At this stage the ongoing financial impact of the pandemic cannot be fully understood. The level of uncertainty over the wider economic and social impacts and behavioural changes are still to be felt.

The 2020/21 Budget was set in February 2020 against a background of already tough financial conditions, mainly due to continued cuts to Government funding and substantial increases in demand for services. Since the budget was agreed in February 2020, the Covid-19 pandemic has brought further demands and pressures to the services provided by the council to the population of Milton Keynes.

The Council are currently forecasting a General Fund underspend of £0.208m at period 9. Whilst there is an underspend of £2.869m of non-COVID-19 related income and expenditure, the forecast includes £21.381m of additional COVID-19 costs and loss of income, £29.310m of additional Government Grant funding and £10.590m of estimated loss of income on the Collection Fund.

The key material Service COVID-19 cost and income losses are:

- Income loss from car parking due to demand is currently forecasting a £10.48m pressure. The last quarter car parking income has been based on a lockdown position. The impact on employee permits from working at home and pay and display income from shop closures has been significant.
- Adult Services is forecasting a significant pressure in excess of £3.559m due to COVID-19. The pressure is due to a combination of increased spend of £1.231m on Supported Living to provide 1:1 care in place of Day Services; provision of direct financial support to Care Homes of £1.007m to cover additional staff and PPE costs; Hotel and Accommodation costs of £0.655m for Rough Sleepers and the balance is made up of increased costs of Homecare, PPE for internal teams and a loss of Income on Day Care.
- As a result of the pandemic and closure during lockdown impacting on their income stream, a provision has been made for income due from the Casino not being received.
- Planning income is currently forecasting a pressure of £0.833m due to the impact of COVID-19; each quarter the income increases and the expectation is that the last 3 months will be slightly up on quarter 3.
- A leisure contract income has been impacted by COVID-19 and the council is having to incur additional one-off costs of £0.240m to support one of the contracts for 11 months. In addition, the council will not receive £0.282m budgeted income from leisure contracts.
- The Council has also seen additional costs from residual waste tonnage and contamination of £0.903m with more people generally spending more time at home.
- Home to school transport is forecasting an underspend of £0.594m as a result of reduced demand in the summer term, government grant funding, re-routing of journeys from September and social distancing measures.
- Children's placements have seen an increase in placements costs of £0.886m due to carer's shielding, family breakdowns during lockdown and difficulties recruiting new foster carers.
- Youth and community services including children's centres has seen a loss of income of £0.616m during COVID-19 due to restrictions and closures of services.

In addition to service budget impacts, the Council are seeing an impact on funding streams and the impact on the Medium term funding position. It has been anticipating that the Council will also see a reduction to income levels from Council Tax and Business Rates of £10.590m as a direct consequence of COVID-19

Milton Keynes has responded rapidly in terms of covid19 response. See attached a link of the work done by council with Stakeholders to support members of the public in line with the council plan.
https://content.govdelivery.com/attachments/UKMK/2020/05/29/file_attachments/1461946/MKC%20COVID%2019%20Progress.pdf

Reserves

There are a number of reasons the council holds reserves, some of the key ones are as follows:

- To manage known financial risks
- To hold funding as one-off contributions to expenditure, which has allowed the council to make ongoing revenue budget reductions
- To manage timing differences between the receipt of funding and actual spend
- To hold ring-fenced balances for example, specific grants, trusts, schools or the Housing Revenue Account

In response to the Pandemic the Council has implemented significant additional measures to ensure that the Council was able navigate its way through the pandemic and the financial challenges that this presented. Included in this is a review of all earmarked reserves releasing over £4m into the General Fund working balance, which together with non-essential in year savings means that the Councils total General Fund working balance is now over £30m at period 9.

The Council continues to hold a strong level of financial reserves and has increased further its General Fund Working Balance. In addition to this the Council also holds separate risk reserves for a number of other key business areas providing a further risk buffer

Reserve Summary	**Forecast Balance 31/3/21 £M's**	**Forecast Balance 31/3/22 £M's**
GF Working Balance	30.387	28.037
% Net Revenue Budget	14.5%	13.3%
GF Risk Reserves	26.505	21.583
Total: Reserves Available to meet known and unknown risks	**56.892**	**49.620**
% Net Revenue Budget	27.1%	23.6%

Details of the council's earmarked reserves can be found in note 10 to the Financial Statement.

Outlook

Milton Keynes turned 50 years old in 2017.

The MK Futures 2050 Report (http://www.mkfutures2050.com) which was endorsed by council in July 2016 sets out how the City will to continue to grow and develop to maintain its success.

This includes 6 key projects:

- Hub of the Cambridge – Milton Keynes – Oxford Arc

To realise the arc's full economic potential as a single knowledge-intensive cluster as envisaged by HM Treasury and the National Infrastructure Commission.

- MK:U
  To provide lifelong learning opportunities at a new university to promote research, teaching and practice which provide realistic solutions to the problems facing fast-growing cities everywhere.
- Learning 2050
  To ensure that the city provides, and is known for providing, world-class education for all of its young people; and the Milton Keynes Promise.
- Smart, Shared, Sustainable Mobility
  That everyone who lives, works, studies or does business in the city is able to move freely and on-demand by harnessing the flexibility of the city's grid roads and Redways.
- Renaissance CMK
  To recreate or create an even stronger city centre fit for the 21 century.
- Cultured and Creative city
  To harness the energy and motivation of the city's most important asset – its people.

The Council Plan supports the aspiration that MK should grow to a population of 500,000 and beyond by 2050, supporting the growth of housing within the Borough securing the future of Milton Keynes by continuing to support Plan:MK. The Council Plan prioritises new infrastructure to support growth including investment in the development of a new university, and city centre college campus, regeneration, growth in school places, development of plans for a mass transport system in Milton Keynes and commitment to continue to develop the Strategy for 2050, responding ambitiously to the National Infrastructure Commission East-West corridor report.

Risks and opportunities

The aim of Risk Management is to improve the council's ability to deliver its identified priorities, by managing the threats, achieving identified opportunities and creating an environment that allows innovation and adds value.

All risks are monitored and the Audit Committee receives updates on risks and their management actions on a quarterly basis. The corporate risks were due to be updated in March 2020, however due to Covid-19 pandemic the Audit Committee meeting due to be held in March 2020 was cancelled.

These risks have been superseded by the Covid-19 risks which are detailed below.

Governance

The council monitors its governance arrangements throughout the year, culminating in the Annual Governance Statement produced by the Chief Internal Auditor, which is approved by the Leader of the Council and Chief Executive and published alongside the 2019/20 accounts.

Internal Audit were in the process of producing an 2019/20 Annual Governance Statement (AGS) and finalising the assurance statements to be issued to Directors. Internal Audit has also been focused on the Pandemic and ensuring that eligible businesses can obtain the business support grant as soon as possible to prevent closure. The production of the 2019/20 AGS has been delayed as a result, this is now likely to be produced for the November 2020 Audit Committee.

Annual Investment Strategy

The CIPFA Code and the Ministry of Housing, Communities and Local Government (CLG) Guidance require council's to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults as well as the risk of receiving unsuitably low investment income.

The Treasury Management Strategy Statement (TMSS) for 2019/20- 2023/24, which included the Annual Investment Strategy was and approved by council on 4 February 2020. It set out the investment priorities as being:

- Security of Capital;
- Liquidity; and
- Yield

Bail-in legislation, which ensures that large investors (including local authorities) will rescue failing banks instead of taxpayer bail-outs in the future, has now been implemented. The associated credit risk with making unsecured bank deposits has increased relative to the risk of other investment options available to the council; returns from cash deposits remain low.

Given heightened risk and continued low returns from short-term unsecured bank investments, the council will continue to seek diversity by keeping under review options for secure and/or higher yielding asset classes during the year. This is especially the case for funds available for longer-term investment. This diversification approach will represent a continuation of the strategic direction implemented since 2015/16. For short-term investments a range of unsecured certificates of deposit, money market funds and loans to other local authorities will be utilised. For longer-term investments then higher yielding asset classes and/or more secure (collateralised/asset-backed) options will be sought.

At the 31st March 2020, the council held £279.085m invested with various financial institutions (including total accrued interest of £0.849m); of this amount £46.736m has been classified as cash equivalents in accordance with Accounting Policy note F.

Expenditure – Borrowing

Although capital expenditure plans are the primary driver of the council's borrowing requirement, loans are not attached to particular capital schemes and actual borrowing is a separate aggregated treasury management decision based on cashflow analysis.

During 2019/20, principal repayments on annuity loans £2.768m were made to the Public Works Loan Board (PWLB) in line with loan agreements. No new loans to fund expenditure on capital projects were undertaken.

At the end of the financial year the council had outstanding borrowing totalling £467.342m. This full amount (including accrued interest of £1.943m) represents funding of capital projects. Further details of the composition of this sum can be found in the note 28 to the Financial Statements.

It was not necessary during the year for the council to borrow temporary funds for cash flow purposes. Consequently, there were no temporary loans outstanding at 31 March 2020.

Partnerships

A partnership exists between Milton Keynes Council and Mears Group LLP to regenerate and manage the housing stock. All activity within YourMK is community led and commercially framed. In July 2020, a decision was made to dissolve YourMK. The control of regeneration functions and management of Council owned housing stock that would have been delivered by YourMK was passed on to the Council.

Milton Keynes Council also wholly owns Milton Keynes Development Partnership (MKDP), a body set up to facilitate growth and economic success in line with the corporate plan. MKDP estate comprises around 265 developable acres which are used to develop Milton Keynes in line with the Council Plan. Further information on MKDP and its up and coming projects can be found at www.mkdp.org.uk

Milton Keynes Council was a partner of Local Government Shared Services (LGSS) with Northamptonshire County Council (NCC) and Cambridgeshire County Council (CCC) in 2019/20. LGSS are reporting an underspend of £1.6m against budget of £22.8m. The Milton Keynes Council share of the underspend is £0.687m

The overall LGSS performance for 2019/20 is as follows:

	2019/20 Budget £'000	2019/20 Expenditure £'000	2019/20 Variance £'000
LGSS Overall Performance	23,820	22,218	(1,602)

The outturn position for LGSS split over the 3 partners is as follows:

	CCC £'000	MKC £'000	NCC £'000	Total £'000
(Under)/overspend position by Council	(214)	(687)	(701)	(1,602)

LGSS provided a wide range of strategic, professional, operational and internal transactional services including finance, procurement, internal audit, HR, IT and transactional financial services. It is governed by a Joint Committee with the financial transactions of each shareholder authority included in the respective council's statutory accounts.

The partners commissioned a review of the LGSS model in the 2019/20 year. On the 27th February, the LGSS Joint Committee received a detailed confidential paper proposing changes to the current LGSS operating model highlighting the financial and service implications. The Committee supported the proposal to repatriate some services and to transfer the remaining shared services into a Lead Authority Model. All three partner councils have since approved this proposal. The changes are expected to be completed in December 2020.

Milton Keynes Council is a partner of a shared Public Health function with two other Unitary Authorities (Bedford Borough Council and Central Bedfordshire Council). Since September 2017 the Parties collaborate and co-operate to ensure that service activities are delivered efficiently and actions are taken on a joint basis. The shared function also provides the core offer to the Bedfordshire Clinical Commissioning Group (BCCG) and Milton Keynes Clinical Commissioning Group (MKCCG). The Parties work together to constantly improve their service and create efficiencies for the future.

In September 2018 Milton Keynes Council was admitted as a shareholder in Opus LGSS People Solutions Ltd, a Joint Venture with Opus (wholly owned by Suffolk CC), NCC and CCC to provide more cost effective interim and permanent employment services. Whilst the company is performing well the council has not received any dividend to date and it is not viewed as material for Group Accounts.

Workforce

In order to meet the above aims, Milton Keynes Council had a total establishment of 2,196 FTE at 31 March 2020. This workforce reflects the diversity of the residents of the City.

Non-Current asset Disposals

Major non-current asset disposals during the year include the conversion of four schools to Academy status:

- Ashbrook on 1/10/19

- Holmwood on 1/10/19
- Christ the Sower on 1/9/19
- Moorland Primary 1/9/19

Other non-current asset disposals include the sale of council dwellings main stock of 48 properties for £4.836m and council dwellings shared ownership stock of 8 properties for £0.704m.

Contingencies, Provisions and Material Write-offs

During 2019/20 Milton Keynes Council raised general debts (including adult social care, rents and traded services) totalling £95.492m. The in-year collection rate is 93.08% based on the value of invoices raised and cleared by year end. The total debt written off in 2019/20 is £0.880m

The council has 4 Contingent Assets and Liabilities which are detailed in note 30 to the accounts.

In 2019/20 the Council made a provision of £3.926m for a Term Time only backdated holiday pay Settlement. This followed a change to the NJC Green Book. This settled was agreed with the trade unions at approved by delegated decision in February 2020 and an initial estimation has been included in the 2019/20 accounts of £3.926m. Further details can be found in note 29 to the Accounts.

The 2019/20 Accounts

The council is required to present a complete set of financial statements (including comparative information). The core financial statements are set out on pages 55 to 59 and are presented as follows (The Expenditure & Funding Analysis (EFA) is not a core financial statement but is detailed below to aid users of the accounts):

Comprehensive Income and Expenditure Statement (CIES)

The CIES shows the accounting cost in the financial year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. Authorities raise taxation and rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the EFA and the Movement in Reserves Statement (MIRS).

There have not been any unusual transactions in the 2019/20 year.

Balance Sheet

This sets out the assets and liabilities recognised by the council at the balance sheet date, the bottom line is effectively the net worth of the organisation. The net assets of the council (assets less liabilities) are matched by the reserves held by the council.

The headline figures and messages from this statement are:

- The pension liability calculated by the actuary has decreased by £75.4m in 2019/20. Liabilities have been assessed on an actuarial basis using the projected unit credit method which is an accrued benefits funding method in which the Actuarial Liability makes allowance for projected earnings providing an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liability is therefore outside of the control or influence of the council and is reported in accordance with International Accounting Standard 19 – Employee Benefits.

Movement in Reserves Statement (MIRS)

This statement represents the movements on the reserves held by the council during the financial year analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation). The 'surplus or (deficit) on provision of services' line shows the true economic cost of providing the council's services, more details of which are shown in the CIES. These are different from the statutory amounts required to be charged to the General Fund to balance for Council Tax setting purposes. The 'net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

Cash Flow Statement

This statement outlines the changes in the cash and cash equivalents, for example changes in debtor balance (those owing the council money) and creditor balances (those which the council owes money to) during the year. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

Expenditure & Funding Analysis (EFA)

The objective of the EFA is to demonstrate to council tax and rent payers how the funding available to the council (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services, in comparison to the resources consumed or earned by the council in accordance with generally accepted accounting practices. The EFA also shows how this expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented fully in the Comprehensive Income and Expenditure Statement. The analysis of income and expenditure on the face of the EFA is specified by the council's operating segments which are based on the council's internal management reporting structure.

Supplementary Financial Statements:

Housing Revenue Account (HRA)

The Housing Revenue Accounts shows the in year cost of providing landlord housing services in accordance with generally accepted accounting practices.

Collection Fund

The transactions of the billing authority are shown on the Collection Fund Statement in accordance with the code of accounting practice.

Group Accounts

The council is required by the Code to prepare Group Accounts. These consolidate the financial statements of the council together with those of organisations in which the council has material financial interests and a significant level of control. The Group accounts contained in this document consolidate the accounts of the Milton Keynes Development Partnership with Milton Keynes Council.

The Milton Keynes Development Partnership (MKDP)

MKDP is a Limited Liability Partnership created to manage and exploit the commercial assets purchased from the Homes and Communities Agency.

In 2012/13, the council funded the purchase of the assets and the debt was passed on to MKDP along with the assets. The loan was refinanced during the year and is reflected in the balance sheet under short-term investments. MKDP plan to repay the loan to the council through proceeds from the strategic sale of assets.

MKC set up a company called DevelopMK Ltd; the directors of this new organisation are three senior MKC staff members. DevelopMK is a partner of MKDP.

Further Information

For information please contact: CorporateFinance@milton-keynes.gov.uk
Our accounts are audited by Ernst & Young LLP.

Independent Auditor's Report to the Members of Milton Keynes Council

Opinion

We have audited the financial statements of Milton Keynes Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Accounting policies,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Movement in Reserves Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- the related notes 1 to 38 and group notes 1 to 7,
- Collection Fund and the related notes,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of Milton Keynes Council and Group as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Investment Property Valuation

We draw attention to Note 8 and Note 25 of the financial statements, which describe the valuation uncertainty the Authority is facing as a result of COVID-19 in relation to investment property valuations. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance and Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance and Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts for the year 2019/20, other than the financial statements and our auditor's report thereon. The Director of Finance and Resources is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in April 2020, we are satisfied that, in all significant respects, Milton Keynes Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Director of Finance and Resources

As explained more fully in the Statement of the Responsibilities of the Chief Finance Officer set out on page 24 , the Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements , in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Finance and Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether Milton Keynes Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Milton Keynes Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Milton Keynes Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of Milton Keynes Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Milton Keynes Council , as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Neil Harris
Ernst & Young LLP (Local Auditor)
Luton
19 July 2021

Statement of Responsibilities

The Council's Responsibilities

The council is required:

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

Leo Montague
Chair of the Audit Committee
Date: 19th July 2021

The Responsibilities of the Chief Finance Officer

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

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

a) selected suitable accounting policies and then applied them consistently;
b) made judgements and estimates that were reasonable and prudent;
c) complied with the Local Authority Code.

The Chief Finance Officer has also:

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

The Statement of Accounts provides a true and fair view of the council's financial position of the authority at the reporting date, and of its income and expenditure for the year ended 31 March 2020.

Steve Richardson
Director of Finance and Resources
Date: 19th July 2021

Accounting Policies

a) General Principles

The Statement of Accounts summarises the council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The authority is required to prepare an annual Statement of Accounts in accordance with the Accounts and Audit Regulations 2016 which require the Accounts to be prepared in accordance with proper accounting practices. These practices, under section 21 of the Local Government Act 2003 primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12, of the 2003 Act.

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

Going Concern

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue raising bodies (with limits on their revenue raising powers, arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. The Councils accounts are therefore produced under the Code and assume that the Councils services will continue to operate for the foreseeable future.

The Council has undertaken an assessment of the financial position, the key risks and put in measures to address these, some of which continue to operate to ensure that the Council remains financially sustainable.

Covid-19

The Council set it's 2020/21 Budget in February 2020, prior to the World Health Organisation declaring COVID-19 a world Pandemic on the 12 March 2020 and the subsequent UK lockdown which started on the 23 March 2020.

The impact of COVID-19 has meant additional spending to react to the pandemic, loss of income to the Council for services being shut or lower demand and lower collection rates of both Council Tax and Business rates leaving a huge impact on the Collection Fund.

The Council are currently forecasting at December 2020 a General Fund underspend of £0.208m. Whilst there is an underspend of £2.869m of non-COVID-19 related income and expenditure, the forecast includes £21.381m of additional COVID-19 costs and loss of income. This has been offset by support from the Government by the income support scheme, which allows the Council to recover up to 70% of fees and charges income losses, forecast to be £8.998m, and £20.312m General Fund Government Support.

Whilst we are immediately seeing the impact of loss of income and additional expenditure on some of our service, we have not yet seen the impact on demand for other services within the Council, in particular Social Care.

2020/21 Financial Year

Throughout the year we have implemented significant additional measures to ensure that the Council was able to navigate its way through the pandemic and the financial challenges that this presented. Those additional measures included:

- Additional Spend Control Measures – the introduction of a Non Essential Spend Panel, including all recruitment decisions. This delivered in year over £3m in additional one off savings and £600k base budget savings.
- Review of Council Contracts – to ensure that we met the new PPN Guidance, had a grip on service delivery risks as well as appropriate financial controls. No contract failures have arisen.
- Developed financial scenarios to inform decision makers on the potential financial impacts of COVID-19 and the need to ensure a tight grip over financial management decisions.
- Reviewed all earmarked reserves releasing over £4m into the General Fund working balance, which together with non-essential in year savings means that the Councils total General Fund working balance is now over £30m.
- We are currently forecasting a £200k underspend period 9 (December 2020) despite significant financial challenges.
- In total the Council will have received one-off support of £28m (s31 grant + estimated Sales, Fees and Charges compensation).
- The Council has also managed to fund the in year projected £10m gap in the Collection Fund and will hold this funding over to manage the 3 year spread of 2020/21 deficits to ensure that this will not impact future years budgets.

The Council has made operational and management decisions throughout 2020/21 which has meant that additional burdens have been addressed through redeployment and managing service reductions and changes very carefully. By early summer all services had developed individual 'Flexible Service Plans' to demonstrate how they were dealing with Covid-19 and would adjust delivery under different levels of restrictions. This was supplemented with a comprehensive programme of Rapid Service Reviews led by Directors across all services. This has delivered further savings and improvements to ensure the Council is agile in responding to the current challenges.

2021/22 Budget

The Council's 2021/22 budget and Medium Term Financial Plan 2021/22 – 2024/25 was approved by Council on the 24 February 2021. Details of which can be found here. https://milton-keynes.cmis.uk.com/milton-keynes/Calendar/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/6559/Committee/1350/Default.aspx

The budget process for 2021/22 was set against the most challenging set of circumstances and with normal budget assumptions no longer valid. This meant that we needed to develop a different approach to set a realistic budget for 2021/22. At the start of the budget process we developed a series of core budget assumptions that were used throughout the budget build process to ensure that a consistent and realistic approach was adopted. Given the huge uncertainties and concern about government funding we developed a high level list of budget cuts to deal with a realistic worse case scenario with potential cuts of over £20m. Had the gap been larger then realistically we would have used reserves to manage this over a 2 year period given the scale of work this would have meant. In reality we have used about £5m of these measures.

The process was approved by Cabinet on 1 September 2020 and subject to detailed scrutiny by the Budget and Resources Budget Scrutiny Committee. Consequently we:

- Rebased all major budgets using a set of core principles and more realistic activity assumptions.
- The basis for these was discussed and agreed with individual budget managers, Cabinet and then subject to scrutiny.
- These were kept under review leading up to the February 2021 Cabinet & Council meeting to ensure they remained realistic.

At a high level we have reduced our Sales, Fees and Charges income from 2020/21 by £10.757m and only assumed that this will recover by £0.337m by 2024/25. We have increased budget on key demand by £4.843m based on the impacts of COVID-19 for 2020/21. This part of the budget is very challenging to model as the real impact has not yet been felt and we do expect to see increases as the Country moves out of lockdown measures.

Estimated losses on the Collection Fund for 2020/21 have already been fully funded (held in reserves) and we have not built into the budget any of the recently announced support packages relating to Council Tax Support (£2.826m) for 2021/22 or the support in 2020/21 for both Council Tax and Business Rates. This funding will be used to provide further support to the Collection Fund in 2021/22 if required.

In terms of s31 Grant the Council is being allocated additional funding in 2021/22 for the period 1 April 21 – 30 June 21. We have only used £1.196m of this allocation to support the 21/22 budget with the balance of £5.868m being held in 2022/23 and if necessary available for in year pressures if budget pressures are greater than we have allowed for.

Summarized below our current view on the MTFP position which shows that by 24/25 we have a projected gap of £14.9m. This includes a £4.5m risk provision for new pressures in addition to demand pressures we have made specific allowance for, assumes no new NHB and that we have permanently lost £10.420m in Sales, Fees and Charges. We have not assumed any further government support for COVID-19. We are less confident about expenditure demand pressures at this stage. However, on balance we feel that this forecast is robust and potentially may be over cautious but provides a good foundation for effective financial management and decision making.

Medium Term Financial Plan Forecasted Gap

2021/22 £M's	**2022/23 £M's**	**2023/24 £M's**	**2024/25 £M's**	**2025/26 £'M's**
0	3.415	10.202	1.318	14.934

Reserves

The Council continues to hold a strong level of financial reserves and has increased further its General Fund Working Balance. In addition to this the Council also holds separate risk reserves for a number of other key business areas providing a further risk buffer. Full details of the Councils Reserves were reported to Cabinet as part of the budget report on 2 February 2021.

Reserve	Balance at 31/3/2021 £m	Forecast Balance at 31/3/2022 £m	Forecast Balance at 31/3/2023 £m
GF Working Balance	30.387	28.037	28.037
Specific Risk Reserves*	26.505	21.583	18.466
Total Reserves Available to meet known and unknown budget risks	**56.892**	**49.620**	**46.503**
% Net Revenue Budget**	**27.11%**	**23.58%**	**21.85%**

Commercial Activity

The Council has very limited commercial income within its General Fund budget circa £1m pa and has not undertaken commercial property transactions in the way that some other authorities have.

The Council owns MKDP to which it has provided a commercial loan of £30m. As well as the interest and repayment of the capital sum the Council has budgeted (2021/22 onwards) for a dividend of £500k pa. Although MKDP has been impacted by COVID-19 there are no concerns about their ability to service the loan commitment or dividend payment.

Cashflow

At 28th February 2021 the Council held £330.8m of investments, of which £310.8m was held in cash or short-term instruments. Investment balances are projected to fall to c. £250.0m by 31st

July 2022 as the short-term cashflow impact from various COVID-19 government grants reduces and programmed capital spending is financed. Borrowing at 28th February 2021 stood at £462.1m, of which £15.0m is due for repayment by 31st July 2022. Given the Council's strong cash position, no new external borrowing is anticipated for 2021/22 (subject to change) meaning the balance outstanding at 31st July 2022 is expected to be £447.1m. The Council continues to have a very strong cashflow position and is able to repay its external debt & liabilities as they fall due. Further information can be found in the Council's Treasury Management Strategy and Capital Strategy.

Cabinet has considered the Current position and the MTFP and is satisfied that the Council remains a going concern there are no material uncertainties on the basis of the Council's continuity of service provision for the next 12 months.

b) Accruals of Income and Expenditure

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

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

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

c) Fair Value Measurement

The council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

d) Acquired and Discontinued Operations

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

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

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

e) Capital Receipts

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

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

f) Cash and Cash Equivalents

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

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

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

g) Charges to Revenue for the use of Non-Current Assets

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

- Depreciation attributable to the assets used by the relevant service;

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

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

The council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement calculated in accordance with accounting policy 11 (Minimum Revenue Provision or MRP). Depreciation, revaluation and impairment losses and amortisation are adjusted through the Capital Adjustment Account in the Movement in Reserves Statement in order that there is no impact on the level of Council Tax.

h) Employee Benefits

Benefits Payable during Employment

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

Untaken leave is accrued on the basis of actual leave untaken at 31 March 2020 for non-school staff and a calculation of the accrued benefit for schools staff based on the number of days in each term.

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council. However, the arrangements for the teachers' scheme 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. The Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

On 1 April 2013 the statutory responsibility for Public Health activities transferred to the council from the NHS primary care trusts. There were 14 members of staff who transferred along with their pensions in the NHS pension's scheme to the council, of which only 7 members remain. This scheme is not available for other current Milton Keynes Council staff to participate in. The pension contributions are included within the Comprehensive Income and expenditure Statement, but full disclosure is not considered to be material to include in note 37 to the Financial Statements.

Local Government Pension Scheme

The Local Government Pension 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, and projected earnings for current employees).

Liabilities are discounted to their value at current prices using a discount rate of 2.35% (0.1% real). The discount rate for pension's liabilities is calculated using the AA Corporate Bond Rate.

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

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

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

Service cost comprising:

- Current Service Cost – the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;

- Past Service Cost – the increase or decrease in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement;

- Any gain or loss on settlement – arising when an authority enters into a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan.

- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- The return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuary has updated its assumptions – charged to the Pensions Reserve as other Comprehensive Income and Expenditure.

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

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

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

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

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

Discretionary Benefits

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

i) Material Events After The Balance Sheet Date

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

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

- Adjusting - An event after the reporting period that provides further evidence of conditions that existed at the end of the reporting period, including an event that indicates that the going concern assumption in relation to the whole or part of the council is not appropriate;

- Non-Adjusting - An event which takes place after the reporting period that is indicative of a condition that arose after the end of the reporting period.

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

The council discloses details of any such events at note 9 to the Financial Statements.

j) Exceptional Items and Prior Period Adjustments

Exceptional items are included in the cost of the service to which they relate or on the face of the Comprehensive Income and Expenditure Statement if such a degree of prominence is required for a fair view of the accounts. A disclosure note is provided where the authority has any exceptional items in the Accounts (there were none in 2019/20).

Prior period adjustments that are the result of corrections and adjustments arising from the use of estimates inherent in the accounting process are adjusted in the accounts in the year that they are identified. However, prior period adjustments arising from changes in accounting policies or from the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period in the Statement of Accounts and notes and by adjusting the opening balance of reserves for the cumulative effect. Details of any Prior Period Adjustments are fully explained in Note 1 to the accounts.

k) Financial Instruments

Financial Liabilities:

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

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

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

Soft Loan:

A soft loan is a loan which carries a favourable rate of interest compared to market rates. The council held historic soft loans received from the Homes and Community Agency (which carried a nil interest rate) pursuant to the council taking on management of the Milton Keynes Tariff, which were repaid in full during 2019/20. The fair value of soft loans is determined as the net present value of the future cash payments discounted using the prevailing market rate of interest at which the council could borrow for a loan with similar terms – the Public Works Loan Board (PWLB) rate is considered appropriate. Subsequent accounting requires the loan's effective interest rate to be used which is then reversed to the Financial Instruments Adjustment Account.

Debt Redemption:

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

Minimum Revenue Provision:

In line with Regulations implemented under the Local Government Act 2003, supplemented by statutory guidance issued alongside the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, a duty is placed upon local authorities to make a prudent provision for General Fund debt redemption. No statutory MRP charge is required for debt related to the Housing Revenue Account, although councils may set aside a voluntary provision. Four primary options are set out to council's with the first two being available only for supported expenditure, and the remaining two options set out the methods for accounting for self-financed borrowing. However this does not preclude other options so long as there is a prudent provision.

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, MRP will be charged on a 2% straight line basis (inclusive of 'Adjustment A'). This ensures that the debt will be repaid within 50 years. Previously, the council charged MRP in line with former Department for Communities and Local Government Option 1. This option provided for an approximate 4% reduction in the supported borrowing need (Capital Financing Requirement (CFR)) each year. The resulting backlog overprovision set aside between 2008/09 and 2015/16 from this change of calculation basis may be adjusted by reducing future annual MRP charges (in part or in full) in a prudent manner, considering the wider impact upon the council's financial position.

MRP for self-financed capital expenditure incurred in 2008/09 and beyond is calculated in accordance with option 3 under which MRP is made in equal instalments over the expected life of the asset.

The MRP calculation also provides for:

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

Where assets are purchased for confirmed future development and it is anticipated that future sale proceeds will offset the cost, then the repayment of debt will be funded from those future capital receipts. In such cases MRP will not be applied. This approach will be reviewed on an annual basis to ensure that anticipated sales proceeds continue to offset the cost of debt.

For property assets purchased under the council's Commercial Property Investment Strategy, the council may apply a voluntary MRP charge (VRP) on a 10% proportion of the assets value over a 15 year period to reflect a realistic level of principal risk, on the basis that the assets will typically be held for a period of between 10 to 20 years. This approach demonstrates regard to Government guidance on prudent provision and, at the same time, ensures that the Council retains the flexibility to reverse this voluntary set-aside provision at a future date should the assets be sold or the value of the assets increase.

The council has entered into an agreement to invest in the Real Lettings Property Fund managed by Resonance UK (a Social Investment Company) to provide up to 70 property units to address the urgent need for suitable temporary accommodation in Milton Keynes. The council expects its investment to be returned in full with surpluses accruing from capital growth and so has chosen not to set aside a Minimum Revenue Provision. The values of the fund and the underlying assets will be kept under review, and an MRP provision may be instated if prudent to do so.

Debt Restructuring:

The council did not undertake any debt restructuring activity during 2019/20.

Financial Assets:

Financial Assets are classified based upon a classification and measurement approach that best reflects the business model for holding such assets and their cashflow characteristics. The three main classes are:

- Amortised cost;
- Fair Value through profit or loss (FVPL), and;
- Fair Value through other comprehensive income (FVOCI).

The council's policy is to hold investments to collect contractual cash flows. Financial assets are therefore classified at amortised cost, except those whose contractual payments are not solely either payments of principal or interest.

Amortised cost:

Financial assets measured at amortised cost are recognised on the Balance Sheet when the council becomes party to the contractual provisions of a financial instrument and are initially measured at Fair Value. They are subsequently measured at their amortised cost. Credits to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset at the effective rate of interest. For most of the financial assets held by the council, this means the amount presented on the Balance Sheet is the outstanding principal receivable plus accrued interest. Interest credited to the Comprehensive Income and Expenditure Statement is therefore the amount receivable for the year per the contractual provisions.

Fair Value through Profit or Loss:

Financial assets that are measured at Fair Value through Profit or Loss are recognised on the Balance Sheet when the council becomes party to the contractual provisions of a financial instrument and are measured at Fair Value. Fair Value gains and losses are recognised in the Surplus or Deficit on the Provision of Services line of the Comprehensive Income and Expenditure Statement.

The fair value measurements are based on the following techniques:

- Instruments with quoted market prices, or;
- Discounted cashflow analysis based on fixed and determinable payments.

The inputs to measurement techniques are categorised in accordance with the following three levels:

- Level 1 – quoted prices in active markets for an identical asset that the council can access at the measurement date;
- Level 2 – inputs other than quoted prices included with Level 1 that are observable for the asset, either directly or indirectly, or;
- Level 3 – unobservable inputs for the asset.

Any gains or losses that arise on derecognition of the assets are credited or debited to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

On adoption of IFRS 9 Financial Instruments in 2018/19, the Council elected to measure its CCLA Property Fund investment at fair value through other comprehensive income (FVOCI). In 2019/20 this was identified as an error and the accounting treatment of this investments has been revised to be measured at Fair Value through Profit or Loss (FVPL) instead. The Prior Year comparators have been restated to reflect this change in line with the Accounting Policy.

The effect of this treatment is shown in the Comprehensive Income & expenditure Statement and note 35 to the Accounts.

Government has issued a Statutory Override (SI 2018/1207) so unrealised Fair Value gains and losses do not impact the General Fund Balance. Those gains and losses are instead recognised in the Pooled Investment Funds Adjustment Account.

Fair Value through Other Comprehensive Income:

Financial assets that are measured at Fair Value through Other Comprehensive Income (FVOCI) are recognised on the Balance Sheet when the council becomes party to the contractual provisions of a financial instrument and are measured at Fair Value. Fair Value gains and losses are recognised in the Financial Instruments Revaluation Reserve on the Balance Sheet.

As outlined in above, the Council no longer holds any investments classified as FVOCI.

Future investments that meet the criteria may be elected to FVOCI upon initial recognition, subject to review.

Expected Credit Loss Model:

IFRS 9 has introduced a new Expected Credit Loss model requirement for impairment of financial assets, in contrast to the Incurred Credit Loss model under previous accounting regulations. The Expected Credit Loss model requires the Council to assess the potential probability risk of default, the likely loss given default, and the altered timing of payments on relevant financial assets rather than an assessment based on evidence that a default has taken place.

The Council recognises material expected credit losses on financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivable.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could potentially default on their obligations. The councils Treasury Management Strategy sets out the framework for assessing counterparty credit risk and the techniques applied to monitor, manage and mitigate those risks. Credit risk plays a crucial part in assessing potential losses. Where the risk has not increased significantly since initial measurement or remains low, losses are assessed on the basis of 12-month expected losses. Where the risk has increased significantly since initial measurement, losses are assessed on a lifetime basis.

Loss allowances reduce the carrying amount of financial assets on the Balance Sheet and are charged either against the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement, or for financial assets classed as capital expenditure, the Capital Adjustment Account. On derecognition, the loss allowance is reversed and the carrying amount of financial assets on the Balance Sheet reinstated.

l) Government Grants and Other Contributions

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

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

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

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

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

A Business Improvement Districts (BID) scheme applies in Central Milton Keynes. The scheme is funded by a BID levy paid by non-domestic ratepayers. The authority acts as a principle under the scheme, and accounts for income received ad expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

m) Housing Revenue Account Self-Financing

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

n) Insurance

To obtain insurance cover in the most cost effective manner the council arranges its insurance by utilising a mix of self-insured and externally insured arrangements. Where the council buys external insurance it generally does so with substantial self-insurance arrangements (excesses) for any claims and always via fully regulated and recognised insurance providers.

Internal funds are maintained to cover those claims that fall below the policy excess or are not catered for within the council's insurance arrangements. These funds are based on an actuarial review of the total potential liability that the council could incur up to the 31 March 2020. Set out below are the risks and levels to which the council self-insures or is responsible for self-financing, anything in excess of these figures would be, subject to insurance policy terms and conditions, insured.

Insurance Class	Maximum Self Retention Each Claim	Maximum Self Retained Amount Each Policy Period	Notes
	(£)	**(£)**	
Casualty - Public & Employers Liability	100,000	2,750,000	
Material Damage	100,000	Unlimited	
Business Interruption	50,000	Unlimited	Linked to Material damage
Property Owners (Commercial)	250	Unlimited	
Property Owners (Leasehold)	0	0	Excess on claims payable by leaseholders not MKC
Contract Works	1,000	Unlimited	
Terrorism	100,000	Unlimited	
Motor	500	Unlimited	Any one event with more than one vehicle involved subject to Limit of £2,000
Crime	50,000	Unlimited	
Computer	50,000	Unlimited	
Engineering	100	Unlimited	
Contents Accidental Damage (General Properties)	100% Self insured	Unlimited	Uninsured

o) Interest in Companies

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

The council is invited to appoint councillors too many entities of local, regional and national significance. These appointments have been examined; together with councillors' own declarations of interest and also those of the Corporate Leadership Team. No material reportable interests were identified. Minority in93terests in companies are detailed in note 36 to the Financial Statements.

The council has an interest in two entities, Milton Keynes Development Partnership LLP (MKDP) and YourMK. Group Accounts have been prepared to reflect the council's ownership in MKDP. After a full review YourMK is deemed immaterial and should not be treated as group accounts in compliance with the definition in the Code of Practice.

p) Investment Property

Investment property is property (land or a building, or part of a building, or both) that is held solely to earn rentals or for capital appreciation or both. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

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

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

Investment properties are measured at cost initially. The cost of an investment property includes its purchase price, transaction costs and directly attributable expenditure. After initial recognition, investment properties are measured at fair value. The fair value of an investment property reflects market conditions at the Balance Sheet date. Investment properties are not depreciated but are revalued annually according to market conditions at the end of each year. Gains and losses on revaluation are posted to the Financing and Investment Income and expenditure line in the Comprehensive Income and expenditure Statement. The same treatment is applied to gains and losses on disposal. See accounting policy note C on Fair Value Measurement for a more detailed explanation of the valuation techniques adopted.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluations and disposals gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and for any sale proceeds greater that £10,000 the Capital Receipts Reserve.

q) Leases

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

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

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

The Authority as Lessor

Finance Leases

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

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

Operating Leases

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

r) Non Domestic Rates

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

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

The Ministry of Housing, Communities and Local Government guidance requires each billing authority to set a Business Rate Baseline each year. This baseline will be the authority's estimate of the business rates it forecasts to collect in the following financial year, net of any reductions such as reliefs and estimated cost of reductions to the rating list. As such, the business rates the council collected and retained need to be adjusted for the anticipated outcome of the on-going national backlog of Business Rate reduction cases, which are still currently being assessed by the Valuation Office and in some instances are up to ten years old.

The provision was calculated using a combination of specific rating information and market intelligence from a commissioned industry expert and in-house local knowledge.

s) Overheads

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

t) Property, Plant and Equipment

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

Recognition:

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

The Foundation Schools' assets are not included within Milton Keynes Council's Property, Plant and Equipment.

Measurement:

Assets are carried in the Balance Sheet using the following measurement bases and with a guideline de-minimus level of £20,000:

- Infrastructure and community assets (excluding investment property) - depreciated historical cost.
- Assets under construction – historical cost.
- Council dwellings – current value is determined using the basis of existing use value for social housing.
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use.
- School buildings – current value, because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value.
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.

- All other classes of asset – current value, determined as the amount that would be paid for the asset in its existing use.

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value. Assets included in the Balance Sheet at carrying amount are revalued where there have been material changes in the value, but as a minimum every five years.

Estimation Techniques:

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

Disposals:

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

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

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

Impairment:

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

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

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

Impairment Losses and Revaluation Losses:

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

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

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

Depreciation:

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

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

a) Newly acquired assets are depreciated from the year following acquisition. Assets in the course of construction are not depreciated until they are brought into use;

b) Depreciation is calculated by allocating the costs (or re-valued amounts), less the estimated residual value of the relevant assets, on a straight line basis over their useful economic lives. This is deemed to be the most appropriate method given the nature of the assets held by the council;

c) Depreciation is calculated on the opening balances. Transactions in year including additions and revaluations are not charged depreciation until the following year.

d) The bases for calculating the lives of different classes of assets at acquisition are as follows:

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

e) The useful lives of assets are reviewed regularly. Where necessary, the life of an asset is revised and the carrying amount of the asset is then depreciated over the remaining useful life;

f) Council Dwellings – for Right to Buy council dwellings depreciation is calculated on an actual life basis. No depreciation is charged on Shared Ownership Dwellings.

g) Revaluation gains are also depreciated. An amount equal to the difference between current value depreciation actually charged on assets and the depreciation that would have been charged based on their historical cost is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

The council has carried out component based depreciation for Housing Revenue Account properties from financial year 2017/18 onwards.

Revaluation Reserve:

The Revaluation Reserve contains revaluation gains recognised since 1 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.

General Fund Componentisation:

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

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

The average net book value (NBV) of each property (building) asset group has been used to set the de-minimus threshold level as illustrated on the materiality table for componentisation below:

Average NBV of Asset Group	De-minimus Threshold for Componentisation
Under £0.5m	£0.5m
Between £0.5m - £1.0m	£1.0m
Between £1.0m - £1.5m	£1.5m
Between £1.5m - £2.0m	£2.0m

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

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

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

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

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

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

Housing Componentisation

The authority fully componentised its Housing Stock for the first time in 2017/18. The authority provided the Valuer with a list of components required.

In order to achieve this full componentisation, the Valuer prepared an assessment of Life Cycle and Replacement Costs for each Component under review, using their own experience of the sector and also referred to their Building Consultancy Department who are experienced in preparing Stock Condition Surveys and Audits of similar stock.

The Valuer varied their cost assessments by property size (ranked by number of bedrooms) in order to give a more representative assessment overall, further fine-tuned by applying a discount to flats in order to reflect their typically smaller size.

Finally, for each property address, the assessed Life Cycle for each component was compared to the previously assessed Life Cycle for the building element of that property.

Type of Component	% of total cost	Component Useful Life
Land	35	Nil
Kitchen	7	10 – 15 years
Bathroom	6	10 – 25 years
Windows/Doors	6	10 – 25 years
Heating/Lighting/Electrics	10	10 – 25 years
Roof	8	10 – 65 years
Structure	28	10 – 85 years

u) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

v) Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund and Housing Revenue Account in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund and Housing Revenue Account Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax or rent for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets (Revaluation Reserve and Capital Adjustment Account), financial instruments, retirement and employee benefits and do not represent usable resources for the council – these reserves are explained in the relevant policies and note 31 to the Financial Statements.

w) Revenue Expenditure Funded from Capital Under Statute

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

x) VAT

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

y) Accounting for Schools

A maintained school is a school which is funded by the local education authority; these are divided into the following categories:

- Community Schools
- Foundation Schools
- Voluntary Schools
    - Voluntary Aided
    - Voluntary Controlled
- Community Special Schools

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

- Income and Expenditure is taken through the Comprehensive Income and Expenditure Statement, and is reported against the Children's Services line within Cost of Services;
- Current assets and Liabilities are reported as part of the council's Balance Sheet;
- Reserves held by the maintained schools are included in the Net Worth on the Balance Sheet within the Local Management of School (LMS) Reserve.
- Maintained school non-current assets are reported as such on the council's Balance Sheet, however:
    - Voluntary schools are reported at nil value on the Balance Sheet, except for some pieces of land used as playing fields.
    - Foundation schools are reported at nil value on the Balance Sheet.
    - Information is reviewed from both voluntary and foundation schools on an ongoing basis to establish if assets should be recognised on the Balance Sheet.

Academy Schools are not included on the council's Balance Sheet and the Income and Expenditure is not taken through the Comprehensive Income and Expenditure Statement as they are not within the control of the council.

z) Better Care Fund

In 2015/16 a single pooled budget known as the Better Care Fund (BCF) was created by Milton Keynes Council (MKC) in partnership with Milton Keynes Clinical Commissioning Group (MKCCG). The fund is comprised of revenue and capital. The purpose of the BCF is to improve the lives of some of the most vulnerable people in our society, placing them at the centre of their care and support, and providing them with 'wraparound' fully integrated health and social care, resulting in an improved experience and better quality of life. In 2019/20 the fund received £17.9 million to spend across various Adult Social Care and Health projects which were evaluated and monitored by the partners throughout the year to ensure their desired objectives were achieved and to agree the reallocation of funds if required.

Milton Keynes Council's share of the Income and Expenditure is included within the Comprehensive Income and Expenditure Statement and the Assets & Liabilities in the Balance Sheet.

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2018/19 Restated*			Note		2019/20		
Expenditure £'000	Income £'000	Net £'000			Expenditure £'000	Income £'000	Net £'000
110,385	(45,071)	65,314		Adult Social Care and Health	117,976	(50,602)	67,374
11,473	(11,590)	(117)		Public Health	11,455	(11,611)	(156)
229,016	(169,511)	59,505		Children and Families	251,486	(171,082)	80,404
11,942	(1,664)	10,278		Policy, Insight & Communications	3,442	(1,811)	1,631
3,357	(776)	2,581		Strategy & Futures	5,946	(4,656)	1,290
2,877	(940)	1,937		Housing and Regeneration	3,919	(833)	3,086
27,782	(55,025)	(27,243)		Housing Revenue Account	35,757	(54,933)	(19,176)
11,443	(11,757)	(314)		Growth, Economy and Culture	9,311	(11,991)	(2,680)
79,243	(32,763)	46,480		Environment & Property	77,927	(28,968)	48,959
92,980	(92,701)	279		Finance & Resources	83,267	(81,715)	1,552
9,619	(3,743)	5,876		Resources delegated to LGSS	11,460	(3,028)	8,432
2,446	(287)	2,159		Law & Governance	3,564	(1,128)	2,436
2,406	(234)	2,172		Corporate Items	2,755	(6,276)	(3,521)
594,969	**(426,062)**	**168,907**		**Cost of Services**	**618,265**	**(428,634)**	**189,631**
		41,779	12	Other Operating Expenditure			39,280
		8,598	13	Financing and Investment Income and Expenditure			23,372
		(250,713)	14	Taxation and Non Specific Grant Income			(212,739)
		(31,429)		**Surplus or Deficit on Provision of Services**			**39,544**
		(17,562)	32.2	Surplus or deficit on revaluation of Property, Plant and Equipment			(19,864)
		6,827	32.2	Impairment losses on non-current assets charged to the Revaluation Reserve			9,503
		0	32.2	Surplus or deficit on revaluation of available for sale financial assets and financial instruments at fair value through other comprehensive income and expenditure			0
		(26,305)	32.2	Remeasurement of the net defined benefit liability / asset			(113,013)
		(37,040)		**Other Comprehensive Income and Expenditure**			**(123,374)**
		(68,469)		**Total Comprehensive Income and Expenditure**			**(83,830)**

*The 2018/19 published accounts have been restated to reflect the change in the Councils structure for 2019/20. The impact is on the Cost of Service only. The restatement also reflects the error identified in the accounting for the CCLA property fund investments as outlined in Accounting Policy K and note 35.

The Residual Waste Treatment Plant - Plant & Machinery valuation prior period adjustment impact has been reflected in the 2018/19 restated position, see Note 1

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments. Detailed movements to usable reserves are set out at note 31.

	Total General Fund Balance	Total HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Un-applied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019 Restated*	(121,703)	(64,755)	(20,902)	(23,716)	(82,174)	**(313,250)**	(529,661)	**(842,911)**
Movement in reserves during 2019/20								
Surplus or deficit on the provision of services	42,863	(3,319)	0	0	0	**39,544**	0	**39,544**
Other Comprehensive Income / Expenditure	0	0	0	0	0		(123,374)	**(123,374)**
Total Comprehensive Income and Expenditure	**42,863**	**(3,319)**	**0**	**0**	**0**	**39,544**	**(123,374)**	**(83,830)**
Adjustments between accounting basis and funding basis under regulations	(44,930)	3,190	(342)	7,436	15,509	**(19,137)**	19,137	**0**
Net Increase or Decrease before Transfers to Earmarked Reserves	**(2,067)**	**(129)**	**(342)**	**7,436**	**15,509**	**20,407**	**(104,237)**	**(83,830)**
Transfers to / from Earmarked Reserves	0	0	0	0	0	**0**	0	**0**
Increase or Decrease in 2019/20	**(2,067)**	**(129)**	**(342)**	**7,436**	**15,509**	**20,407**	**(104,237)**	**(83,830)**
Balance at 31 March 2020	**(123,770)**	**(64,884)**	**(21,244)**	**(16,280)**	**(66,665)**	**(292,843)**	**(633,898)**	**(926,741)**

	Total General Fund Balance	Total HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Un-applied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2018 Restated*	(104,027)	(57,674)	(22,944)	(23,225)	(46,310)	**(254,180)**	(520,262)	**(774,442)**
Movement in reserves during 2018/19						**0**		
Surplus or deficit on the provision of services	(15,556)	(15,873)	0	0	0	**(31,429)**	0	**(31,429)**
Other Comprehensive Income / Expenditure	0	0	0	0	0	**0**	(37,040)	**(37,040)**
Total Comprehensive Income and Expenditure	**(15,556)**	**(15,873)**	**0**	**0**	**0**	**(31,429)**	**(37,040)**	**(68,469)**
Adjustments between accounting basis and funding basis under regulations	(2,120)	8,792	2,042	(491)	(35,864)	**(27,641)**	27,641	**0**
Net Increase or Decrease before Transfers to Earmarked Reserves	**(17,676)**	**(7,081)**	**2,042**	**(491)**	**(35,864)**	**(59,070)**	**(9,399)**	**(68,469)**
Transfers to / from Earmarked Reserves	0	0	0	0	0	**0**	0	**0**
Increase or Decrease in 2018/19	**(17,676)**	**(7,081)**	**2,042**	**(491)**	**(35,864)**	**(59,070)**	**(9,399)**	**(68,469)**
Balance at 31 March 2019 Restated*	**(121,703)**	**(64,755)**	**(20,902)**	**(23,716)**	**(82,174)**	**(313,250)**	**(529,661)**	**(842,911)**

* The 31 March 2018 position has been restated to reflect the specialist valuation for the Residual Waste Treatment Plant - Plant & Machinery, due to the significance in value of this revised valuation on the Accounts, a prior period adjustment had been performed dating back to 2017/18 from the start of the life of the asset. See Note 1

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority.

2017/18 Restated*	2018/19 Restated*	Note		2019/20
£'000	**£'000**			**£'000**
1,493,780	1,485,225	24	Property, Plant and Equipment	1,526,007
853	848		Heritage Assets	844
69,828	95,794	25	Investment Property	100,493
1,065	593		Intangible Assets	301
28,209	15,962	35a	Long-Term Investments	20,431
36,811	3,929	27a	Long-Term Debtors	1,969
1,630,546	**1,602,351**		**Long Term Assets**	**1,650,045**
53,066	113,110	35a	Short-Term Investments	211,918
1,840	10,405		Assets Held for Sale	9,341
77	98		Inventories	63
65,463	98,346	27b	Short-Term Debtors	53,068
71,414	100,247	33	Cash and Cash Equivalents	42,330
191,860	**322,206**		**Current Assets**	**316,720**
(17,729)	(22,544)	29	Short-Term Borrowing	(13,970)
(92,534)	(95,322)	28	Short-Term Creditors	(106,571)
(14,340)	(3,343)	30a	Provisions	(9,042)
(6,656)	(33,282)	23	Grants Receipts in Advance - Revenue	(49,505)
(6,975)	(6,707)	23	Grants Receipts in Advance - Capital	(8,458)
(138,234)	**(161,198)**		**Current Liabilities**	**(187,546)**
(14,968)	(31,591)	30b	Provisions	(39,587)
(474,344)	(460,399)	29	Long-Term Borrowing	(453,372)
(392,509)	(398,924)	36 & 38	Other Long-Term Liabilities	(327,598)
(25,785)	(27,250)	23	Grants Receipts in Advance - Revenue	(29,221)
(2,124)	(2,284)	23	Grants Receipts in Advance - Capital	(2,700)
(909,730)	**(920,448)**		**Long Term Liabilities**	**(852,478)**
774,442	**842,911**		**Net Assets**	**926,741**
(254,180)	(313,250)	32.1	Usable Reserves	(292,843)
(520,262)	(529,661)	32.2	Unusable Reserves	(633,898)
(774,442)	**(842,911)**		**Total Reserves**	**(926,741)**

* The 31 March 2018 position has been restated to reflect the specialist valuation for the Residual Waste Treatment Plant - Plant & Machinery, due to the significance in value of this revised valuation on the Accounts, a prior period adjustment had been performed dating back to 2017/18 from the start of the life of the asset. See Note 1

The unaudited Accounts were issued on 30th July 2020 and the audited Accounts were authorised for issue on 19th July 2021.

Steve Richardson
Director of Finance and Resources

Cash Flow Statement

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

2018/19 Restated* £'000	Note		2019/20 £'000
(31,429)		Net (surplus) or deficit on the provision of services	39,544
(116,249)	34.1	Adjustment to surplus or deficit on the provision of services for noncash movements	(182,679)
73,563	34.1	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	32,715
(74,115)		**Net cash flows from operating activities**	**(110,420)**
50,378	34.2	Net cash flows from investing activities	169,234
(5,096)	34.3	Net cash flows from financing activities	(897)
(28,833)		**Net (increase) or decrease in cash and cash equivalents**	**57,917**
71,414		Cash and cash equivalents at the beginning of the reporting period	100,247
100,247	**33**	**Cash and cash equivalents at the end of the reporting period**	**42,330**

*The Residual Waste Treatment Plant - Plant & Machinery valuation prior period adjustment impact has been reflected in the 2018/19 restated position, see Note 1

Note 1 – Disclosure of the Impact of an Error

The council entered into a contract with Amey Cespa (MK) SPV Limited to construct and operate on behalf of the council a Residual Waste Treatment Plant in June 2013 with service commencement planned for August 2016. Given the nature of the facility a project acceptance longstop date was included in the contract to provide Amey with reasonable headroom to achieve completion of the facility of 1 March 2018. The insolvency of a key sub-contractor in July 2016 resulted in delays to the service commencement date until March 2018 resulting in the payment of the £129.0m capital sum, reducing the primary cash available for investment and increasing the non-current asset by £129.0m on the councils Balance Sheet in 2017/18.

During the Audit of the 2019/20 Accounts, our Auditors, Ernst & Young LLP, identified a risk of an error in the valuation of our Residential Waste Treatment Facility - A recycling centre with a carrying value of £137 million was revalued in 2019/20. MKC Accounting Policy is to account for Vehicle, Plant & Equipment at Depreciated Historic Cost, however due to the significance of the value and the nature of the asset (more specialised in nature and therefore more complex to value), it was identified the valuation of this asset was a separate significant risk.

The majority of the value of this assets site is the Plant & Machinery £90.850m. A revised valuation has been performed by a qualified and experienced specialist in accordance with IFRS 13, Fair Value Measurement, and CIPFA Code of Practice of Local Authority Accounting (UK). The outcome of this valuation is a reduction in the valuation of this asset £84.794m to £73.477m. The impact on the accounts is:

- 2017/18 – £11.273m made up of an Impairment charge of £11.417m, less the reversal of the 2017/18 valuation loss of £0.144m.
- 2018/19 – £0.022m additional depreciation charge.
- 2019/20 – £0.022m additional depreciation charge.

Due to the significance in value of this revised valuation on the Accounts, a prior period adjustment had been performed dating back to 2017/18 from the start of the life of the asset. The effects of the restatement are as follows:

Error on reports of the Comprehensive Income & Expenditure Statement for the financial year 2017/18, 2018/19 and 2019/20

	2017/18			2018/19			2019/20		
	As Originally Stated	**Restated**	**Amount of restatement**	**As Originally Stated**	**Restated**	**Amount of restatement**	**As Originally Stated**	**Restated**	**Amount of restatement**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Environment & Property	31,637	42,910	11,273	46,458	46,480	22	48,937	48,959	22
Cost of Services	**135,719**	**146,992**	**11,273**	**168,885**	**168,907**	**22**	**189,609**	**189,631**	**22**
Surplus or Deficit on Provision of Services	**(36,882)**	**(25,609)**	**11,273**	**(31,451)**	**(31,429)**	**22**	**39,522**	**39,544**	**22**
Other Comprehensive Income and Expenditure	**(82,138)**	**(82,138)**	**0**	**(37,040)**	**(37,040)**	**0**	**(123,374)**	**(123,374)**	**0**
Total Comprehensive Income and Expenditure	**(119,020)**	**(107,747)**	**11,273**	**(68,491)**	**(68,469)**	**22**	**(83,852)**	**(83,830)**	**22**

The resulting restated balance sheet for 31 March 2018 is provided on page 58. The adjustments that have been made to that balance sheet over the version published in the 2018/19 statement of accounts are as follows:

Error on reports of the Balance Sheet for the financial year 2017/18, 2018/19 and 2019/20

	2017/18			2018/19			2019/20		
	As Originally Stated	**Restated**	**Amount of restatement**	**As Originally Stated**	**Restated**	**Amount of restatement**	**As Originally Stated**	**Restated**	**Amount of restatement**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Property, Plant and Equipment	1,505,053	1,493,780	(11,273)	1,496,520	1,485,225	(11,295)	1,537,324	1,526,007	(11,317)
Long Term Assets	**1,641,817**	**1,630,544**	**(11,273)**	**1,613,646**	**1,602,351**	**(11,295)**	**1,661,362**	**1,650,045**	**(11,317)**
Net Assets	**785,713**	**774,440**	**(11,273)**	**854,206**	**842,911**	**(11,295)**	**938,058**	**926,741**	**(11,317)**
Unusable Reserves	(531,534)	(520,261)	11,273	(540,956)	(529,661)	11,295	(645,215)	(633,898)	11,317
Total Reserves	**(785,713)**	**(774,440)**	**11,273**	**(854,206)**	**(842,911)**	**11,295**	**(938,058)**	**(926,741)**	**11,317**

The fully restated 1 April 2018 balance sheet is provided on page 58, along with the restated 2018/19 and 2019/20 Balance Sheet.

Error on reports of the Movement in Reserves Statement for the financial year 2017/18, 2018/19 and 2019/20

The following restatement was also required for the movement in reserves statement for usable/unusable reserves. The restated (for the relevant line items) prior period movement in reserves statement is provided with the current year information on page 57 of the financial statements.

	2017/18			2018/19			2019/20		
	As Originally Stated	Restated	Amount of restatement	As Originally Stated	Restated	Amount of restatement	As Originally Stated	Restated	Amount of restatement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance	**(668,654)**	**(668,654)**	0	**(785,715)**	**(774,442)**	11,273	**(854,206)**	**(842,911)**	11,295
Surplus or deficit on the provision of services	(36,882)	(25,609)	11,273	(31,451)	(31,429)	22	39,522	39,544	22
Adjustments between accounting basis and funding basis under regulations	**1,959**	**1,959**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Increase or Decrease	(117,061)	(105,788)	11,273	(68,491)	(68,469)	22	(83,852)	(83,830)	22
Closing Balance	**(785,715)**	**(774,442)**	**11,273**	**(854,206)**	**(842,911)**	**11,295**	**(938,058)**	**(926,741)**	**11,317**

Note 2 – Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate how funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the council's services.

2018/19 Restated*				2019/20				
Net Expenditure Chargeable to the General Fund and HRA Balance £'000	Adjustments £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Outturn Reported to Cabinet	Contribution to/from reserves	Net Expenditure Chargeable to the General Fund and HRA Balance £'000	Adjustments £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
63,324	1,990	65,314	Adult Social Care and Health	64,784	(249)	64,535	2,839	67,374
(191)	74	(117)	Public Health	11,105	(227)	10,878	(11,034)	(156)
50,363	9,142	59,505	Children and Families	55,677	983	56,660	23,744	80,404
1,220	9,058	10,278	Policy, Insight & Communications	1,161	0	1,161	470	1,631
2,549	32	2,581	Strategy & Futures	224	0	224	1,066	1,290
393	1,544	1,937	Housing and Regeneration	1,182	0	1,182	1,904	3,086
(31,938)	4,695	(27,243)	Housing Revenue Account	0	(184)	(184)	(18,992)	(19,176)
(3,446)	3,132	(314)	Growth, Economy and Culture	5,015	(5,558)	(543)	(2,137)	(2,680)
23,912	22,568	46,480	Environment & Property	60,106	(158)	59,948	(10,989)	48,959
(1,855)	2,134	279	Finance & Resources	(1,226)	2,749	1,523	29	1,552
1,803	4,073	5,876	Resources delegated to LGSS	7,620	(687)	6,933	1,499	8,432
1,952	207	2,159	Law & Governance	2,129	0	2,129	307	2,436
9,142	(6,970)	2,172	Corporate Items	(24,657)	759	(23,898)	20,377	(3,521)
117,228	**51,679**	**168,907**	**Net Cost of Services**	**183,120**	**(2,572)**	**180,548**	**9,083**	**189,631**
(141,985)	(58,351)	(200,336)	Other Income and Expenditure	(182,962)	218	(182,744)	32,657	(150,087)
(24,757)	**(6,672)**	**(31,429)**	**Surplus or Deficit on Provision of Services**	**158**	**(2,354)**	**(2,196)**	**41,740**	**39,544**

(161,701)	Opening Combined General Fund and HRA Balance	(186,458)
(24,757)	Plus / less Surplus or Deficit on the General Fund and HRA Balance for the Year (Statutory basis)	(2,196)
(186,458)	**Closing Combined General Fund and HRA Balance**	**(188,654)**

*The 2018/19 published accounts have been restated to reflect the change in the Councils structure for 2019/20. The impact is on the Cost of Service only.

The Residual Waste Treatment Plant - Plant & Machinery valuation prior period adjustment impact has been reflected in the 2018/19 restated position, see Note 1

Note 3 – Note to the Expenditure and Funding Analysis

	2019/20			
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Adult Social Care and Health	(50)	3,104	(215)	2,839
Public Health	0	81	(11,115)	(11,034)
Children and Families	641	19,219	3,884	23,744
Policy, Insight & Communications	0	655	(185)	470
Strategy & Futures	1,037	29	0	1,066
Housing and Regeneration	1,802	113	(11)	1,904
Housing Revenue Account	(13,386)	833	(6,439)	(18,992)
Growth, Economy and Culture	(3,043)	481	425	(2,137)
Environment & Property	(273)	1,423	(12,139)	(10,989)
Finance & Resources	(1,338)	477	890	29
Resources delegated to LGSS	0	1,461	38	1,499
Law & Governance	0	307	0	307
Corporate Items	20,203	9,358	(9,184)	20,377
Net Cost of Services	**5,593**	**37,541**	**(34,051)**	**9,083**
Other Income and Expenditure	39	100	32,518	32,657
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	**5,632**	**37,641**	**(1,533)**	**41,740**

	2018/19 Restated*			
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Adult Social Care and Health	(65)	1,979	76	1,990
Public Health	0	49	25	74
Children and Families	780	8,328	34	9,142
Policy, Insight & Communications	37	9,019	2	9,058
Strategy & Futures	0	32	0	32
Housing and Regeneration	1,451	82	11	1,544
Housing Revenue Account	3,808	870	17	4,695
Growth, Economy and Culture	2,801	334	(3)	3,132
Environment & Property	21,605	992	(29)	22,568
Finance & Resources	1,784	341	9	2,134
Resources delegated to LGSS	3,117	1,005	(49)	4,073
Law & Governance	0	207	0	207
Corporate Items	(6,734)	(237)	1	(6,970)
Net Cost of Services	**28,584**	**23,001**	**94**	**51,679**
Other Income and Expenditure	(64,158)	9,720	(3,913)	(58,351)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	**(35,574)**	**32,721**	**(3,819)**	**(6,672)**

*The 2018/19 published accounts have been restated to reflect the change in the Councils structure for 2019/20. The impact is on the Cost of Service only.

The Residual Waste Treatment Plant - Plant & Machinery valuation prior period adjustment impact has been reflected in the 2018/19 restated position, see Note 1

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments - Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

Other Differences - Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Other non-statutory adjustments represent amounts debited/credited to service segments which need to be adjusted against the ‘Other income and expenditure from the Expenditure and Funding Analysis’ line to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement:

- For financing and investment income and expenditure the other non-statutory adjustments column recognises adjustments to service segments e.g. for interest income and expenditure and changes in the fair values of investment properties.
- For taxation and non-specific grant income and expenditure the other non-statutory adjustments column recognises adjustments to service segments e.g. for un-ringfenced government grants.

Note 4 – Expenditure and Income Analysed by Nature

2018/19 Restated* £'000	Note	Nature of Expenditure or Income	2019/20 £'000
(111,811)		Fees, charges and other service income	(116,092)
(22,509)	13	Interest and investment income	(7,101)
(171,428)	14	Income from local taxation	(181,407)
(389,868)	14 & 23	Government grants and contributions	(338,932)
(3,925)		Other income	(4,942)
224,913		Employee benefits expenses	243,512
36,064		Depreciation, amortisation and impairment	36,749
31,107	13	Interest payments	30,473
8,140	12	Precepts and levies	8,996
834	12	Payments to Housing Capital Receipts Pool	1,761
32,805	12	Gain or loss on disposal of non-current assets	28,523
334,249		Other expenditure	338,004
(31,429)		**Surplus or Deficit for Year**	**39,544**

*The Residual Waste Treatment Plant - Plant & Machinery valuation prior period adjustment impact has been reflected in the 2018/19 restated position, see Note 1

Note 5 – Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

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

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

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

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

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

2019/20	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Usable Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	£'000
Reversal of items Impacting the Usable Capital Reserves						
Charges for depreciation, impairment and Revaluation Losses of non-current assets	(24,992)	(11,326)	0	0	0	36,318
Movements in the market value of Investment Properties	4,008	0	0	0	0	(4,008)
Amortisation of intangible fixed assets	(440)	0	0	0	0	440
Capital grants and contributions applied	0	0	0	0	41,339	(41,339)
Revenue Expenditure Funded from Capital Under Statute	(7,742)	(1,114)	0	0	0	8,856
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(21,074)	(14,886)	0	0	0	35,960
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	21,237	0	(21,237)
HRA Self Financing	0	0	553	0	0	(553)
Statutory provision for the financing of capital investment	7,165	0	0	0	0	(7,165)
Capital expenditure charged against the General Fund and HRA balance	7,088	12,047	0	0	0	(19,135)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	25,830	0	0	0	(25,830)	0
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,962	5,475	(7,437)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	5,109	0	0	(5,109)
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	(1,761)	0	1,761	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(1)	0	0	1
Other Capital receipts in year	295	32	(327)			0
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Notional Major Repairs Allowance credited to the HRA	0	13,801	0	(13,801)	0	0
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(56,189)	(1,272)	0	0	0	57,461
Employers pensions contributions and direct payments to pensioners payable in year	19,381	439	0	0	0	(19,820)
Adjustments impacting Other Reserves						
Reversal of Accrued Employee benefits	32	(4)	0	0	0	(28)
Council's share of Movement in Collection Fund Surplus/(Deficit)	2,184	0	0	0	0	(2,184)
Financial Instruments	(677)	(2)	0	0	0	679
Total Adjustments	**(44,930)**	**3,190**	**(342)**	**7,436**	**15,509**	**19,137**

2018/19 Restated*	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Usable Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	£'000
Reversal of items Impacting the Usable Capital Reserves						
Charges for depreciation, impairment and Revaluation Losses of non-current assets	(30,841)	(4,750)	0	0	0	35,591
Movements in the market value of Investment Properties	12,881	0	0	0	0	(12,881)
Amortisation of intangible fixed assets	(472)	0	0	0	0	472
Capital grants and contributions applied	0	0	0	0	31,944	(31,944)
Revenue Expenditure Funded from Capital Under Statute	(5,535)	(5)	0	0	0	5,540
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(29,297)	(9,025)	0	0	0	38,322
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	12,997	0	(12,997)
HRA Self Financing	0	0	428	0	0	(428)
Statutory provision for the financing of capital investment	6,734	0	0	0	0	(6,734)
Capital expenditure charged against the General Fund and HRA balance	4,928	4,975	0	0	0	(9,903)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	67,808	0	0	0	(67,808)	0
Adjustments primarily involving the Capital Receipts Reserve:					0	
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	522	4,935	(5,457)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	6,299	0	0	(6,299)
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	(834)	0	834	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(1)	0	0	1
Other Capital receipts in year	0	61	(61)	0	0	0
Adjustments primarily involving the Major Repairs Reserve:					0	
Reversal of Notional Major Repairs Allowance credited to the HRA	0	13,488	0	(13,488)	0	0
Adjustments primarily involving the Pensions Reserve:					0	
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(50,384)	(1,376)	0	0	0	51,760
Employers pensions contributions and direct payments to pensioners payable in year	18,534	506	0	0	0	(19,040)
Adjustments impacting Other Reserves						0
Reversal of Accrued Employee benefits	(77)	(17)	0	0	0	94
Council's share of Movement in Collection Fund Surplus/(Deficit)	3,877	0	0	0	0	(3,877)
Financial Instruments	36	0	0	0	0	(36)
Total Adjustments	**(2,120)**	**8,792**	**2,042**	**(491)**	**(35,864)**	**27,641**

* The Residual Waste Treatment Plant - Plant & Machinery valuation prior period adjustment impact has been reflected in the 2018/19 restated position, see Note 1

Note 6 – Accounting Standards Issued, Not Adopted

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- IAS 28 – Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures. The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.
- IFRS Standards 2015-2017 Cycle – Annual Improvements. The IASB has issued 'Annual Improvements to IFRS Standards 2015–2017 Cycle'. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. The pronouncement contains amendments to four International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project. IFRS 3, IFRS11, IFRS 12, IAS 2.
- IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement. If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. For the period after the remeasurement on or after the beginning of the first annual reporting period that begins on or after 1 January 2019.

These changes are not significant and are not expected to have a material effect on the council's Statement of Accounts.

Note 7 – Critical Judgements In Applying Accounting Policies

In applying the accounting policies, the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the statement of accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Land & Buildings are valued on a 5 year rolling programme each year as at the 1 April. A full property review was also carried out as at the 31 March 2020 in order to identify any significant movements in the asset base during the year. The effect of the valuation methodology is to ensure that any changes in the asset base are reflected correctly in the

accounts. More details are disclosed in note 23 and Accounting Policy T - Property, Plant & Equipment.

- Properties are classed as Investment Properties when they are held solely to earn rental income or for capital appreciation. The value of the properties is calculated based on the fair value of the asset on a yearly basis, i.e. the price received to sell the asset or transfer the liability.
- Maintained schools are reported on the council's Balance Sheet and the total Foundation schools' assets are reported at nil value. However, capital expenditure incurred on academies, foundation and faith schools is treated as 'revenue expenditure funded from capital under statute' through the Comprehensive Income and Expenditure Account. In addition, judgments are applied to transactions and balances when schools change status eg change from maintained to academy school. Details of the schools accounting treatment can be found in Accounting Policy 25.

Note 8 – Assumptions made about the future and other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Defined Benefit Pension Scheme – Pension Liability	Pensions disclosures provided within the Statement of Accounts are taken from the annual Actuary report, provided by Barnett Waddingham. Key assumptions made are on RPI, CPI and salary increases.	The value of the liability may increase/decrease if the assumptions change. The present value of the total obligation is £945.030m. An adjustment to the long-term salary assumption by +0.1% would result in the present value of the total obligation increasing by £1.251m. Sensitivity to some of the key assumptions is provided in note 37. The carrying amount of the liability is £323.552m.
Provisions	The most significant provision the council has disclosed is a provision of £39.004m for appeals on business rates where rate payers appeal against the valuation.	Rate payers have 5 years in which to appeal. It is impracticable to quantify increase in claimants against an increase in provision as claimants are not all appealing the same value. Full details of each provision including the basis of estimation applied are provided in note 29 to the Financial Statements.
Allowance for Non-Payment of Debt	The council maintains an allowance for the non-payment of debts in order to ensure that there are sufficient funds available to meet the future cost of any debt that is uncollectable. The current allowance for doubtful debts is £16.475m.	The council evaluates each debt or category of debt by considering any significant financial difficulty for the debtor, any breach of contract or default, any concessions granted by the authority based on difficulty for the debtor, the likelihood of the debtor entering bankruptcy and the impact on Customers of Covid-19. The value of the allowance is calculated based on a review of all debts and a judgement of the probability of collection for each.
Property, Plant and Equipment - Depreciation	Depreciation is charged on a Useful Economic Life basis ranging from 3-85 years depending on the asset. In 2019/20 the charge is shown as £40.662m.	As part of the total depreciation charge, Infrastructure assets are depreciated over 40 years. If the assets were depreciated over 50 years the depreciation charge for 2019/20 would decrease to £5.629m, currently shown as £7.077m in the Financial Statements. Other Property, Plant and Equipment have varying useful lives depending on the type of asset. Full details on Depreciation for each asset type can be found in Accounting Policy note 21, and non-current asset values are provided in note 23 to the Financial Statements.

Valuation of operational property	Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. The Outbreak of Covid-19 has impacted global financial markets, although leading up to 31 March 2020, the impact was not clearly evident at the time to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuation are therefore reported on the basis of 'material valuation uncertainty'; as per the RICS Red Book Global. The greatest impact would be on the Councils assets which are valued on the basis of market value fair value as these valuations are derived from comparable market evidence from property and land transactions. The Valuations at 31 March 2020 were: • Assets Held for Sale £9.3m • Surplus Assets £1.8m • Heritage Assets £0.7m • Investment Properties £99.8m (see below) Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global (further details can be found in Note 23). Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.	A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's operational properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately £50m. An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.
Council Dwellings	The HRA residential portfolio is valued based on a beacon methodology. In order to value the	A reduction in the estimate value of HRA dwellings would be a reduction in the revaluation reserve or a loss in the CIES. If

	whole portfolio, it was necessary to research a number of information sources. These include sales of directly comparable property, changes of income flow for non-residential property, information available at a local level showing house price movement plus regional and National Indices. Due to the impact of Covid-19, valuations are reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global (further details can be found in Note 23. Consequently, less certainty and a higher degree of caution should be attached to the valuation.	the value of dwellings were to reduce by 10% this would lead to a reduction in value of about £65m. An increase in estimated valuations would result in increases to the Revaluation Reserve or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.
Fair value measurement of investment property	The Council's external valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, it has been difficult to value property assets. Values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid. However the Council's Investment Properties are very specific and less likely to be impacted by any changes in value due to Covid-19.	Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.

Note 9 – Material Items of Income and Expense

All material items are shown within the Comprehensive Income & Expenditure Statement.

Note 10 – Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Corporate Director Resources on 19 July 2021. Events taking place after this date are not reflected in the Financial Statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the Financial Statements and notes have been adjusted in all material respects to reflect the impact of this information.

Academy Conversions

Since 31 March 2020 information has been received that one schools has converted to Academy status. As a result, it is currently estimated that property assets to the value of £3.310m is to transfer from the Council's Balance Sheet in 2020/21. However, these values are subject to further academy conversions that may arise during 2020/21.

The Financial Statements and notes have not been adjusted for this event which took place after 31 March 2020 as it provides information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date.

LGSS Shared Services

The LGSS shared service arrangements with Northamptonshire County Council and Cambridgeshire County Council ended during 2020/21. The partners commissioned a review of the LGSS model in the 2019/20 year. On the 27th February, the LGSS Joint Committee received a detailed confidential paper proposing changes to the current LGSS operating model highlighting the financial and service implications. The Committee supported the proposal to repatriate some services and to transfer the remaining shared services into a Lead Authority Model. All three partner councils have since approved this proposal. The changes have been now completed.

Dissolution of YourMK

A partnership existed between Milton Keynes Council and Mears Group LLP to regenerate and manage the housing stock, within a separate entity YourMK. In July 2020, a decision was made to dissolve YourMK. The control of regeneration functions and management of Council owned housing stock that would have been delivered by YourMK was passed on to the Council.

Note 11 – Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure.

	Balance at 1 April 2018	Transfers In 2018/19	Transfers Out 2018/19	Balance at 31 March 2019	Transfers In 2019/20	Transfers Out 2019/20	Balance at 31 March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Reserves:							
Adult Social Care Demand Led Reserve	0	(2,315)	2,315	**0**	0	0	**0**
Capital Reserve - General Fund	(6,473)	(17,934)	4,928	**(19,479)**	(3,586)	7,088	**(15,977)**
Corporate Property Reserve	(2,612)	(1,603)	0	**(4,215)**	(27)	1,038	**(3,204)**
Bereavement reserve	0	0	0	**0**	(2,254)	0	**(2,254)**
Covid-19 Reserves	0	0	0	**0**	(5,663)	0	**(5,663)**
HR Manpower Planning Reserve	(2,723)	(30)	0	**(2,753)**	0	568	**(2,185)**
Infrastructure Reserve	(13,084)	(6,003)	0	**(19,087)**	0	738	**(18,349)**
Internal Insurance Fund	(3,468)	(284)	356	**(3,396)**	(1,175)	2,961	**(1,610)**
Local Government Reorganisation Debt Reserve	(6,018)	0	1,960	**(4,058)**	0	1,959	**(2,099)**
NDR Funding Volatility Reserve	(3,379)	(2,915)	1,124	**(5,170)**	(4,344)	39	**(9,475)**
New Homes Bonus Reserve	(13,865)	(5,964)	13,631	**(6,198)**	(5,966)	5,695	**(6,469)**
Other Earmarked Reserves	(13,106)	(9,469)	8,662	**(13,913)**	(4,906)	1,916	**(16,903)**
Tariff & HCA Risk Reserve	(4,351)	(1,809)	535	**(5,625)**	0	1	**(5,624)**
Strategic Service Investment Fund	(3,434)	0	0	**(3,434)**	0	1,730	**(1,704)**
Waste Cashflow Reserve	(4,257)	0	790	**(3,467)**	0	824	**(2,643)**
Schools Balances	(8,881)	(1,338)	0	**(10,219)**	0	1,763	**(8,456)**
Total General Fund	**(85,651)**	**(49,664)**	**34,301**	**(101,014)**	**(27,921)**	**26,320**	**(102,615)**
Housing Revenue Account Reserves:							
Capital Reserve - HRA	(49,067)	(11,850)	4,975	**(55,942)**	(12,176)	12,047	**(56,071)**
Other Earmarked Reserves	(1,348)	(206)	0	**(1,554)**	0	0	**(1,554)**
Total Housing Revenue Account	**(50,415)**	**(12,056)**	**4,975**	**(57,496)**	**(12,176)**	**12,047**	**(57,625)**
Total Earmarked Reserves	**(136,066)**	**(61,720)**	**39,276**	**(158,510)**	**(40,097)**	**38,367**	**(160,240)**

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

Corporate Property Reserve - This reserve will help meet revenue costs arising from the corporate delivery of the property strategy and Asset Management Plan.

Bereavement Reserve- This fund will be used to replace and extend the crematorium and cemetery provision in MK as the borough continues to grow. This reserve is a sinking fund to offset this pressure.

Covid-19 Reserve - Earmarked to offset the impact of COVID-19. This funding is one-off and should be viewed as a backstop option considering the potential risks for 2021/22.

HR Manpower Planning Reserve - This reserve was created to meet the future costs of redundancies arising from reductions and restructuring of services.

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

Internal Insurance Fund –This fund covers any internal insurance costs of claims notified to the council by 31st March (some risks are not fully funded, with losses up to a specified amount being met from revenue). To obtain cost effective insurance cover the council has chosen to carry excesses in respect of claims made under liability and material damage insurances.

Local Government Reorganisation Debt Reserve - This reserve has been created to enable the council to charge the financing of the payment of the Local Government Reorganisation debt.

New Homes Bonus Reserve - This reserve was set up in 2011/12 to hold the New Homes Bonus paid to the council. Cabinet agreed this funding would be used in a strategic manner to support growth in the borough. Use of this funding is agreed as part of the budget process.

NDR Funding Volatility Reserve - Government proposals result in the council's funding from April 2013 being based on actual Business Rate income. While a safety net will operate for losses in income above 7.5% per annum, this still creates a significant increase in the potential volatility in this funding stream. This reserve has been created to mitigate the increased risk.

Tariff & HCA Risk Reserve - This reserve was created to mitigate the council's liability under the risk sharing agreement on the Tariff.

Strategic Service Investment fund – This reserve is set up to fund transformation projects which will generate a revenue saving for future years.

Waste Cash flow Reserve - This reserve has been created to manage the difference in timing between the revenue contributions to finance the costs of prudential borrowing for the RWTF and the costs being incurred.

Note 12 – Other Operating Expenditure

2018/19 £'000		2019/20 £'000
7,677	Precepts	8,519
463	Levies	477
834	Payments to the Government Housing Capital Receipts Pool	1,761
32,805	Gains/losses on the Disposal of Non-Current Assets	28,523
0	Other	0
41,779	**Total Other Operating Expenditure**	**39,280**

Note 13 – Financing and Investment Income and Expenditure

2018/19 £'000	Note		2019/20 £'000
21,387		Interest payable and similar charges	20,903
(236)		(Gain)/Loss on Pooled Investment Funds	552
9,720		Net interest on the net defined benefit liability (asset)	9,570
(9,146)		Interest receivable and similar income	(3,799)
(12,952)		Income and expenditure in relation to investment properties and changes in their fair value	(4,062)
(175)	15	Trading operations	208
8,598		**Total**	**23,372**

Note 14 – Taxation and Non-Specific Grant Income

2018/19 £'000		2019/20 £'000
(118,153)	Council tax income	(128,386)
(53,275)	Non-domestic rates income and expenditure	(53,021)
(11,476)	Non-ringfenced government grants	(5,502)
(67,809)	Capital grants and contributions	(25,830)
(250,713)	**Total**	**(212,739)**

Note 15 – Trading Operations

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

2018/19 £'000	Emberton Park	2019/20 £'000
(331)	Income	(289)
104	Expenditure	267
(227)	**Net Surplus/Deficit for year**	**(22)**

2018/19 £'000	IT Service Desk and Technical Support Services	2019/20 £'000
(531)	Income	(534)
422	Expenditure	508
(109)	**Net Surplus/Deficit for year**	**(26)**

2018/19 £'000	Building Control	2019/20 £'000
(344)	Income	(407)
476	Expenditure	618
132	**Net Surplus/Deficit for year**	**211**

2018/19 £'000	HR Advisory and Payroll Services	2019/20 £'000
(146)	Income	(110)
175	Expenditure	155
29	**Net Surplus/Deficit for year**	**45**

2018/19 £'000	Trading Operations Total Income and Expenditure	2019/20 £'000
(1,352)	Income	(1,340)
1,177	Expenditure	1,548
(175)	**Net Surplus/Deficit for year**	**208**

2018/19 £'000	Analysis of Inclusion in The Comprehensive Income and Expenditure Statement	2019/20 £'000
(175)	Net Surplus on Trading Operations	208
(175)	**Net surplus/deficit included in Financing and Investment Income and Expenditure**	**208**

Note 16 – Agency Services

The council acts as an agent for the Clinical Commissioning Group in relation to the provision of the Child and Adolescent Mental Health Services. The cost of the service is £0.032m (£0.032m in 2018/19) and will be recovered. Therefore, the net cost to the council is nil.

Note 17 – Members’ Allowances

The authority paid the following amounts to members of the council during the year.

2018/19 £'000		2019/20 £'000
605	Salaries	611
197	Allowances	207
1	Expenses	1
803	**Total Members' Allowances**	**819**

Details of each councillor’s individual payments are published annually on the council’s website.

Note 18 – External Audit Costs

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

2018/19 £'000		2019/20 £'000
147	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	119
50	Fees payable to external auditors for the certification of grant claims and returns for the year	49
12	Fees payable in respect of other services provided by external auditors during the year	0
209	**Total**	**168**

Note 19 – Road Charging Schemes

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

2018/19 £'000		2019/20 £'000
	Expenditure	
1,641	Contractors Management Fee	1,476
132	Pay and Display Installation Costs	166
182	Staffing Cost	195
172	Supplies and Services	15
89	Support Costs	131
23	Surveys and Fees	12
36	Decriminalised Costs	20
3	Signing Costs	35
2,278	**Total Expenditure**	**2,050**
	Income	
(750)	Excess Charge/Penalty Charge Notices	(860)
(4,982)	Permits	(5,008)
(632)	Suspensions	(149)
(7,972)	Pay and Display Income	(7,301)
(14,336)	**Total Income**	**(13,318)**
(12,058)	**Surplus achieved in year**	**(11,268)**
667	Transfer to Special Parking Reserve	0
0	Transfer from Special Parking Reserve	0
(115)	Transfer to/from Capital Programme	84
(11,506)	**Surplus for the year**	**(11,184)**

The surplus of (£11.184m) has been fully spent during the year to fund a variety of traffic and transportation projects. Examples of such projects undertaken include capital investment in Highways £2.139m, Highway improvement design and project management £1.105m, street lighting £0.117m, off-street car parks £0.846m, the passenger transport team, publicity, Route, studies and project development, RTP Transport Information, Coach way and bus infrastructure £0.761m. This surplus has also contributed towards concessionary fares and bus subsidies. In total the council spends £4.293m on concessionary fares and £1.923m on bus subsidies.

Note 20 – Pooled Budgets

Integrated Community Equipment

The Integrated Community Equipment pooled budget brings together funding for health and social care equipment. This supports hospital discharges and the maintenance of independence and community living with some efficiency of scale and improved delivery. The Clinical Commissioning Group (CCG) are the Lead partner for the ICES pool.

The council’s share of income and expenditure is included within Adult Social Care in the Comprehensive Income and Expenditure Statement.

2018/19 £'000	Integrated Community Equipment Service (ICES)	2019/20 £'000
	Gross Funding	
(551)	Milton Keynes Council	(551)
(1,030)	Milton Keynes Clinical Commissioning Group (CCG)	(1,030)
(1,581)	**Total Funding**	**(1,581)**
1,547	Expenditure	1,619
1,547	**Total Expenditure**	**1,619**
(34)	**Net (Surplus)/Deficit**	**38**
18	MKC share of underspend/ (overspend)	(20)
16	CCG share of underspend/ (overspend)	(18)
0	**Net (Surplus) / Deficit Carried Forward**	**0**

Learning Disability

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

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

2018/19 £'000	Learning Disability	2019/20 £'000
	Gross Funding	
(20,884)	Milton Keynes Council	(20,807)
(1,459)	Milton Keynes Clinical Commissioning Group (CCG)	(1,485)
(22,343)	**Total Funding**	**(22,292)**
	Expenditure	
21,290	Pooled Expenditure	21,569
21,290	**Total Expenditure**	**21,569**
(1,053)	**Net (Surplus)/Deficit**	**(723)**
983	MKC share of underspend/ (overspend)	675
70	CCG share of underspend/ (overspend)	48
0	**Net (surplus) / Deficit Carried Forward**	**0**

Better Care Fund

The Better Care Fund is viewed as an enabler to further integrate Health and Social Care Services. The BCF funds are intended to reduce hospital non-elective admissions; develop more robust and sustainable community health and social care services; and promote independent living. Milton Keynes Council is the Lead Partner for the Better Care Fund pool.

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

2018/19 £'000	Better Care Fund	2019/20 £'000
	Gross Funding	
(1,158)	Milton Keynes Council - Capital Funding	(1,117)
(7,458)	Improved Better Care Funding	(7,874)
(14,609)	Milton Keynes Clinical Commissioning Group (CCG)	(15,698)
(23,225)	**Total Funding**	**(24,689)**
	Expenditure	
23,140	Expenditure	24,517
23,140	**Total Expenditure**	**24,517**
(85)	**Net (Surplus)/Deficit**	**(172)**
36	MKC share of underspend/ (overspend)	72
49	CCG share of underspend/ (overspend)	100
0	**Net (surplus) / Deficit Carried Forward**	**0**

Note 21 – Officers' Remuneration

Officer Remuneration

The remuneration paid to the council's senior employees during 2019/20 whose salary was above £50,000 is as follows:

2018/19 £		Note	Salary £	Expenses Allowance £	Pension Contribution £	2019/20 £
65,381	Chief Executive - Former	1	0	0	0	0
134,221	Chief Executive - Michael Bracey		179,520	0	35,365	214,885
29,408	Deputy Chief Executive (old)		50,000	38	9,850	59,888
0	Deputy Chief Executive (new)		71,295	0	14,045	85,340
156,478	Corporate Director - Place*		0	0	0	0
53,245	Corporate Director - People*		0	0	0	0
118,496	Director - Finance & Resources **		111,655	454	21,670	133,779
130,775	Director of Strategy and Futures		89,150	0	7,318	96,468
136,728	Director - Children´s Services	2	121,195	0	23,876	145,071
108,281	Director Policy, Insight & Comms		95,000	295	18,715	114,010
125,337	Director Adult Services	2	113,283	1,107	22,317	136,707
0	Director Housing & Regeneration	3	100,021	0	19,704	119,725
0	Director Growth, Economy and Culture	3	100,021	218	19,704	119,943
0	Director Environment and Property	4	112,068	1,317	21,670	135,055
0	Director Law & Governance	5	106,104	160	20,903	127,167

Notes
Milton Keynes Council underwent a high level organisational restructure at the end of the 18/19 year the revised structure was approved by cabinet on 20th March 2019.

* post removed in restructure

** title of post changed in restructure

1. Kept for comparison reasons only. Current chief executive was in place during 2018/19
2. Officer was within Corporate Director - People in 2018/19
3. Officer was within Corporate Director - Place in 2018/19
4. Directorate was within Place called 'public realm services'
5. Directorate was within Resources called 'legal & democratic services'

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

	Number of Employees 2018/19 Restated*	2019/20
£50,001 to £55,000	95	97
£55,001 to £60,000	56	76
£60,001 to £65,000	32	22
£65,001 to £70,000	29	26
£70,001 to £75,000	23	29
£75,001 to £80,000	11	15
£80,001 to £85,000	9	12
£85,001 to £90,000	6	5
£90,001 to £95,000	5	5
£95,001 to £100,000	4	4
£100,001 to £105,000	4	3
£105,001 to £110,000	1	3
£110,001 to £115,000	2	3
£115,001 to £120,000	0	1
£120,001 to £125,000	1	1
£125,001 to £130,000	0	0
£130,001 to £135,000	1	1
£135,001 to £140,000	0	0
£140,001 to £145,000	1	0
£145,001 to £150,000	0	0
£150,001 to £155,000	0	0
£155,001 to £160,000	1	0
£160,001 to £165,000	0	0
£165,001 to £170,000	0	0
£170,001 to £175,000	0	0
£175,001 to £180,000	0	1
Total	**281**	**304**

*The 2018/19 published accounts have been restated to reflect the definition of remuneration costs as per the Code of Practice. In 2018/19 Employer National Insurance costs were included in error.

Exit Packages

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£’000)	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£0-£20,000	13	29	12	4	25	33	231	195
£20,001 - £40,000	1	3	2	1	3	4	71	89
£40,001 - £60,000	4	4	0	0	4	4	702	220
Total	**18**	**36**	**14**	**5**	**32**	**41**	**1,004**	**504**

The number of exit packages with total costs per band and total costs of the compulsory and other redundancies are set out in the table overleaf: The total cost of £0.504m in the table above includes exit packages that have been agreed, accrued for and charged to the authority’s Comprehensive Income and Expenditure Statement in the current year.

Note 22 – Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) (No 2) Regulations 2018. 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 2019/20 are as follows:

2018/19 Total		2019/20 Central Expenditure	2019/20 ISB	2019/20 Total
£'000		**£'000**	**£'000**	**£'000**
246,108	Final DSG for 2019/20 before academy recoupment			252,396
104,387	Less: Academy figure recouped for 2019/20			110,704
141,721	Total DSG after academy recoupment for 2019/20			141,692
1,301	Plus: Brought forward from 2018/19			3,053
1,884	Less: Carry forward to 2020/21 agreed in advance			3,082
141,137	**Final Allocation in 2019/20**	**0**	**0**	**141,663**
141,137	**Agreed initial budgeted distribution in 2019/20**	33,323	108,341	**141,664**
946	In year adjustments	0	(265)	**(265)**
142,083	**Final budgeted distribution for 2019/20**	**33,323**	**108,076**	**141,399**
29,038	Less: Actual central expenditure	31,684		**31,684**
111,877	Less: Actual ISB deployed to schools		110,617	**110,617**
0	Plus: Local Authority contributions for 2019/20	0	0	**0**
3,053	**Carry forward to 2020/21**	**1,638**	**541**	**2,179**

Note 23 – Grant Income

The council has been credited with the following grants and contributions in the Comprehensive Income and Expenditure Statements during 2019/20.

2018/19 £'000		2019/20 £'000
(140,914)	Dedicated Schools Grant	(142,231)
(59,747)	Mandatory Rent Allowance: Subsidy	(52,548)
(25,421)	Mandatory Rent Rebates	(22,941)
(5,963)	New Homes Bonus	(5,966)
(11,399)	Public Health Grant	(11,098)
(5,888)	Pupil Premium Grant	(5,751)
0	Covid 19 - Local Authority Support Grant	(6,077)
(4,375)	Young People's Learning Agency	(3,358)
(2,798)	Universal Infant Free School Meals	(2,449)
(15,058)	Other Grants	(19,548)
(938)	Benefits Administration Grant	(841)
(14,650)	Better Care Fund Contributions	(15,698)
(8,284)	Social Care Client Contributions	(8,128)
(12,114)	Milton Keynes Hospital NHS Foundation Trust and Clinical Commissioning	(6,210)
(1,724)	Other Contributions	(3,344)
(1,310)	Community Learning (16-19+)	(1,412)
(310,583)	**Total**	**(307,600)**

Receipts in Advance

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

The current Grants and Contributions receipts in advance at the 31 March 2020 are £57.963m. This includes:

- Revenue receipts in advance of £49.505m, of which is mainly £33.477m Developer Tariff contributions; £2.587m is Developer S106 contributions, £6.070m NDR S31 grant and £2.178m Dedicated Schools Grant.
- Capital receipts in advance of £8.458m including the Go Ultra Low Grants of £1.984m, Special Education Needs £1.803m, National Productivity Grant £1.316m and £1.074m SEMLEP 5G Connectivity Grant.

The long-term Grants and Contributions receipts in advance at the 31 March 2020 are £31.921m. This includes Revenue receipts in advance of £29.221m which is mainly from Developer S106 Contributions £28.971m and Capital receipts in advance of £2.700m.

Note 24.1 – Property, Plant and Equipment

The tables on the following pages show the movements in year for PPE in 2019/20 and the 2018/19 comparative movement.

Movements to 31 March 2020	**Council Dwellings**	**Land and Building**	**Vehicles, Plant, Furniture & Equipment**	**Infrastructure Assets**	**Community Assets**	**Surplus Assets**	**Assets Under Construction**	**Total Property, Plant and Equipment**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost or Valuation								
at 1 April 2019	659,223	551,331	118,525	281,447	6,770	1,868	22,844	**1,642,008**
Additions	30,384	5,753	2,590	13,969	0	0	49,666	**102,362**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	4,229	0	0	0	(6)	0	**4,223**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,901)	(844)	0	0	0	0	0	**(3,745)**
Derecognition – disposals	(2,694)	(19,656)	(117)	0	0	0	0	**(22,467)**
Derecognition – other	(12,845)	(1,170)	0	0	0	0	0	**(14,015)**
Reclassifications and transfer	4,330	11,741	106	1,095	0	0	(18,028)	**(756)**
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	**0**
at 31 March 2020	**675,497**	**551,384**	**121,104**	**296,511**	**6,770**	**1,862**	**54,482**	**1,707,610**
Accumulated Depreciation and Impairment								
at 1 April 2019	(14,369)	(46,474)	(32,516)	(62,757)	(633)	(34)	0	**(156,783)**
Depreciation charge	(13,608)	(13,451)	(6,382)	(7,077)	(165)	(1)	0	**(40,684)**
Depreciation written out to the Revaluation Reserve	0	5,004	0	0	0	1	0	**5,005**
Depreciation written out to the Surplus/Deficit on the Provision of Services	12,938	541	0	0	0	0	0	**13,479**
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	1,132	0	0	0	0	0	**1,132**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(7,610)	2,462	0	0	0	0	0	**(5,148)**
Derecognition – disposals	54	292	117	0	0	0	0	**463**
Derecognition – other	622	311	0	0	0	0	0	**933**
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	0	**0**
at 31 March 2020	**(21,973)**	**(50,183)**	**(38,781)**	**(69,834)**	**(798)**	**(34)**	**0**	**(181,603)**
Net Book Value								
at 31 March 2020	**653,524**	**501,201**	**82,323**	**226,677**	**5,972**	**1,828**	**54,482**	**1,526,007**
at 31 March 2019 Restated*	**644,854**	**504,857**	**86,009**	**218,690**	**6,137**	**1,834**	**22,844**	**1,485,225**

Movements to 31 March 2019	Council Dwellings	Land and Building	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
at 1 April 2018	646,389	526,329	115,337	261,251	6,752	1,813	56,753	**1,614,624**
Additions	17,055	1,326	947	18,661	18	0	26,726	**64,733**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	236	7,080	0	0	0	4	0	**7,320**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,309	5,153	0	0	0	68	0	**6,530**
Derecognition – disposals	(2,402)	(29,245)	(831)	0	0	(17)	0	**(32,495)**
Derecognition – other	(7,042)	0	0	0	0	0	0	**(7,042)**
Reclassifications and transfer	3,678	50,805	3,072	1,535	0	0	(60,635)	**(1,545)**
Assets reclassified (to)/from Held for Sale	0	(10,117)	0	0	0	0	0	**(10,117)**
at 31 March 2019	**659,223**	**551,331**	**118,525**	**281,447**	**6,770**	**1,868**	**22,844**	**1,642,008**
Accumulated Depreciation and Impairment								
at 1 April 2018	(8,953)	(27,204)	(27,979)	(56,189)	(469)	(51)	0	**(120,845)**
Depreciation charge	(13,297)	(13,705)	(5,360)	(6,568)	(164)	0	0	**(39,094)**
Depreciation written out to the Revaluation Reserve	41	10,200	0	0	0	0	0	**10,241**
Depreciation written out to the Surplus/Deficit on the Provision of Services	12,921	129	0	0	0	0	0	**13,050**
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(6,827)	0	0	0	0	0	**(6,827)**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(5,499)	(9,765)	0	0	0	0	0	**(15,264)**
Derecognition – disposals	47	406	823	0	0	17	0	**1,293**
Derecognition – other	371	0	0	0	0	0	0	**371**
Eliminated on reclassification to Held for Sale	0	292	0	0	0	0	0	**292**
at 31 March 2019	**(14,369)**	**(46,474)**	**(32,516)**	**(62,757)**	**(633)**	**(34)**	**0**	**(156,783)**
Net Book Value								
at 31 March 2019 Restated*	**644,854**	**504,857**	**86,009**	**218,690**	**6,137**	**1,834**	**22,844**	**1,485,225**
at 31 March 2018 Restated*	**637,436**	**499,125**	**87,358**	**205,062**	**6,283**	**1,762**	**56,753**	**1,493,779**

* The 31 March 2018 position has been restated to reflect the specialist valuation for the Residual Waste Treatment Plant - Plant & Machinery, due to the significance in value of this revised valuation on the Accounts, a prior period adjustment had been performed dating back to 2017/18 from the start of the life of the asset. See Note 1

Depreciations

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

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

2018/19 Restated Depreciation Charge £'000		Potential Useful Life of Asset Years	Actual Useful Life of Asset Years	2019/20 Depreciation Charge £'000
13,297	Council Dwellings	10 - 85 *	10 - 85 *	13,608
13,869	Other Properties	20 - 60 **	20 - 60 **	13,617
5,360	Vehicles, Plant and Equipment	3 - 40 ***	Mar-25	6,382
0	Leased VPE	3 - 40 ***	03-Aug	0
6,568	Infrastructure	40	40	7,077
	Infrastructure – Other	20	20	
39,094	**Total PPE Depreciation**			**40,684**
4	Heritage Assets	20 - 60 **	20 - 60 **	5
39,098	**Total Depreciation**			**40,689**

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

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

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

Please see Accounting Policy note S for further details.

Capital Commitments

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

Overall commitments at 31 March 2020, including those with a commitment of less than £2.0m totalled £40.377m.

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

Contractual commitments as at 31 March 2020 with a commitment of £2.0m or more are shown in the table.

Segment: Scheme Name	Scheme Description	2019/20 £'000	Period of Investments Years
A421	Widening Single Lane Carriage way (MKC contribution)	3,000	1
MK 5G	Broadband Connectivity Infrastructure	2,659	1
Whitehouse Secondary School	New Secondary School	20,442	1
Coltsfoot & Germander	Construction of New Council Housing	3,555	1
Total		**29,656**	

Valuation of Non-Current Assets

General Fund

The Authority groups the programme by property type, this accords with the guidance in the Code and ensures that properties of a similar nature (having regard to the Authority's operations) are valued together. This ensures consistency of valuations across the property types and therefore consistency of valuations (and approach towards these valuations) across the rolling programme. In order to align the programme on this basis, we had to have regard to the previous 5 year rolling programme and in particular the anniversary of the valuation for each property to ensure that the integrity of the rolling programme is maintained. With this in mind, there will be instances within the current 5 year programme where properties will need to be valued outside of their Class of asset and then re-valued in the relevant year.

Annual valuations are carried out on Investment, Asset held for Sale and Surplus Assets.

All 2019/20 valuations, including year-end valuations due to significant expenditure on individual assets, were carried out by Mark Aldis MRICS of Wilks Head and Eve Chartered Surveyors and Town Planners LLP (WHE).

A Property Market Review as a supplementary document of the 2019/20 valuations was carried out by Guy Harbord MRICS Registered Valuer of WHE. It refers to three aspects namely; Material changes that have occurred before the year end, Market review of assets valued during the financial year, Market review on those assets not revalued in the financial year. There were no material changes.

Land values applied in 2019/20 are £2.25m per ha, compared to £2.25m in 2018/19 no movement.

The Valuer has completed the valuation report in accordance with the following guidance relating to asset valuation for capital accounting purposes:

- Royal Institution of Chartered Surveyors (RICA) Valuation – Professional Standards 2014 (Revised 2015) & RICS Valuation – Global Standards 2017 ('The Standards').
- International Financial Reporting Standards (IFRS).

- Chartered Institute of Public Finance and Accounting Code of Practice on Local Authority Accounting ('The CIPFA Code').

Council Dwellings

Council Dwellings have been valued as at 1st April 2019 based on a desk top review and a full property review has been undertaken as at 31st March 2020. Council dwellings were valued by Nicholas G Worman BSc DipSurv MRICS Registered Valuer and Ashleigh Phillips RICS Registered Valuer both of Bruton Knowles in line with DCLG 2010 Guidance on Stock Valuation and the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards.

A componentised approach to the valuation of Council Dwellings led to a significant increase in capital charges to the Housing Revenue Account.

- Depreciation is once again c£13.6m.
- Derecognition of Components £12.2m.

The year-end valuation created a total £7.6m Impairments

These impairments resulted from:

- Capital expenditure of £2.1m building 10 new council dwelling, initial valuation resulted in £1.6m Impairment.
- Capital expenditure of £7.9m purchasing of 42 dwelling properties, the change in valuation basis has resulted in impairment of £5.9m.
- There were some other items that were impaired that amount to £0.11m – These relate to Assets recognised in previous year but there was additional spend in the year and we has impaired the asset.

Property, Plant and Equipment Revaluations

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
Carried at historical cost	0	0	8,847	5,972	0	14,819
Valued at current value as at:						
31/03/2020	653,524	106,721	73,476	0	1,828	835,549
31/03/2019	0	283,596	0	0	0	283,596
31/03/2018	0	56,927	0	0	0	56,927
31/03/2017	0	48,480	0	0	0	48,480
31/03/2016	0	5,477	0	0	0	5,477
Total Cost or Valuation	**653,524**	**501,201**	**82,323**	**5,972**	**1,828**	**1,244,848**

Foundation School Asset Values

Under the Schools Standards and Framework Act 1998, Foundation Schools Assets are vested in the Governing Bodies of the individual foundation schools. In 2019/20 there were no schools that transferred to foundation status. There were however three community schools that converted to academy status - Ashbrook, Holmwood & Moorland. Oxley Park was a newly built academy.

Impairment

The following table shows the impairment charges for non-current assets in 2019/20:

	Impairment Loss			Reversal of Impairment Loss			Total to Revaluation Reserve	Service Total
	Taken to Revaluation Reserve	Charged to Services General Fund	Charged to Services HRA	Taken to Revaluation Reserve	Previously Charged to Service General Fund	Previously Charged to Service HRA		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property Plant and Equipment								
Council Dwellings	0	0	7,662	0	0	(52)	**0**	**7,610**
Other Land & Buildings	52	14	0	(1,184)	(2,476)	0	**(1,132)**	**(2,462)**
Total Property Plant and Equipment	**52**	**14**	**7,662**	**(1,184)**	**(2,476)**	**(52)**	**(1,132)**	**5,148**
Total Impairment	**52**	**14**	**7,662**	**(1,184)**	**(2,476)**	**(52)**	**(1,132)**	**5,148**

Material impairment losses

During 2019/20, the council has recognised material impairment losses totalling £7.610m in relation to Council Dwellings. The council did not reverse any material impairment losses in 2019/20. Further details can be found in the table below:

Assets		Material Impairment Loss - Recognised in year
		£'000
Housing Revenue Account		
	Council Dwellings	7,610
Various		
	Various Properties	(3,594)
Total		**4,016**

Note 24.2 – Assets Held for Sale

Current 2018/19 £'000		Current 2019/20 £'000
1,840	Balance outstanding at start of year	10,405
	Assets newly classified as held for sale:	
9,825	- Property Plant and Equipment	0
(811)	Revaluation losses	(214)
(450)	Assets Sold	(850)
10,404	**Balance Outstanding year end**	**9,341**

The most significant Assets held for sale at the 31st March 2020 includes Saxon Court the Councils offices valued at £8.827m. The asset has been sold in 2021/22.

Note 25 – Investment Properties

In 2019/20 the annual rental income from investment properties is £0.061m (£0.059m in 2018/19).

The movement in the fair value of investment properties during 2019/20 comprised of:

- A revaluation increase of £4.008m which reflects market conditions (A revaluation increase of £12.881m in 2018/19).
- Disposal of £0.023m (£0.000m in 2018/19)
- Reclassification from PPE AUC £0.713m, which is part of the ongoing Tickford Park developments.

The total value of the council's investment property at the 31 March 2020 is £100.493m (£95.794m at 31 March 2019).

Fair Value Hierarchy

Fair value as at 31 March 2019 £'000	Recurring fair value measuring usage	Quoted Prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2020 £'000
95,145	Farm Land in the Western Expansion Area	0	99,819	0	99,819
649	Miscellaneous pieces of land	0	674	0	674
95,794		**0**	**100,493**	**0**	**100,493**

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties

The fair value for the farmland located in the Council's Western Expansion Development area has been based on the market approach using current rents and market sales evidence for similar assets in the local authority area.

Highest & Best Use of Investment Properties

Farms classified as investment properties are currently held for both earning rentals and capital appreciation – the agricultural land is located in the Council’s Western Expansion area and is allocated for residential and employment development.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

Effects of Changes in Estimates

The outbreak of Covid-19, declared by the World Health Organisation as a ‘Global Pandemic’ on the 11th March 2020, clearly had the potential to impact on many aspects of daily life and the global economy and therefore property valuations. As at the valuation date, in the case of the assets valued for the 2019/20 accounts covered by this report, there was a shortage of market evidence to compare to previous market evidence for comparison purposes, to inform opinions of value. The valuers carried out a review of assets revalued at 31 March 2020 and confirmed, based on the evidence available, that the valuations were materially correct as at 31 March 2020.

There had been virtually no transactions post Covid-19 as few investors or owners were choosing to sell at that time; as such the impact on the property market could not be effectively predicted. The number of forced sales was predicted to be limited due to the government support packages that had been announced; however, there were worrying signs of a number of retailers failing, and other businesses struggling with the increased costs of social distancing. Also there has been difficulties in sourcing raw materials due to broken supply chains, leading to ongoing price fluctuations. Further market shift, both positive and negative, was likely as the situation continued and the ‘new normal’ emerged over time.

As a result of this uncertainty, the valuation of the Council’s assets were therefore reported as being subject to ‘material valuation uncertainty’ as set out in VPS3 and VPGA10 pf the RICS Valuation – Global Standards. Consequently, less certainty and a higher degree of caution should be attached to the valuations than would normally be the case.

For the avoidance of doubt, the inclusion of the ‘material valuation uncertainty’ declaration does not mean that the valuation cannot be relied upon. Rather, the declaration has been included to ensure transparency of the fact that in the current extraordinary circumstances less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation.

Given the unknown future impact that Covid-19 might have on the real estate market and the difficulty in differentiating between short-term impacts and long-term structural changes, the Council will keep its valuations under frequent review.

Further details can be found in Note 7 Assumptions made about the future and other Major Sources of Estimation Uncertainty.

Note 26 – Capital Expenditure and Capital Financing

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

2018/19	Note		2019/20
£'000			£'000
687,269		**Opening Capital Financing Requirement**	**698,963**
		Capital Investment:	
76,273		Assets	102,469
5,540	32.2d	Revenue Expenditure Funded from Capital under Statute	8,856
81,813		**Total Capital Spending**	**111,325**
		Sources of Finance:	
(8,112)		Capital Receipts	(5,109)
(31,945)	32.1c	Other Government Grants & Contributions	(41,339)
(12,997)	32.1b	Major Repairs Reserves	(21,237)
		Sums set aside from revenue:	
(9,903)	11	Revenue Contributions	(19,135)
(428)	32.1a	HRA Additional Voluntary Payment of Debt	(553)
(6,734)	32.2d	Minimum Revenue Provision	(7,165)
(70,119)		**Total Sources of Finance**	**(94,538)**
698,963		**Closing Capital Financing Requirement**	**715,750**
		Explanation of movements in year:	
(428)	32.1a	Decrease in underlying need to borrow (supported by government financial assistance)	(686)
12,122		Increase in underlying need to borrow (unsupported by government financial assistance)	13,414
0		Assets acquired under finance leases	4,059
11,694		**Increase/Decrease in Capital Financing Requirement**	**16,787**

Note 27 – Debtors

a) Long Term Debtors

2018/19 £'000		2019/20 £'000
10	Bodies External to Central Government	10
3,919	Payments in advance	1,959
3,929	**Total**	**1,969**

b) Short Term Debtors

2018/19 £'000		2019/20 £'000
37,528	Milton Keynes Development Partnership Loan*	0
16,675	Trade Receivables	13,500
44,143	Other Receivable Amounts	39,568
98,346	**Total**	**53,068**

*The council created a Limited Liability Partnership to manage and exploit the commercial assets purchased from the Homes and Communities Agency, known as the Milton Keynes Development Partnership (MKDP). The council funded the purchase of the assets through prudential borrowing and this is reflected in the council's Balance Sheet as a short-term investment following the refinancing of the loan in current year.

Note 28 – Creditors

2018/19 £'000		2019/20 £'000
(5,079)	Trade payables	(7,561)
(90,243)	Other payables	(99,010)
(95,322)	**Total Creditors**	**(106,571)**

Note 29 – Borrowing Repayable

Analysis of Loans by type:

2018/19 £'000		Range of Interest Rates - 31 March 2020	2019/20 £'000
	Source of Loan		
(461,350)	Public Works Loan Board	Lowest: 3.37% / Highest: 10.875%	(452,084)
(15,256)	Market Loans	Lowest: 3.75% / Highest: 6.62%	(15,258)
(6,337)	Other Loans	Zero interest rate	0
(482,943)	**Total**		**(467,342)**

Analysis of Loans by maturity:

2018/19 £'000		2019/20 £'000
	Borrowing repayable on demand or within 12 months	
(19,365)	Borrowing repayable on demand or within 12 months	(12,155)
(3,179)	Accrued interest on borrowing repayable within a period in excess of 12 months	(1,815)
(22,544)	**Total Borrowing repayable on demand or within 12 months**	**(13,970)**
	Borrowing repayable within a period in excess of 12 months	
(3,287)	Maturing in 1 to 2 years	(9,733)
(39,784)	Maturing in 2 to 5 years	(39,649)
(62,010)	Maturing in 5 to 10 years	(64,697)
(138,059)	Maturing in 10 to 20 years	(141,933)
(46,899)	Maturing in 20 to 30 years	(27,000)
(92,000)	Maturing in 30 to 40 years	(109,000)
(78,360)	Maturing in 40 to 50 years	(61,360)
(460,399)	**Total Borrowing repayable within a period in excess of 12 months**	**(453,372)**
(482,943)	**Total**	**(467,342)**

Note 30 – Provisions

a) Current Provisions

2019/20	**Appeals Provision** £'000	**Other Provisions** £'000	**Total** £'000
Opening Balance	0	(3,343)	(3,343)
Increase in provision during year	0	(6,644)	(6,644)
Unused Amounts Reversed	0	945	945
Closing Balance	**0**	**(9,042)**	**(9,042)**

2018/19	**Appeals Provision** £'000	**Other Provisions** £'000	**Total** £'000
Opening Balance	(12,114)	(2,226)	(14,340)
Increase in provision during year	0	(960)	(960)
Utilised during year	4,602	(157)	4,445
Other movements	7,512	0	7,512
Closing Balance	**0**	**(3,343)**	**(3,343)**

b) Long Term Provisions

2019/20	**Appeals Provision** £'000	**Other Provisions** £'000	**Total** £'000
Opening Balance	(30,919)	(672)	(31,591)
Increase in provision during year	(12,204)	0	(12,204)
Utilised during year	4,119	0	4,119
Unused Amounts Reversed	0	89	89
Closing Balance	**(39,004)**	**(583)**	**(39,587)**

2018/19	Appeals Provision	Other Provisions	Total
	£'000	£'000	£'000
Opening Balance	(14,296)	(672)	(14,968)
Increase in provision during year	(12,247)	0	(12,247)
Utilised during year	3,136	0	3,136
Unused Amounts Reversed	(7,512)	0	(7,512)
Closing Balance	**(30,919)**	**(672)**	**(31,591)**

c) Total Provisions

2018/19	Total Provisions	2019/20
£'000		£'000
(29,308)	Opening Balance	(34,934)
(13,207)	Increase in provision during year	(18,848)
4,445	Utilised during year	4,119
3,136	Unused Amounts Reversed	1,034
(34,934)	**Closing Balance**	**(48,629)**

d) Appeals Provision

Under business rates retention, Milton Keynes Council has a percentage share of all business rates income net of any backdated reductions. Rate payers can appeal a valuation; there is currently no time limit in the regulations. This provision has been calculated based on information provided by the Valuation Office and external bodies, combined with local knowledge of the Rating List.

e) Other Provisions

Insurance Provision

At the 31 March the council has outstanding insurance liabilities (estimated claims for which liability was accepted) totalling £4.288m. A provision has been charged to the Comprehensive Income & Expenditure Account to fund this and recognises this liability with funding met through reserves.

Term Time Only Settlement Provision

The calculation of holiday pay entitlement for term time only staff (school staff and staff that are centrally employed) was specifically outlined in the Green Book for the first time in February 2019. The new calculation resulted in an increase in holiday pay for these staff and the new calculation was implemented from 1 April 2019. During 2019/20 we have also been in discussion with the unions about a backdated settlement as a result of the change in calculation – Councillors signed off the agreed settlement by delegated decision in February 2020 and an initial estimation has been included in the 2019/20 accounts of £3.926m.

Note 31 – Contingent Liabilities

The most significant contingent gains and losses disclosed in the council's accounts for the year ending 31 March 2020 are as follows:

a) In January 2013 the council took over the management of the Milton Keynes Tariff, which is a framework Section 106 agreement under which developers contribute to the provision of local and strategic infrastructure to mitigate the impact of growth. The terms of the funding agreement state that the council will manage the expenditure so that the tariff deficit is managed down to zero by the risk share cut-off date. In the event that this is not achieved, a risk sharing agreement is in place with the Homes and Communities Agency and the Ministry of Housing, Communities and Local Government to allocate the first £22.0m of any deficit in the proportion 10:5:7. The council will be liable for any tariff deficit in excess of the risk share. The council is currently of the view that there will be no deficit share for which it will be liable. A separate risk reserve is held to mitigate any future impact £5.624m.

b) Milton Keynes Council has entered into an agreement in accordance with Section 11(6) of the Local Government Act 2003 which enables the council to retain additional capital receipts. These additional receipts must be used towards the provision of new affordable housing within the borough. If, following three years from the date of receipt, any of the capital receipt remains unspent by the council, the remaining element is required to be repaid. Any repayment due will be subject to interest 4% above the base rate at the date of expiry. At the 31 March 2020 the value of receipts that were not allocated to a specific project was £2.330m.

c) Due to the uncertainty in terms of both timing and amounts Milton Keynes Council have estimated a provision for future reduction in business rate appeals arising from the business rates revaluation on 1 April 2017. As such, the potential for further reductions above or below this amount is a potential liability to Milton Keynes Council which cannot be estimated at this time.

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

Note 32.1 – Usable Reserves

Movements in the authority's usable reserves are detailed in the Movement in Reserves Statement.

2018/19 £'000	Note		2019/20 £'000
		Usable Reserves	
(20,689)		General Fund Balance	(21,155)
(90,795)	11	Earmarked General Fund Reserves	(94,159)
(10,219)	11	Schools Balance Reserve	(8,456)
(7,259)		Housing Revenue Account	(7,259)
(57,496)	11	Earmarked HRA Reserves	(57,625)
(20,902)	32.1a	Capital Receipts Reserve	(21,244)
(23,716)	32.1b	Major Repairs Reserve	(16,280)
(82,174)	32.1c	Capital Grants Unapplied	(66,665)
(313,250)		**Total**	**(292,843)**

a) Capital Receipts Reserve

2018/19 £'000		2019/20 £'000
(22,944)	Balance 1 April	(20,902)
(5,518)	Capital Receipts in year	(7,764)
(1)	Deferred Receipts realised	(1)
834	Capital Receipts Pooled	1,761
428	Capital Receipts transferred to Capital Adjustment Account to repay debt	553
6,299	Capital Receipts used for financing	5,109
(20,902)	**Balance 31 March**	**(21,244)**

b) Major Repairs Reserve

2018/19 £'000		2019/20 £'000
(23,225)	Balance 1 April	(23,716)
(13,488)	Depreciation and Amortisation	(13,801)
12,997	Application to finance capital expenditure	21,237
(23,716)	**Balance 31 March**	**(16,280)**

c) Capital Grants Unapplied

2018/19 £'000		2019/20 £'000
(46,310)	Balance 1 April	(82,174)
(67,809)	Capital grants recognised in year	(25,830)
31,945	Capital grants and contributions applied	41,339
(82,174)	**Balance 31 March**	**(66,665)**

Note 32.2 – Unusable Reserves

2018/19 Restated* £'000	Note		2019/20 £'000
(193,339)	32.2a	Revaluation Reserve	(194,807)
(432)	32.2c	Pooled Investment Funds Adjustment Account	120
(729,648)	32.2d	Capital Adjustment Account	(755,513)
457	32.2e	Financial Instruments Adjustment Account	584
398,924	32.2f	Pension Reserve	323,552
(158)	32.2g	Deferred Capital Receipts Reserve	(157)
(6,446)	32.2h	Collection Fund Adjustment Account	(8,630)
981	32.2i	Accumulated Absences Account	953
(529,661)		**Total**	**(633,898)**

* The 31 March 2018 position has been restated to reflect the specialist valuation for the Residual Waste Treatment Plant - Plant & Machinery, due to the significance in value of this revised valuation on the Accounts, a prior period adjustment had been performed dating back to 2017/18 from the start of the life of the asset. See Note 1

a) Revaluation Reserve

2018/19 £'000		2019/20 £'000
(189,584)	**Balance 1 April**	(193,339)
(25,552)	Upward revaluation of assets	(19,864)
14,817	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	9,503
(10,735)	**Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services**	**(10,361)**
5,673	Difference between fair value depreciation and historical cost depreciation	5,508
1,307	Accumulated gains on assets sold or scrapped	3,385
6,980	**Amount written off to the Capital Adjustment Account**	**8,893**
(193,339)	**Balance 31 March**	**(194,807)**

b) Available for Sale Financial Instruments Reserve

2018/19 £'000		2019/20 £'000
(196)	**Balance 1 April**	0
196	Opening balance adjustments on adoption of IFRS9	0
0	**Revised Opening Balance**	**0**
0	Upward revaluation of investments	0
0	**Balance 31 March**	**0**

c) Pooled Investment Funds Adjustment Account

2018/19 £'000		2019/20 £'000
0	**Balance 1 April**	(432)
(196)	Opening balance adjustments on adoption of IFRS9	0
(196)	**Revised Opening Balance**	**(432)**
(236)	Upward (downward) revaluation of investments	552
(236)	**Total Changes in revaluation and impairment**	**552**
(432)	**Balance 31 March**	**120**

d) Capital Adjustment Account

2018/19 Restated* £'000	Note		2019/20 £'000
(721,407)		**Balance 1 April**	(729,648)
55,302		Charges for depreciation and impairment of non-current assets	45,960
(19,710)		Revaluation losses on non-current assets	(9,642)
472		Amortisation of intangible assets	440
5,540	26	Revenue expenditure funded from capital under statute	8,856
38,322		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	35,960
79,926		Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	81,574
(6,980)		Adjusting Amounts written out of the Revaluation Reserve	(8,893)
72,946		**Net written out amount of the cost of non-current assets consumed in the year**	**72,681**
(6,299)	32.1a	Use of Capital Receipts Reserve to finance new capital expenditure	(5,109)
(12,997)	32.1b	Use of Major Repairs Reserve to finance new capital expenditure	(21,237)
(31,945)	32.1c	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(41,339)
(6,734)	26	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(7,165)
(9,903)	11	Capital expenditure charged against the General Fund and HRA balances	(19,135)
(67,878)		**Capital financing applied in year:**	**(93,985)**
(428)	32.1a	Borrowing or liabilities met from the UCRR	(553)
(12,881)	25	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(4,008)
0		Other movements	0
(729,648)		**Balance 31 March**	**(755,513)**

* The 31 March 2018 position has been restated to reflect the specialist valuation for the Residual Waste Treatment Plant - Plant & Machinery, due to the significance in value of this revised valuation on the Accounts, a prior period adjustment had been performed dating back to 2017/18 from the start of the life of the asset. See Note 1

e) Financial Instruments Adjustment Account

2018/19 £'000		2019/20 £'000
256	**Balance 1 April**	457
(43)	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(43)
244	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	170
201	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	127
0	Other movements	0
457	**Balance 31 March**	**584**

f) Pension Reserve

2018/19 £'000		2019/20 £'000
392,509	**Balance 1 April**	398,924
(26,305)	Remeasurements of the net defined benefit (liability)/asset	(113,013)
51,760	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	57,461
(19,040)	Employer's pensions contributions and direct payments to pensioners payable in the year	(19,820)
398,924	**Balance 31 March**	**323,552**

g) Deferred Capital Receipts Reserve

2018/19 £'000		2019/20 £'000
(159)	**Balance 1 April**	(158)
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
1	Transfer to the Capital Receipts Reserve upon receipt of cash	1
(158)	**Balance 31 March**	**(157)**

h) Collection Fund Adjustment Account

2018/19 £'000		2019/20 £'000
(2,566)	**Balance 1 April**	(6,446)
(3,880)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(2,184)
(6,446)	**Balance 31 March**	**(8,630)**

i) Accumulated Absences Account

2018/19 £'000		2019/20 £'000
886	**Balance 1 April**	**981**
(886)	Settlement or cancellation of accrual made at the end of the preceding year	(981)
981	Amounts accrued at the end of the current year	953
95	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	(28)
981	**Balance 31 March**	**953**

Note 33 – Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

2018/19 £'000		2019/20 £'000
(7,219)	Cash and Bank balances	(4,406)
107,466	Short Term Deposits	46,736
100,247	**Total Cash and Cash Equivalents**	**42,330**

At the 31 March 2020, the council held £46.736m invested with various financial institutions as short term deposits (£107.466m at the 31 March 2019). The deposits are investments held for cash flow purposes that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Due to the nature of these investments, the balance will vary year on year.

Note 34.1 – Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

2018/19 £'000		2019/20 £'000
(2,540)	Interest received	(4,036)
21,232	Interest paid	19,261
18,692	**Total**	**15,225**

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2018/19 Restated* £'000		2019/20 £'000
(35,592)	Depreciation & Impairment and downward valuations	(32,310)
(472)	Amortisation	(440)
1,376	(Increase)/decrease in impairment for bad debts	612
(16,897)	(Increase)/decrease in creditors	(26,380)
(702)	Increase/(decrease) in debtors	(49,092)
21	Increase/(decrease) in inventories	(35)
(32,720)	Movement in pension liability	(37,641)
(38,322)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(35,960)
7,059	Other non-cash movements charged to the surplus or deficit on provision of services	(1,433)
(116,249)	**Total**	**(182,679)**

*The Residual Waste Treatment Plant - Plant & Machinery valuation prior period adjustment impact has been reflected in the 2018/19 restated position, see Note 1

The surplus or deficit on the provision of services has been adjusted for the following items which are investing and financing activities:

2018/19 £'000		2019/20 £'000
5,518	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,437
68,045	Any other items for which the cash effects are investing or financing cash flows	25,278
73,563	**Total**	**32,715**

Note 34.2 – Cash Flow from Investing Activities

2018/19 £'000		2019/20 £'000
76,023	Purchase of property, plant and equipment, investment property and intangible assets	98,099
170,063	Purchase of short-term and long-term investments	873,641
0	Other payments from investing activities	0
(5,519)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(8,353)
(122,500)	Proceeds from short-term and long-term investments	(770,050)
(67,689)	Other receipts from investing activities	(24,103)
50,378	**Net cash flows from investing activities**	**169,234**

Note 34.3 – Cash Flow from Financing Activities

2018/19 £'000		2019/20 £'000
(13,624)	Other receipts from financing activities	(14,507)
9,166	Repayments of short-term and long-term borrowing	14,268
(638)	Other payments for financing activities	(658)
(5,096)	**Net cash flows from financing activities**	**(897)**

Note 35 – Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their expected cashflow characteristics.

Financial Assets

Financial assets are now classified into one of three categories:

- Financial Assets
- Fair value Through Other Comprehensive Income (FVOCI)
- Fair Value Through Profit and Loss (FVTPL)

a) Financial Instrument Balances

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

	Non-Current Financial Assets				Current Financial Assets					
	Investments		Debtors		Investments		Debtors		Cash	
	2018/19	**2019/20**	**2018/19**	**2019/20**	**2018/19**	**2019/20**	**2018/19**	**2019/20**	**2018/19**	**2019/20**
	0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Amortised cost	530	5,551	0	0	112,947	211,756	37,712	25,639	100,247	42,330
Fair Value through Profit or Loss	15,432	14,880	0	0	163	162	0	0	0	0
Total financial assets	**15,962**	**20,431**	**0**	**0**	**113,110**	**211,918**	**37,712**	**25,639**	**100,247**	**42,330**
Non-financial assets	0	0	0		0	0	0	0	0	0
Total	**15,962**	**20,431**	**0**	**0**	**113,110**	**211,918**	**37,712**	**25,639**	**100,247**	**42,330**

The debtor's lines on the Balance Sheet include £27.429m (£60.634m in 2018/19) short-term and £1.969m (£3.929m in 2018/19) long-term debtors that do not meet the definition of a financial asset. See note 26 for further information.

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

	Non-Current Financial Liabilities				Current Financial Liabilities			
	Borrowings		Creditors		Borrowings		Creditors	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
Amortised cost	(460,399)	(453,372)	0	0	(22,544)	(13,970)	(20,026)	(30,267)
Total financial liabilities	**(460,399)**	**(453,372)**	**0**	**0**	**(22,544)**	**(13,970)**	**(20,026)**	**(30,267)**
Non-financial liabilities	0	0	0	0	0	0	0	0
Total	**(460,399)**	**(453,372)**	**0**	**0**	**(22,544)**	**(13,970)**	**(20,026)**	**(30,267)**

The short-term creditor's lines on the Balance Sheet include £76.304m (£75.296m in 2018/19) that does not meet the definition of a financial liability. See note 27 for further information.

b) Material Soft Loans Made by the Authority

Soft loans are those advanced at below market rates in support of the Council's service priorities. Soft loans are valued by discounting the contractual payments at the market rate of interest for a similar loan. The market rate has been arrived at by taking the Council's marginal cost of borrowing and adding a credit risk premium to cover the risk that the borrower is unable to repay the council.

The Council was in receipt of a soft loan from the Homes and Communities Agency for short term cash flow financing of the Milton Keynes Tariff. This loan has been repaid on maturity during 2019/20:

	2018/19 £'000	2019/20 £'000
Opening Balance	**(7,647)**	**(6,337)**
Loans Repaid	1,500	6,500
Increase in discounted amount	(190)	(163)
Closing balance at end of year	**(6,337)**	**0**

c) Reclassifications of financial instruments

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

d) De-recognition of financial instruments

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

e) Allowance account for credit losses

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

f) Defaults and Breaches

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

g) Financial Instruments Income, Expenses, Gains and Losses

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

2018/19		Financial Liabilities	Financial Assets		2019/20
Total		Amortised Cost	Amortised Cost	Fair Value through Profit or Loss	Total
£'000		£'000	£'000	£'000	£'000
(21,335)	Interest expense	(20,718)	0	0	(20,718)
(21,335)	**Interest payable and similar charges**	**(20,718)**	**0**	**0**	**(20,718)**
1,801	Interest income	0	3,046	0	3,046
739	Dividend income	0	0	752	752
2,540	**Interest and investment income**	**0**	**3,046**	**752**	**3,798**
(236)	Gains/(Loss) on revaluation	0	0	(552)	(552)
(236)	**Impact in Other Comprehensive Income**	**0**	**0**	**(552)**	**(552)**
(19,031)	**Net Interest or Gain/(Loss) for the year.**	**(20,718)**	**3,046**	**200**	**(17,472)**

h) Fair Values

The fair value of a financial instrument is the price that would be received when selling an asset, or the price that would be paid when transferring a liability, to another market participant in an arm's length transaction. Where liabilities are held as an asset by another party, such as the Council's borrowing, the fair value is estimated from the holder's perspective.

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at their fair value. For most assets - including bonds, shares in money market funds and other pooled funds - the fair value is taken from market prices.

For financial instruments carried at their amortised cost, their fair values disclosed below have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2020, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate

or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.

- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

Fair Values of financial liabilities:

2018/19				2019/20	
Balance Sheet £'000	**Fair Value £'000**		**Fair Value levels**	**Balance Sheet £'000**	**Fair Value £'000**
		Financial liabilities held at amortised cost:			
461,350	592,372	Loans from PWLB	**2**	452,084	588,283
15,256	23,204	Market Loans	**2**	15,258	23,926
6,337	6,337	Other Loans	**2**	0	0
482,943	**621,913**	**Total Financial Liabilities**		**467,342**	**612,209**
20,026		**Liabilities for which fair value is not disclosed**		**30,268**	
502,969	**621,913**	**Total Financial Liabilities**		**497,610**	**612,209**
		Recorded on Balance Sheet as:			
20,026		Short-term creditors		30,268	
22,544		Short-term borrowing		13,970	
460,399		Long-term borrowing		453,372	
502,969		**Total Financial Liabilities**		**497,610**	

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount, because the Councils portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

Fair Values of Financial Assets:

2018/19				2019/20	
Balance Sheet	Fair Value		Fair Value levels	Balance Sheet	Fair Value
£'000	**£'000**			**£'000**	**£'000**
		Financial assets held at fair value:			
77,452	77,400	Liquid Instruments (Money market funds & bank call accounts)	**1**	46,735	46,736
100,392	100,366	Certificates of Deposit	**1**	90,264	90,264
30,015	30,015	Deposits with UK Government	**1**	52,066	52,066
15,594	15,193	Property funds	**2**	15,042	15,042
4,006	4,006	Corporate, covered and government bonds	**2**	9,098	9,098
		Financial assets held at amortised cost:			
6,546	6,589	Short-term loans to local authorities	**2**	30,008	30,008
2,003	2,016	Long-term loans to local authorities	**2**	5,000	5,054
530	543	Long-term loans to companies	**2**	30,872	30,937
236,538	**236,128**	**Total**		**279,085**	**279,205**
30,493		Assets for which fair value is not disclosed		21,233	
267,031	**236,128**	**Total Financial Assets**		**300,318**	**279,205**
		Recorded on Balance Sheet as:			
37,712		Short-term debtors		25,639	
113,110		Short-term investments		211,918	
0		Long-term debtors		0	
15,962		Long-term investments		20,431	
100,247		Cash and Cash Equivalents		42,330	
267,031		**Total Financial Assets**		**300,318**	

Holdings in the CCLA Local Authority Property Fund have been moved from fair value level 1 for 2018/19 to level 2 for 2019/20, reflecting that there is no longer an active market in these instruments due to the funds temporary suspension of redemptions as a result of market conditions for underlying properties caused by the economic consequences of Covid-19.

The fair value of financial assets held at amortised cost is higher than their balance sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

i) Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit Risk

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. Recognising that credit ratings are imperfect predictors of default; the Council has regard to other measures of credit risk including credit default swaps (a traded market of insurance against defaults) and equity prices when selecting counterparties to invest with.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating:

	Long Term Assets		Short Term Assets	
	2018/19	2019/20	2018/19	2019/20
Credit Risk Rating	**£'000**	**£'000**	**£'000**	**£'000**
12-Month expected credit losses:				
AAA	0	0	81,443	36,720
AA+	0	0	0	0
AA	0	0	0	0
AA-	0	0	50,242	49,223
A+	0	0	40,145	50,140
A	0	0	0	0
A-	0	0	10,020	10,015
UK Government	0	0	30,015	52,066
Unrated Local Authorities	0	5,000	8,549	30,008
Unrated Building Societies	0	0	0	0
Unrated Companies	530	551	0	30,321
Unrated Pooled Fund*	15,432	14,880	163	161
Total Investments	**15,962**	**20,431**	**220,577**	**258,654**

* Credit risk is not applicable to shareholdings and unrated pooled funds where the Council has no contractual right to receive any sum of money.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 365% to adjust for current and forecast economic conditions. A two year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when downgraded to a "D" credit rating or equivalent.

At 31st March 2020, the Council assessed its credit loss exposure as £0.247m (£0.034m at 31st March 2019) related to treasury investments. The Council has set aside an earmarked reserve provision of £0.400m to protect against the risk of adverse movements in investments, including credit risk.

Exposure to Risk

Unimpaired Past Due Amount Analysed by Age:

2018/19 £'000		2019/20 £'000
802	Less than three months	1,799
369	Three to six months	96
2,735	Six months to one year	88
1,701	More than one year	599
5,606	**Total**	**2,582**

Impaired Past Due Amount Analysed by Age:

2018/19 £'000		2019/20 £'000
888	Less than three months	1,841
621	Three to six months	580
646	Six months to one year	875
2,014	More than one year	2,272
4,169	**Total**	**5,568**

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that the Council would be unable to raise finance to meet is commitments under financial instruments. Instead, the most prominent risk is that the Council might need to replenish its borrowings at a time of unfavourable interest rates. The annual Treasury Strategy, which is approved by Council in March each year, sets out strategies to manage and mitigate this risk.

The maturity analysis of the Council's borrowings is set out below:

2018/19 £'000		2019/20 £'000
22,544	Less than one year	13,970
3,287	Between one and two years	9,733
39,784	Between two and five years	39,649
62,010	Between five and ten years	64,697
138,059	Between ten and twenty years	141,933
46,899	Between twenty years and thirty years	27,000
92,000	Between thirty years and forty years	109,000
78,360	Over forty years	61,360
482,943	**Total**	**467,342**

Market Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments and has a number of strategies for managing interest rate risk. These are set out in the annual Treasury Strategy which is approved by Council in March each year.

Movements in interest rates can have a wide range of complex implications on the Council's finances. For instance, a rise in interest rates would have the following effects on borrowings and investments:

- borrowings at variable rates – the interest expense charged to the surplus or deficit on the provision of services will rise
- borrowings at fixed rates – interest expense charged to the surplus or deficit on the provision of services remains unchanged, but the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the surplus or deficit on the provision of services will rise
- investments at fixed rates – the interest income credited to the surplus or deficit on the provision of services remains unchanged, but the fair value of the assets will fall.

Borrowings are not carried on the balance sheet at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the surplus of deficit on the provision of services or other comprehensive income and expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments would impact the surplus or deficit on the provision of services and affect the general fund balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in other comprehensive income and expenditure.

As stated above, the Council has a number of strategies set out in the annual Treasury Strategy for managing interest rate risk. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the annual budget and medium term planning cycle.

The table below sets out the financial impact if interest rates had been 1% higher at 31st March 2020, with all other variables held constant:

2018/19 £'000		**2019/20 £'000**
0	Increase in interest payable on variable rate borrowings	0
(1,144)	Increase in interest receivable on variable rate investments	(326)
(3,766)	Increase in government grant receivable for financing costs	(1,826)
(4,910)	**Impact on Surplus or Deficit on the Provision of Services**	**(2,152)**
(381)	Notional share of overall impact on HRA	(109)
(760)	**Increase/Decrease in fair value of investments held at Fair Value through Profit or Loss**	**(713)**
(284)	Increase/Decrease in fair value of financial assets	(700)
(76,664)	Increase/Decrease in fair value of financial liabilities	(80,371)
(76,948)	**Decrease in fair value of fixed rate borrowings liabilities**	**(81,071)**

The impact of a 1% fall in interest rates would have been the same as above but with the movements being reversed.

Price Risk

The Council's investment in the CCLA Local Authority Property Fund is subject to the risk of falling commercial property prices. This risk is managed as part of the Council's Treasury Management Strategy and limited to the value of the Council's £15m cash holdings in the fund.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Prior Period Adjustment

On adoption of IFRS 9 Financial Instruments in 2018/19, the Council elected to measure its CCLA Property Fund investment at fair value through other comprehensive income (FVOCI). As noted in the accounting policy note K, this treatment was identified as an error and has been changed with effect from 2019/20. A prior period adjustment was made in relation to investments that were treated as FVOCI in 2018/19 and are now classified as FVP&L. No adjustment was required for any periods prior to 2018/19 when IFRS9 come into effect.

The Comprehensive Income & Expenditure Statement & Movement in Reserves were restated to account for this change. As a result of the change, a gain of £0.236m was recognised in 'Financing & Investment Income & Expenditure' from ' Surplus or Deficit on revaluation of available for sale financial assets and financial instruments at fair value through other comprehensive income and expenditure'. On the Movement in Reserves statement this resulted in an increase of £0.236m on the 'Surplus or deficit on the provision of services' and a reduction in 'Other Comprehensive income'. The gains and losses on CCLA Property Fund investments are now recognised in the Pooled Investment Funds Adjustment Account.

Note 36 – Leases

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

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

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

Authority as Lessor - Operating Leases

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

2018/19 £'000		2019/20 £'000
1,902	Not later than one year	2,167
6,022	Later than one year and not later than five years	6,581
13,808	Later than five years	14,521
21,732	**Total**	**23,269**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/20 £0.146m contingent rents were receivable by the council (£0.033m in 2018/19).

Authority as Lessee - Operating Leases

2018/19 £'000		2019/20 £'000
39	Not later than one year	28
79	Later than one year and not later than five years	69
1,230	Later than five years	1,216
1,348	**Total**	**1,313**

Authority as Lessee - Finance Lease

2018/19				2019/20		
Minimum Lease Payment £'000	Finance Charges £'000	Present Value £'000		Minimum Lease Payment £'000	Finance Charges £'000	Present Value £'000
0	0	0	Not later than one year	206	193	13
0	0	0	Later than one year and not later than five years	822	764	58
0	0	0	Later than five years	11,097	7,109	3,988
0	**0**	**0**	**Total**	**12,125**	**8,066**	**4,059**

Note 37 – Related Parties

The authority 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 readers to assess 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 authority.

a) Central Government

The UK Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework, within which the council must operate, provides the majority of its funding in the forms of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. Council Tax, housing benefits etc.). Grants received from government departments are set out in the Grant Income disclosure at note 22 to the Financial Statements.

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

The council has three pooled budget arrangements with the Milton Keynes Clinical Commissioning Group. Full details of the transactions for each of the pooled arrangements can be found at note 19.

c) Councillors

Councillors have direct control over the council's financial and operating policies. The total of councillors' allowances paid during 2019/20 is shown in note 16. During 2019/20, works and services to the value of £2.612m were commissioned from organisations in which 20 councillors had an interest.

In addition, the council paid grants totalling £0.234m to voluntary and charitable organisations in which 8 councillors had positions on the governing bodies. In all cases, grants were made with proper consideration of declarations of interest. The relevant councillors did not take part in any discussion or decision relating to the grants.

Income received during 2019/20 totalled £0.033m (£0.046m in 2018/19) from 9 organisations in which 15 councillors had an interest.

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

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

d) Officers

All staff employed by the council are required to declare any interest or involvement with a third party which could give rise to a related party transaction. One senior officer is on the Parks Trust Events Board.

e) Outstanding Balances

The outstanding amounts owed by related parties at the end of 31 March 2020 totalled £0.001m (£0.005m at 31 March 2019).

The outstanding amount owed to related parties at the end of 31 March 2020 totalled £0.069m (£0.047m at 31 March 2019).

Details of all transactions are included elsewhere in the 2019/20 accounts.

f) LGSS

LGSS is the shared support service operation with three partners – Milton Keynes Council (MKC), Northamptonshire County Council (NCC) and Cambridgeshire County Council (CCC). LGSS began in October 2010 with MKC joining as a third Partner from 1 April 2016. LGSS provides a wide range of strategic, professional, operational and transactional services including finance, pensions, legal, procurement, audit, HR, IT and transactional financial services.

It is governed by a Joint Committee with the financial transactions of each shareholder council included in the respective council's statutory accounts.

All surpluses and deficits, after any retained earnings re-invested by LGSS, are shared on a 33.3% arrangement via a dividend to each of the shareholder councils.

A separate arrangement exists for Revenue and Benefits which also includes Northampton Borough Council.

g) Council Owned Companies

The Council wholly owns the Milton Keynes Development Partnership (MKDP) LLP and part owner of Your MK a Joint Venture with Mear Group PLC. All surpluses and deficits are retained within the companies as retained earnings, either to re-invest or held to pay back the liability owed to the Council. Further details can be found in the Group Accounts note.

h) Public Health service

The shared Public Health service operates with three partners – Milton Keynes Council (MKC), Bedford Borough Council (BBC) and Central Bedfordshire Council (CBC). The shared service commenced in September 2017 and provides a joint collaborative service to deliver Public Health services between the three Unitary Authorities. Public Health professionals support people to live healthy lifestyles and make healthy choices by either directly commissioning services, informing commissioning decisions of partner or through directly providing services.

The Parties adhere to the twelve attributes of good governance for shared services as developed by CIPFA and the on-going supervision of operations is the responsibility of the SLA Management Group. Each SLA Management meeting is chaired by one of the Council's representatives and includes representatives from each Public Health Service specification. Key Performance Indicators and targets are applied to monitor the service delivery.

The total cost of services and staffing is split as agreed by the three authorities:

	BBC	CBC	MKC
BBC/CBC/MKC Costs	**26.9%**	**37.9%**	**35.2%**

Note 38 – Defined Benefit Pension Scheme

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of postemployment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Buckinghamshire County Council (LGPS) is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of Buckinghamshire County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee. The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. largescale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note. We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

On 1 April 2013 the statutory responsibility for Public Health activities transferred to the council from the NHS Primary Care Trusts. There were 14 members of staff who transferred along with their pensions in the NHS Pensions Scheme to the council, of which only 3 members remain. This scheme is not available to other current Milton Keynes Council staff. The pension contributions are included within the Comprehensive Income and Expenditure Statement but full disclosure is not considered to be material for inclusion in this note.

Discretionary Post-retirement Benefits Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

2018/19		General Fund Transactions	2019/20	
LGPS	Total		LGPS	Total
£'000	£'000		£'000	£'000
Comprehensive Income and Expenditure Statement				
Cost of Services				
		Service cost comprising:		
35,328	35,328	Current service cost	38,351	38,351
9,038	9,038	Past service cost	349	349
(2,823)	(2,823)	(Gain) / loss from settlements and / or transfers	8,613	8,613
497	497	Administration expenses	578	578
		Other Operating Expenditure:		
9,720	9,720	Net interest expense	9,570	9,570
51,760	**51,760**	**Total charged to Surplus and Deficit on Provision of Services**	**57,461**	**57,461**

2018/19		Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	2019/20	
LGPS	Total		LGPS	Total
£'000	£'000		£'000	£'000
(15,707)	(15,707)	Return on plan assets (excluding the amount included in the net interest expense)	39,494	39,494
(57,936)	(57,936)	Actuarial gains and losses arising on changes in demographic assumptions	(15,085)	(15,085)
47,338	47,338	Actuarial gains and losses arising on changes in financial assumptions	(111,235)	(111,235)
0	0	Other actuarial gains/(losses) on assets	(3,393)	(3,393)
0	0	Experience loss/(gain) on defined benefit obligation	(22,794)	(22,794)
(26,305)	**(26,305)**	**Total charged to Other Comprehensive Income and Expenditure Statement**	**(113,013)**	**(113,013)**
25,455	**25,455**	**Total charged to the Comprehensive Income and Expenditure Statement**	**(55,552)**	**(55,552)**

2018/19		Movement in Reserves Statement	2019/20	
LGPS	Total		LGPS	Total
£'000	£'000		£'000	£'000
(51,760)	(51,760)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(57,461)	(57,461)
19,040	**19,040**	**Employers' contributions payable to scheme**	**19,820**	**19,820**

Pensions Assets and Liabilities Recognised in the Balance Sheet

2018/19			2019/20	
LGPS	Total		LGPS	Total
£'000	£'000		£'000	£'000
(1,017,167)	(1,017,167)	Present value of the defined obligation	(945,030)	(945,030)
618,243	618,243	Fair value of plan assets	621,478	621,478
(398,924)	(398,924)	Value of Assets / (Liabilities)	(323,552)	(323,552)
(398,924)	**(398,924)**	**Net (liability) / asset arising from the defined benefit obligation**	**(323,552)**	**(323,552)**

Movement in the Value of Scheme Assets

2018/19			2019/20	
LGPS	Total		LGPS	Total
£'000	£'000		£'000	£'000
585,276	**585,276**	**Opening fair value of scheme assets**	**618,243**	**618,243**
14,940	14,940	Interest income	15,432	15,432
15,707	15,707	The return on plan assets, excluding the amount included in the net interest expense	(39,494)	(39,494)
19,040	19,040	Contributions from employer	19,820	19,820
5,977	5,977	Contributions from employees into the scheme	6,491	6,491
0	0	Other actuarial gains/(losses)	3,393	3,393
(19,953)	(19,953)	Benefits / transfers paid	(25,682)	(25,682)
(497)	(497)	Administration expenses	(578)	(578)
(2,247)	(2,247)	Assets Extinguished on Settlement	23,853	23,853
618,243	**618,243**	**Closing value of scheme assets**	**621,478**	**621,478**

Movements in the Fair Value of Scheme Liabilities

2018/19			2019/20	
LGPS	Total		LGPS	Total
£'000	£'000		£'000	£'000
(977,785)	**(977,785)**	**Opening balance at 1 April**	**(1,017,167)**	**(1,017,167)**
(35,328)	(35,328)	Current service cost	(38,351)	(38,351)
(24,660)	(24,660)	Interest cost	(25,002)	(25,002)
(5,977)	(5,977)	Contributions from scheme participants	(6,491)	(6,491)
57,936	57,936	- Actuarial gains / (losses) from changes in demographic assumptions	15,085	15,085
(47,338)	(47,338)	- Actuarial gains / (losses) from changes in financial assumptions	111,235	111,235
(9,038)	(9,038)	Past service cost	(349)	(349)
0	0	Liabilities assumed on entity combinations	0	0
0	0	Experience loss/(gain) on defined benefit obligation	22,794	22,794
19,953	19,953	Benefits / transfers paid	25,682	25,682
5,070	5,070	Liabilities extinguished on settlements	(32,466)	(32,466)
(1,017,167)	**(1,017,167)**	**Balance as at 31 March**	**(945,030)**	**(945,030)**

The significant assumptions used by the actuary have been:

2018/19	LGPS	2019/20
Long term expected rate of return on assets		
12%	Gilts	9%
51%	Equities	53%
15%	Other Bonds	18%
8%	Property	7%
3%	Cash	2%
1%	Alternative Assets	1%
5%	Hedge Funds	5%
5%	Absolute Return Portfolio	5%
Mortality assumptions		
Longevity at retirement for current pensioners		
22.9	Men	21.8
24.8	Women	25.1
Longevity at retirement for future pensioners		
24.6	Men	23.2
26.6	Women	26.5
Other assumptions		
2.4%	Rate of inflation	1.85%
3.9%	Rate of increase in salaries	2.85%
2.4%	Rate of increase in pensions	1.85%
2.4%	Rate for discounting scheme liabilities	2.35%

The Asset breakdown percentages are:

2018/19			2019/20	
Quoted	**Unquoted**		**Quoted**	**Unquoted**
3.0%	0.0%	Fixed Interest Government Securities - UK	0.4%	0.0%
9.3%	0.0%	Index Linked Government Securities - UK	0.3%	8.0%
		Corporate Bonds		
14.5%	0.0%	UK	11.4%	4.5%
0.4%	0.0%	Overseas	2.5%	0.0%
		Equity		
5.1%	0.0%	UK	0.0%	0.0%
41.2%	0.0%	Overseas	1.3%	46.9%
7.6%	0.2%	Property	7.4%	0.0%
		Others		
0.0%	4.7%	Absolute return portfolio	0.0%	4.7%
0.0%	5.4%	Hedge Fund	0.0%	5.1%
0.0%	4.6%	Private Equity	0.0%	4.5%
0.0%	0.4%	Infrastructure	0.0%	0.8%
0.0%	0.4%	Commodities	0.0%	0.0%
2.9%	0.0%	Cash/Temporary Investments	0.0%	2.1%
		Net Current Assets		
0.3%	0.0%	Debtors	0.0%	0.3%
84.3%	**15.7%**	**Total**	**23.3%**	**76.9%**

Impact of assumptions on the obligation:

Increase by 0.1% £'000	LGPS Assumption	Decrease by 0.1% £'000
35,997	Longevity	33,759
34,877	Rate of increase in salaries	34,843
35,777	Rate of increase in pensions	33,966
33,954	Rate for discounting scheme liabilities	35,791

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The transactions in the preceding table have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

Expected Contributions to the Plan

A valuation was carried out by Barnett Waddingham on the Buckinghamshire County Council Pension Fund (the Fund) as at 31 March 2016.

In accordance with Regulation 62 of the Local Government Pension Scheme Regulations an assessment was made of the contributions that should be paid into the Fund by participating employers for the period 1 April 2017 to 31 March 2020.

In 2017/18 an agreement was reached for Milton Keynes Council to make an upfront payment on 1 April 2018 to Buckinghamshire County Council of £21.489m; to cover the contributions due from Milton Keynes Council for 2018/19 £10.932m and 2019/20 £10.557m.

Pension Schemes Associated Risks

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

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges;
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way;
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and

- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Buckinghamshire County Council Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the Employer e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

Pension Schemes Accounted for as Defined Contribution Schemes

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

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

In 2019/20, the council paid £9.115m (£7.521m in 2018/19) to Teachers Pensions in respect of teachers' retirement benefits. This was equivalent to 20.79% (16.48% in 2018/19) of total pensionable pay. There was no contribution remaining payable at the year end.

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

Supplementary Financial Statements

Collection Fund

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

2018/19 Business Rates £'000	2018/19 Council Tax £'000	2018/19 Total £'000	Collection Fund	2019/20 Business Rates £'000	2019/20 Council Tax £'000	2019/20 Total £'000
			INCOME:			
	(143,104)	(143,104)	Council Tax Receivable	0	(152,498)	(152,498)
(179,989)		(179,989)	Business Rates Receivable	(181,541)	0	(181,541)
(179,989)	**(143,104)**	**(323,093)**	**Total amounts to be credited**	**(181,541)**	**(152,498)**	**(334,039)**
			EXPENDITURE:			
			Apportionment of Previous Year Surplus/Deficit:			
(134)	0	(134)	Central Government	239	0	239
(131)	3,409	3,278	Billing Authority	234	3,841	4,075
(3)	156	153	Fire Authority	5	169	174
0	435	435	Police Authority	0	490	490
			Precepts, demands and shares:			
76,638	0	76,638	Central Government	76,548	0	76,548
75,106	118,429	193,535	Billing Authority	75,017	125,259	200,276
1,532	5,201	6,733	Fire Authority	1,531	5,480	7,011
0	15,120	15,120	Police Authority	0	17,508	17,508
			Charges to Collection Fund:			
910	645	1,555	Write-offs of uncollectable amounts	1,401	669	2,070
(1,000)	32	(968)	Increase/(decrease) in allowance for impairment	(310)	(119)	(429)
17,066	0	17,066	Increase/(decrease) in allowance for appeals	20,619	0	20,619
389	0	389	Charge to General Fund for allowable collection costs for non-domestic rates	392	0	392
1,137	0	1,137	Disregarded amounts	(51)	0	(51)
171,510	**143,427**	**314,937**	**Total amounts to be debited**	**175,625**	**153,297**	**328,922**
(8,479)	**323**	**(8,156)**	**(Surplus)/Deficit arising during the year**	**(5,916)**	**799**	**(5,117)**
3,757	**(5,168)**	**(1,411)**	**(Surplus)/Deficit b/f at 1 April 2019**	**(4,722)**	**(4,845)**	**(9,567)**
(4,722)	**(4,845)**	**(9,567)**	**(Surplus)/Deficit c/f at 31 March 2020**	**(10,638)**	**(4,046)**	**(14,684)**

Tax Base, Rateable Value and Write offs

The Council Tax base for 2019/20, 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	10.14
	A	6/9	9,405.00
	B	7/9	22,098.03
	C	8/9	23,214.44
	D	9/9	13,269.00
	E	11/9	13,176.47
	F	13/9	8,027.87
	G	15/9	4,583.33
	H	18/9	246.00
			94,030.28
Anticipated changes during the year			1,160.00
Provision for non-collection			(1,142.28)
			94,048.00
Impact of Council Tax Reductions			(9,171.23)
Council Tax Base			**84,876.77**

Collection Fund Balance Apportionment

2018/19 Total £'000		2019/20 Council Tax £'000	2019/20 NDR £'000	2019/20 Total £'000
(6,446)	Milton Keynes Council	(3,418)	(5,213)	(8,631)
(2,361)	Central Government	0	(5,319)	(5,319)
(531)	Thames Valley Police Authority	(479)	0	(479)
(229)	Buckinghamshire and Milton Keynes Fire Authority	(149)	(106)	(255)
(9,567)	**Total**	**(4,046)**	**(10,638)**	**(14,684)**

Precepts & Demands on Collection Fund

2018/19 Total £'000		2019/20 Council Tax Precept / Demand £'000	2019/20 NDR Precept / Demand £'000	2019/20 Total Precept / Demand £'000	Council Tax Share of 2019/20 Surplus £'000	NDR Share of 2019/20 Deficit £'000	Total Share of 2019/20 (Surplus)/ Deficit £'000	2019/20 Total £'000
187,089	Milton Keynes Council	125,259	75,017	200,276	(3,418)	(5,213)	(8,631)	191,645
74,277	Central Government	0	76,548	76,548	0	(5,319)	(5,319)	71,229
14,589	Police & Crime Commissioner for Thames Valley	17,508	0	17,508	(479)	0	(479)	17,029
6,504	Buckinghamshire and Milton Keynes Fire Authority	5,480	1,531	7,011	(149)	(106)	(255)	6,756
282,459	**Total**	**148,247**	**153,096**	**301,343**	**(4,046)**	**(10,638)**	**(14,684)**	**286,659**

Housing Revenue Account Income and Expenditure Statement

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

2018/19 £'000		2019/20 £'000
	Expenditure	
11,200	Repairs & Maintenance	10,781
10,976	Supervision & Management	12,610
243	Rents, Rates, Taxes and other charges	152
4,751	Depreciation, impairments and revaluation losses of non-current assets	11,326
0	Debt Management Costs	168
337	Movement in the allowance for bad debts	407
0	Other	0
27,507	**Total Expenditure**	**35,444**
	Income	
(52,508)	Dwelling rents	(52,092)
(316)	Non-dwelling rents	(222)
(2,070)	Charges for services and facilities	(2,619)
0	Contributions towards Expenditure	0
(128)	Other	0
(55,022)	**Total Income**	**(54,933)**
(27,515)	**Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement**	**(19,489)**
276	HRA Services Share of Corporate & Democratic Core	313
(27,239)	**Net Expenditure of HRA Services**	**(19,176)**
4,030	(Gains)/loss on sale of HRA Fixed Assets	9,412
7,883	Interest Payable and Similar Charges	7,341
(805)	HRA Interest and Investment Income	(896)
258	Net interest on the defined benefit liability/asset	0
(15,873)	**(Surplus) or Deficit for Year on HRA Services**	**(3,319)**

Movement on the HRA Statement

This statement illustrates how the Housing Revenue Account Income and Expenditure Statement surplus or deficit for the year reconciles to the movement on the Housing Revenue Account balance for the year. This note details the adjustments that are made the Housing Revenue Account in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the authority to meet capital and revenue expenditure.

2018/19 £'000	Movement on the HRA Statement	2019/20 £'000
(7,259)	Balance on the HRA at the end of the previous year	(7,259)
(15,873)	(Surplus) or Deficit on the HRA Income and Expenditure Statement	(3,319)
8,792	Adjustments between accounting basis and funding basis under statute	3,190
(7,081)	**Net (increase) or decrease before transfers to or from reserves**	**(129)**
7,081	Transfer to/(from) reserves	129
0	(Increase) or decrease on the HRA for the year	0
(7,259)	**Balance on the HRA at the end of the current year**	**(7,259)**

2018/19 £'000	Adjustment between accounting basis	2019/20 £'000
0	Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	(2)
(4,755)	Transfers to/(from) the Capital Adjustment Account	(12,440)
(4,030)	Gain or (loss) on sale of non-current assets	(9,411)
(870)	Contributions to or (from) the Pension Reserve	(833)
(17)	Transfers to/(from) the Accumulated Absences Account	(4)
13,488	Transfers to/(from) Major Repairs Reserve	13,801
4,975	Capital expenditure funded by the HRA	12,047
0	Transfers to/(from) Capital Grants Unapplied	32
8,791	**Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year**	**3,190**

2018/19 £'000	Transfer to/from Reserves	2019/20 £'000
12,056	Transfers to earmarked reserves	12,176
(4,975)	Transfers from earmarked reserves	(12,047)
7,081	**Total Transfers**	**129**

The Reserves held at 31 March 2020 are included in Note 11.

Notes to the HRA Account

Housing Stock

At 1st April 2019 the HRA housing stock was 12,108. During the 2019/20 financial year stock numbers reduced as 53 properties were sold to tenants (includes part-sales of shared ownership dwellings), 42 dwellings were acquired from the private sector, 10 dwelling were built by the council and 36 properties decommissioned. Therefore, as at 31st March 2020 the Council HRA was responsible for managing a housing stock of 12,071 dwellings of which 953 is the council's portion of shared ownership dwellings. The analysis of the remaining 11,118 dwellings is as follows:

Main Rented Stock	Houses	Flats	Total	Houses Built	No. of Houses
1 Bedroom	1,471	2,228	3,699	Pre 1919	42
2 Bedrooms	1,799	850	2,649	1919 - 1944	331
3 or more Bedrooms	4,597	173	4,770	1945 - 1964	1,460
				Post 1964	6,034
Total	**7,867**	**3,251**	**11,118**		**7,867**

Capital Expenditure

2018/19 £'000		2019/20 £'000
	Capital Spending:	
20,345	Dwellings	35,209
0	Other HRA Assets	43
4	Revenue expenditure funded from capital under statute	1,114
20,349	**Total Capital Expenditure**	**36,366**
	Funded By:	
(2,377)	Usable Capital Receipts	(3,082)
(12,997)	Major Repairs Allowance	(21,237)
0	Third Party Contributions	0
(4,975)	Revenue Contributions	(12,047)
(20,349)	**Total Capital Financing**	**(36,366)**

Capital Receipts

2018/19 £'000		2019/20 £'000
	Sale of Dwellings*:	
3,958	Council Houses	4,772
447	Shared Ownership	142
0	Land	0
61	Recovered Discount	31
529	Non Right to Buy Receipts	561
4,995	**HRA Receipts in Year**	**5,506**
(834)	Less: Statutory Pooling	(1,761)
4,161	**Total HRA Usable Receipts in year**	**3,745**

* Sales of dwellings are shown net of administrative costs.

Rent Arrears

The total rent income for the year, after allowance is made for empty properties is known as Gross Rent Income. The loss of income as a result of empty properties & garages in HRA rose by £0.159m from 2018/19 value of £0.542m to £0.701m in 2019/20. The increase in loss was partly due to decommissioning of Buckland lodge sheltered scheme and higher number of empty properties during the year. At 31st March 2020, 0.99% of the housing stock was vacant (0.74% at 31st March 2019).

Rents are expressed in terms of a 50-week year and were decreased from 1st April 2019 by an average of 1%. The average weekly rent at the end of 2019/20 was £86.87 (£87.21 in 2018/19).

The Housing Revenue Account shows rent income and other miscellaneous charges (for example service charges). Arrears of all charges at 31st March 2020 amounted to £4.202m (£3.841m at 31st March 2019). During the year ending 31st March 2020 arrears of £0.457m were written off as irrecoverable, all of which were in respect of rent debts.

The council has made a total provision against all housing-related debts of £1.074m. This figure includes a provision against rent arrears, in the sum of £0.988m.

Depreciation and Impairment of Non-Current Assets

2018/19			2019/20	
Depreciation	**Impairment**		**Depreciation**	**Impairment**
£'000	**£'000**		**£'000**	**£'000**
(13,296)	(5,499)	Council Dwellings	(13,608)	(7,441)
(161)	0	Other Land and Buildings	(161)	0
(31)	0	Vehicles, Plant, Furniture and Equipment	(32)	0
(13,488)	**(5,499)**	**Total**	**(13,801)**	**(7,441)**

Asset Values

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

	Revised 31-Mar-19 £'000	01-Apr-19 £'000	31-Mar-20 £'000
Operational Assets			
Council Dwellings	644,854	631,184	653,524
Other Land & Buildings	4,690	5,456	5,499
Equipment	79	48	48
Non Operational Assets			
Surplus Assets	328	328	328
Assets Under Construction	2,975	2,975	3,471
Assets Held for Sale	0	0	0
Investment Properties	23	23	0
Total	**652,949**	**640,014**	**662,870**

As at 1st April 2019, the vacant possession value of the council's dwellings is estimated at £1,952.278m compared with the Balance Sheet value of £631.184m shown above. This variance mainly reflects the economic cost to the Government of providing council housing at less than open market rents and annual depreciation charged on brought forward balances.

The increase of £22.856m between 1st April 2019 and 31st March 2020 is due to further revaluations in the year along with additions, disposals and reclassifications.

Revised 2018/19 Comparator for Assets Under Construction are updated for the HRA asset amendments in 2018/19.

Pension Reserve

The transfer to the Pensions Reserve in respect of the Housing Revenue Account is (£0.833m). Details of the background to, and reasons for this adjustment, may be found in note h to the Statement of Accounting Policies, and note 37 to the Financial Statements.

Group Accounts

Introduction

The council has an interest in the Milton Keynes Development Partnership LLP and Your MK LLP.

Milton Keynes Development Partnership

The Milton Keynes Development Partnership LLP (MKDP) was incorporated on 7 December 2012 and is a Limited Liability Partnership, wholly owned by Milton Keynes Council.

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

The financial position of the Milton Keynes Development Partnership for the period ended 31 March 2020 was a profit of £54.117m. This includes revaluation gains of £51.308m; IAS19 pensions (£0.322m), Gain on disposal £2.002m to be used for future capital development and a trading profit from operations of £1.129m.

Due to the materiality of MKDP, the council has taken the view that its activity warrants full group accounts disclosures.

YourMK LLP

YourMK was formed on 25 February 2016 as Limited Liability Partnership as a Joint Venture arrangement between Milton Keynes Council and Mears Group PLC.

YourMK LLP was set up to deliver the following range of activities including:

- Regeneration activities in the priority areas;
- Total asset management of all council owned housing stock; and
- Development opportunities on council owned sites in non-priority regeneration areas.

In July 2020, a decision was made to dissolve YourMK. The control of regeneration functions and management of Council owned housing stock that would have been delivered by YourMK was passed on to the Council. At December 2019 the turnover was £2.115m with a loss of £0.515m.

The council has determined that we do not consider YourMK LLP to be material to consolidate in Group Account for 2019/20.

During 2019/20, works and services to the value of £2.361m were paid to YourMK by the Council for work on the new additional affordable housing projects for the Council. Income received during 2019/20 totalled £0.080m and the outstanding amount owed to YourMK at the 31 March 2020 was £0.174m.

Group Financial Statements

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

- The Group Movement in Reserves Statement; incorporating the movement in year on all the different reserves held by the Group;
- The Group Comprehensive Income and Expenditure Statement; which summarises resources which have been applied and generated in providing services and managing the group during the last year;
- The Group Balance Sheet which sets out the assets and liabilities recognised by the Group as at 31 March 2018, and;
- Group Cash Flow Statement, which summarises the changes in cash and cash equivalents of the council during the reporting period.

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

Notes to the Group Financial Statements

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

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

Material Item of Income and Expense

The material income and expense included within the Group Comprehensive Income and Expenditure Statement are the same as the single entity accounts which can be found in note 8 of the Financial Statements.

Interest in Subsidies

There are no interests in subsidiaries other than those reported in note 36 in the financial statements that would enable users of the authority's group accounts to evaluate the nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the Group.

There are no significant restrictions on its ability to access or use the assets and settle the liabilities of the Group, such as those that restrict the ability of a parent or its subsidiaries to transfer cash or other assets to (or from) other entities within the Group.

Milton Keynes Council is wholly liable for the assets and liabilities of both subsidiaries and would provide financial support to a consolidated entity, including events or circumstances that could expose the Authority to a loss. There are no other risks associated with these subsidiaries.

Movement in Reserves Statement

2019/20	Total General Fund Balance	Total HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Un-applied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 31 March 2019 – Restated*	(147,042)	(64,755)	(20,902)	(23,716)	(82,174)	**(338,589)**	(549,917)	**(888,506)**
Movement in reserves during 2019/20								
Surplus or deficit on the provision of services	(12,633)	(3,319)	0	0	0	**(15,952)**	**0**	**(15,952)**
Other Comprehensive Income / Expenditure	0	0	0	0	0	**0**	(123,425)	**(123,425)**
Total Comprehensive Income and Expenditure	**(12,633)**	**(3,319)**	**0**	**0**	**0**	**(15,952)**	**(123,425)**	**(139,377)**
Adjustments between accounting basis and funding basis under regulations	4,362	3,190	(342)	7,436	15,509	**30,155**	**(30,155)**	**0**
Increase or Decrease in 2019/20	**(8,271)**	**(129)**	**(342)**	**7,436**	**15,509**	**14,203**	**(153,580)**	**(139,377)**
Balance at 31 March 2020	**(155,313)**	**(64,884)**	**(21,244)**	**(16,280)**	**(66,665)**	**(324,386)**	**(703,497)**	**(1,027,883)**

2018/19 - Restated	Total General Fund Balance	Total HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Un-applied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 31 March 2018 – Restated*	(118,248)	(57,674)	(22,944)	(23,225)	(46,310)	**(268,401)**	**(530,835)**	**(799,236)**
Movement in reserves during 2018/19						**0**		
Surplus or deficit on the provision of services	(36,347)	(15,873)	0	0	0	**(52,220)**	**0**	**(52,220)**
Other Comprehensive Income / Expenditure	0	0	0	0	0	**0**	(37,050)	**(37,050)**
Total Comprehensive Income and Expenditure	**(36,347)**	**(15,873)**	**0**	**0**	**0**	**(52,220)**	**(37,050)**	**(89,270)**
Adjustments between accounting basis and funding basis under regulations	7,553	8,792	2,042	(491)	(35,864)	**(17,968)**	**17,968**	**0**
Increase or Decrease in 2018/19	**(28,794)**	**(7,081)**	**2,042**	**(491)**	**(35,864)**	**(70,188)**	**(19,082)**	**(89,270)**
Balance at 31 March 2019 – Restated*	**(147,042)**	**(64,755)**	**(20,902)**	**(23,716)**	**(82,174)**	**(338,589)**	**(549,917)**	**(888,506)**

*The 31st March 2018 balance sheet position for MKDP differed to that reported in MKC group accounts by £0.275m due to the timing of the audit of MKDP being later than MKC. In 2018/19 this was amended incorrectly, therefore the 2018/19 balance sheet has been amended by £0.275m to reflect the correct position of MKDP in 2018/19. The opening 1st April 18 balance has been amended in the movements in reserves table above which impacts on the opening position for 2019/20.

The 31 March 2018 position has also been restated to reflect the specialist valuation for the MKC Asset Residual Waste Treatment Plant - Plant & Machinery, due to the significance in value of this revised valuation on the Accounts, a prior period adjustment had been performed dating back to 2017/18 from the start of the life of the asset. See Note 1

Comprehensive Income and Expenditure Statement

2018/19 Restated*				2019/20		
Expenditure £'000	Income £'000	Net £'000		Expenditure £'000	Income £'000	Net £'000
110,385	(45,071)	65,314	Adult Social Care and Health	117,976	(50,602)	67,374
11,473	(11,590)	(117)	Public Health	11,455	(11,611)	(156)
229,016	(169,509)	59,507	Children and Families	251,486	(171,082)	80,404
11,942	(1,664)	10,278	Policy, Insight & Communications	3,442	(1,811)	1,631
3,357	(776)	2,581	Strategy & Futures	5,945	(4,652)	1,293
2,877	(940)	1,937	Housing and Regeneration	3,919	(833)	3,086
27,804	(55,025)	(27,221)	Housing Revenue Account	35,757	(54,933)	(19,176)
11,443	(9,580)	1,863	Growth, Economy and Culture	9,311	(11,953)	(2,642)
79,221	(32,720)	46,501	Environment & Property	77,760	(28,278)	49,482
92,980	(92,595)	385	Finance & Resources	83,267	(81,599)	1,668
9,609	(3,620)	5,989	Resources delegated to LGSS	11,460	(3,028)	8,432
2,446	(287)	2,159	Law & Governance	3,564	(1,128)	2,436
2,405	(234)	2,171	Corporate Items	2,755	(6,276)	(3,521)
594,958	**(423,611)**	**171,347**	**Cost of Services**	**618,097**	**(427,786)**	**190,311**
		41,779	Other Operating Expenditure			39,280
		(14,633)	Financing and Investment Income and Expenditure			(32,804)
		(250,713)	Taxation and Non Specific Grant Income			(212,739)
		(52,220)	**Surplus or Deficit on Provision of Services**			**(15,952)**
		(17,562)	Surplus or deficit on revaluation of Property, Plant and Equipment			(19,864)
		6,827	Impairment losses on non-current assets charged to the Revaluation Reserve			9,503
		0	Surplus or deficit on revaluation of available for sale financial assets and financial instruments at fair value through other comprehensive income and expenditure			0
		(26,315)	Remeasurement of the net defined benefit liability / asset			(113,064)
		(37,050)	**Other Comprehensive Income and Expenditure**			**(123,425)**
		(89,270)	**Total Comprehensive Income and Expenditure**			**(139,377)**

*The 2018/19 published accounts have been restated to reflect the change in the Councils structure for 2019/20. The impact is on the Cost of Service only.

The MKC Asset - The Residual Waste Treatment Plant - Plant & Machinery valuation prior period adjustment impact has been reflected in the 2018/19 restated position, see Note 1

Balance Sheet

Restated* 2018/19 £'000	Note		2019/20 £'000
1,485,121		Property, Plant and Equipment	1,526,071
848		Heritage Assets	844
135,256		Investment Property	209,458
593		Intangible Assets	301
16,587		Long Term Investments	20,431
3,929	G3	Long Term Debtors	1,969
1,642,334		**Long Term Assets**	**1,759,074**
144,613		Short-term Investments	181,597
23,340		Assets Held for Sale	9,341
98		Inventories	63
63,450	G3	Short Term Debtors	53,454
99,832		Cash and Cash Equivalents	61,284
331,333		**Current Assets**	**305,739**
(22,544)		Short-Term Borrowing	(13,970)
(98,312)	G4	Short-Term Creditors	(106,873)
(3,343)		Provisions	(9,042)
(33,282)		Grants Receipts in Advance - Revenue	(49,505)
(6,707)		Grants Receipts in Advance - Capital	(8,458)
(164,188)		**Current Liabilities**	**(187,848)**
(31,591)	G5	Provisions	(39,587)
(460,399)		Long Term Borrowing	(453,372)
(399,449)		Other Long-Term Liabilities	(324,202)
(27,250)		Grants Receipts in Advance - Revenue	(29,221)
(2,284)		Grants Receipts in Advance - Capital	(2,700)
(920,973)		**Long Term Liabilities**	**(849,082)**
888,506		**Net Assets**	**1,027,883**
(338,589)	G6	Usable Reserves	(324,386)
(549,917)	G6	Unusable Reserves	(703,497)
(888,506)		**Total Reserves**	**(1,027,883)**

*The 31st March 2018 balance sheet position for MKDP differed to that reported in MKC group accounts by £0.275m due to the timing of the audit of MKDP being later than MKC. In 2018/19 this was amended incorrectly, therefore the 2018/19 balance sheet has been amended by £0.275m to reflect the correct position of MKDP in 2018/19. The opening 1st April 18 balance has been amended in the movements in reserves table above which impacts on the opening position for 2019/20.

The 31 March 2018 position has also been restated to reflect the specialist valuation for the MKC Asset Residual Waste Treatment Plant - Plant & Machinery, due to the significance in value of this revised valuation on the Accounts, a prior period adjustment had been performed dating back to 2017/18 from the start of the life of the asset. See Note 1

Cash Flow Statement

Group 2018/19 Restates* £'000			Group 2019/20 £'000
(52,220)		Net (surplus) or deficit on the provision of services	(15,952)
(106,450)	G7.1	Adjustment to surplus or deficit on the provision of services for noncash movements	(133,783)
86,302	G7.1	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	39,621
(72,368)		**Net cash flows from operating activities**	**(110,114)**
49,194	G7.2	Net cash flows from investing activities	142,311
(5,096)	G7.3	Net cash flows from financing activities	6,351
(28,270)		**Net (increase) or decrease in cash and cash equivalents**	**38,548**
71,562		Cash and cash equivalents at the beginning of the reporting period	99,832
99,832		**Cash and cash equivalents at the end of the reporting period**	**61,284**

* The MKC Asset - The Residual Waste Treatment Plant - Plant & Machinery valuation prior period adjustment impact has been reflected in the 2018/19 restated position, see Note 1

G1 – Accounting Policies

In preparing the Group Accounts, the council has:

- Aligned the accounting policies of the subsidiaries with those of the council and made consolidation adjustments where necessary;
- Consolidated the financial statements of the subsidiaries with those of the council on a line by line basis;
- Eliminated in full balances, transactions, income and expenses between the council and the partnerships.

G2 – Summary of Subsidiaries Transactions included in the Group Balance Sheet

The Group Balance Sheet contains transactions for both Milton Keynes Council and Milton Keynes Development Partnership. Each organisation is shown prior to the elimination of intra-group transactions (the transactions that took place between the subsidiaries and the council):

Restated* 2018/19 £'000		Milton Keynes Council 2019/20 £'000	Milton Keynes Development Partnership 2019/20 £'000	Intra-Company Transactions 2019/20 £'000	Group Total 2019/20 £'000
1,642,334	Long Term Assets	1,650,045	111,709	(2,680)	1,759,074
144,613	Short Term Investments	211,918	0	(30,321)	181,597
23,340	Assets held for sale	9,341	0	0	9,341
98	Inventories	63	0	0	63
63,450	Short Term Debtors	53,068	1,423	(1,037)	53,454
99,832	Cash and Cash Equivalents	42,330	18,954	0	61,284
(22,544)	Short Term Borrowing	(13,970)	0	0	(13,970)
(98,312)	Short Term Creditors	(106,571)	(31,673)	31,371	(106,873)
(3,343)	Short Term Provisions	(9,042)	0	0	(9,042)
(39,989)	Short Term Grants & Contributions Receipts in Advance	(57,963)	0	0	(57,963)
(31,591)	Long Term Provisions	(39,587)	0	0	(39,587)
(460,399)	Long Term Borrowing	(453,372)	0	0	(453,372)
(399,449)	Other Long-Term Liabilities	(327,598)	(650)	4,046	(324,202)
(29,534)	Long Term Grants & Contributions Receipts in Advance	(31,921)	0	0	(31,921)
888,506	**Net Assets**	**926,741**	**99,763**	**1,379**	**1,027,883**

*The 31st March 2018 balance sheet position for MKDP differed to that reported in MKC group accounts by £0.275m due to the timing of the audit of MKDP being later than MKC. In 2018/19 this was amended incorrectly, therefore the 2018/19 balance sheet has been amended by £0.275m to reflect the correct position of MKDP in 2018/19. The opening 1st April 18 balance has been amended in the movements in reserves table above which impacts on the opening position for 2019/20.

The 31 March 2018 position has also been restated to reflect the specialist valuation for the MKC Asset Residual Waste Treatment Plant - Plant & Machinery, due to the significance in value of this revised valuation on the Accounts, a prior period adjustment had been performed dating back to 2017/18 from the start of the life of the asset. See Note 1

G3 – Debtors

Group Total 2018/19 £'000		Milton Keynes Council 2019/20 £'000	Milton Keynes Development Partnership 2019/20 £'000	Intra-Company Transactions 2019/20 £'000	Group Total 2019/20 £'000
19,868	Trade Receivables	13,500	369	0	**13,869**
43,582	Other Receivable Amounts	39,568	1,054	(1,037)	**39,585**
63,450	**Total Short Term Debtors**	**53,068**	**1,423**	**(1,037)**	**53,454**

G4 – Creditors

Group Total 2018/19 £'000		Milton Keynes Council 2019/20 £'000	Milton Keynes Development Partnership 2019/20 £'000	Intra-Company Transactions 2019/20 £'000	Group Total 2019/20 £'000
(7,836)	Trade payables	(7,561)	(629)	0	**(8,190)**
(90,347)	Other payables	(99,010)	(31,044)	31,371	**(98,683)**
(98,183)	**Total Short Term Creditors**	**(106,571)**	**(31,673)**	**31,371**	**(106,873)**

G5 – Provisions

There are no provisions to disclose within the Milton Keynes Development Partnership.

G6 – Reserves

The reserves held by the Milton Keynes Council and Milton Keynes Development Partnership at 31 March 2020 are detailed below:

Group Total Restated* 2018/19 £'000		Milton Keynes Council 2019/20 £'000	Milton Keynes Development Partnership 2019/20 £'000	Group Total 2019/20 £'000
(313,250)	Milton Keynes Council's Usable Reserves	(292,843)	0	(292,843)
(25,339)	LLP Retained Earnings	0	(31,543)	(31,543)
(338,589)	**Total Usable Reserves**	**(292,843)**	**(31,543)**	**(324,386)**
(529,661)	Milton Keynes Council's Unusable Reserves	(633,898)	0	(633,898)
(20,256)	LLP Non-Distributed Reserves	0	(69,599)	(69,599)
(549,917)	**Total Unusable Reserves**	**(633,898)**	**(69,599)**	**(703,497)**
(888,506)	**Total Reserves**	**(926,741)**	**(101,142)**	**(1,027,883)**

*The 31st March 2018 balance sheet position for MKDP differed to that reported in MKC group accounts by £0.275m due to the timing of the audit of MKDP being later than MKC. In 2018/19 this was amended incorrectly, therefore the 2018/19 balance sheet has been amended by £0.275m to reflect the correct position of MKDP in 2018/19. The opening 1st April 18 balance has been amended in the movements in reserves table above which impacts on the opening position for 2019/20.

The 31 March 2018 position has also been restated to reflect the specialist valuation for the MKC Asset Residual Waste Treatment Plant - Plant & Machinery, due to the significance in value of this revised valuation on the Accounts, a prior period adjustment had been performed dating back to 2017/18 from the start of the life of the asset. See Note 1

G7.1 – Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

2018/19 Milton Keynes £'000	2018/19 Group £'000		2019/20 Milton Keynes £'000	2019/20 Group £'000
(2,540)	(2,540)	Interest received	(4,036)	(4,036)
21,232	21,232	Interest paid	19,261	25,545
18,692	**18,692**	**Total**	**15,225**	**21,509**

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2018/19 Restated* Milton Keynes £'000	2018/19 Restated* Group £'000		2019/20 Milton Keynes £'000	2019/20 Group £'000
(35,592)	(35,592)	Depreciation	(32,310)	20,365
(472)	(472)	Amortisation	(440)	(440)
1,376	1,376	(Increase)/decrease in impairment for bad debts	612	612
(16,897)	(18,375)	(Increase)/decrease in creditors	(26,380)	(22,547)
(702)	2,596	Increase/(decrease) in debtors	(49,092)	(51,478)
21	21	Increase/(decrease) in inventories	(35)	(35)
(32,720)	(32,875)	Movement in pension liability	(37,641)	(37,963)
(38,322)	(43,574)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(35,960)	(40,864)
7,059	20,445	Other non-cash movements charged to the surplus or deficit on provision of services	(1,433)	(1,433)
(116,249)	**(106,450)**	**Total**	**(182,679)**	**(133,783)**

* The MKC Asset - The Residual Waste Treatment Plant - Plant & Machinery valuation prior period adjustment impact has been reflected in the 2018/19 restated position, see Note 1

The surplus or deficit on the provision of services has been adjusted for the following items which are investing and financing activities:

2018/19 Milton Keynes £'000	2018/19 Group £'000		2019/20 Milton Keynes £'000	2019/20 Group £'000
5,518	18,257	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,437	14,343
67,809	67,809	Any other items for which the cash effects are investing or financing cash flows	25,278	25,278
73,327	**86,066**	**Total**	**32,715**	**39,621**

G7.2 – Cash Flow from Investing Activities

2018/19			2019/20	
Milton Keynes	Group		Milton Keynes	Group
£'000	£'000		£'000	£'000
76,023	77,089	Purchase of property, plant and equipment, investment property and intangible assets	98,099	109,585
170,063	170,063	Purchase of short-term and long-term investments	873,641	842,138
0	0	Other payments from investing activities	0	0
(5,519)	(18,258)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(8,353)	(15,259)
(122,500)	(112,011)	Proceeds from short-term and long-term investments	(770,050)	(770,050)
(67,689)	(67,689)	Other receipts from investing activities	(24,103)	(24,103)
50,378	**49,194**	**Net cash flows from investing activities**	**169,234**	**142,311**

G7.3 – Cash Flow from Financing Activities

2018/19			2019/20	
Milton Keynes	Group		Milton Keynes	Group
£'000	£'000		£'000	£'000
(13,624)	(13,624)	Other receipts from financing activities	(14,507)	(14,507)
9,166	9,166	Repayments of short-term and long-term borrowing	14,268	14,268
(638)	(638)	Other payments for financing activities	(658)	6,590
(5,096)	**(5,096)**	**Net cash flows from financing activities**	**(897)**	**6,351**

Glossary

AAA Fitch Rating

Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA Fitch Rating

Very high credit quality - 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A Fitch Rating

High credit quality - 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

Accounting Period

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accruals

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

· Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or

· The actuarial assumptions have changed.

Asset

An item having value to the authority in monetary terms. Assets are categorised as either current or non-current

· A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);

· A non-current asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

Audit Of Accounts

An independent examination of the Authority's financial affairs.

Balance Sheet

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

Borrowing

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

Budget

The forecast of net revenue and capital expenditure over the accounting period.

Capital Expenditure

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital Financing

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

Capital Programme

The capital schemes the Authority intends to carry out over a specific period of time.

Capital Receipt

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

Claw-Back

Where average council house rents are set higher than the government's prescribed average limit rent, used in the calculation of rent rebates, the percentage difference reduces the amount of rent rebate subsidy due to the authority, i.e. it is "clawed-back" by the government.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Collection Fund

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

Community Assets

Assets that the Authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

Comprehensive Income and Expenditure Statement

The account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's accounts.

Contingent Liability

A contingent liability is either:

· A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control;

· A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Creditor

Amount owed by the Authority for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

Current Service Cost (Pensions)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

Debtor

Amount owed to the Authority for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

Defined Benefit Pension Scheme

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

Depreciation

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

Discretionary Benefits (Pensions)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

Equity

The Authority's value of total assets less total liabilities.

Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

Expected Return On Pension Assets

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm’s length transaction.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Going Concern

The concept that the Statement of Accounts is prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

Government Grants

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

Housing Benefits

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by central government.

Housing Revenue Account (HRA)

A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Authority.

Impairment

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

INFRASTRUCTURE ASSETS

Fixed assets belonging to the Authority that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

Intangible Assets

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority’s intangible assets comprise computer software licences.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investments (Pension Fund)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

Liability

A liability is where the Authority owes payment to an individual or another organisation.

· A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.

· A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

Liquid Resources

Current asset investments that are readily disposable by the Authority without disrupting its business and are either:

· Readily convertible to known amounts of cash at or close to the carrying amount; or

· Traded in an active market.

Long-Term Contract

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

Materiality

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

Minimum Revenue Provision (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

Net Book Value

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

Net Debt

The Authority's borrowings less cash and liquid resources.

Non-Distributed Costs

These are overheads for which no user now benefits and as such are not apportioned to services.

Non-Domestic Rates (NDR)

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by central government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the Authority on behalf of itself, central government and major preceptors. In Scotland it is collected by the Authority on behalf of central government and then redistributed back to support the cost of services.

Non-Operational Assets

Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

Operating Lease

A lease where the ownership of the fixed asset remains with the lessor.

Operational Assets

Fixed assets held and occupied, used or consumed by the Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Past Service Cost (Pensions)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

Pension Scheme Liabilities

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Precept

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

Prior Year Adjustment

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provision

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

Public Works Loan Board (PWLB)

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

Rateable Value

The annual assumed rental of a hereditament, which is used for NNDR purposes.

Related Parties

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

Related Party Transactions

The Statement Of Recommended Practice requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

Reserves

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

Residual Value

The net realisable value of an asset at the end of its useful life.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Revenue Expenditure

The day-to-day expenses of providing services.

Revenue Expenditure Capitalised Under Statute (REFCUS)

Expenditure which ordinarily would be revenue, but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction.

Revenue Support Grant

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

Stocks

Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

Temporary Borrowing

Money borrowed for a period of less than one year.

Trust Funds

Funds administered by the Authority for such purposes as prizes, charities, specific projects and on behalf of minors.

Useful Economic Life (UEL)

The period over which the Authority will derive benefits from the use of a fixed asset.