Statement of Accounts

2017/18

For the year ending 31 March 2018

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Introduction

This document presents the statutory financial statements for Milton Keynes Council (the council) for the period 1 April 2017 to 31 March 2018 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 2017/18 (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.

The Council's Strategic and Operational Overview

Priorities

Milton Keynes Council operated through 2017/18 in line with the priorities set out in the 2016-2020 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 **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 2016-20 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 is a Unitary Authority with a growing population of c 272,000 and is the landlord for approximately 12,000 properties, whose income and expenditure is operated through a Housing Revenue Account (HRA).

Partnerships

A partnership between Milton Keynes Council and Mears Group LLP to regenerate and manage the housing stock was created. All activity within YourMK is community led and commercially framed. Engagement with tenants on regeneration options commenced on Fullers Slade in July 2017 and on Serpentine Court in October 2017. Further information on YourMK and how it supports the council's priorities can be found on www.yourmk.co.uk

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. In 2017/18, MKDP signed two contracts for the use of the Old Bus Station. The first floor is now being remodelled to have a standard ballroom as well as sound proofed spaces for studios, and MKDP attracted commercial organisations that will be providing community facilities. The ground floor has been extended to enable the delivery of a range of services for homeless people and the wider community. Further information on MKDP and its up and coming projects can be found at www.mkdp.org.uk

LGSS is the shared back office 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.

The overall LGSS performance for 2017/18 is as follows:

	2017/18 Budget £'000	2017/18 Expenditure £'000	2017/18 Variance £'000
LGSS Overall Performance	36,555	36,783	228

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

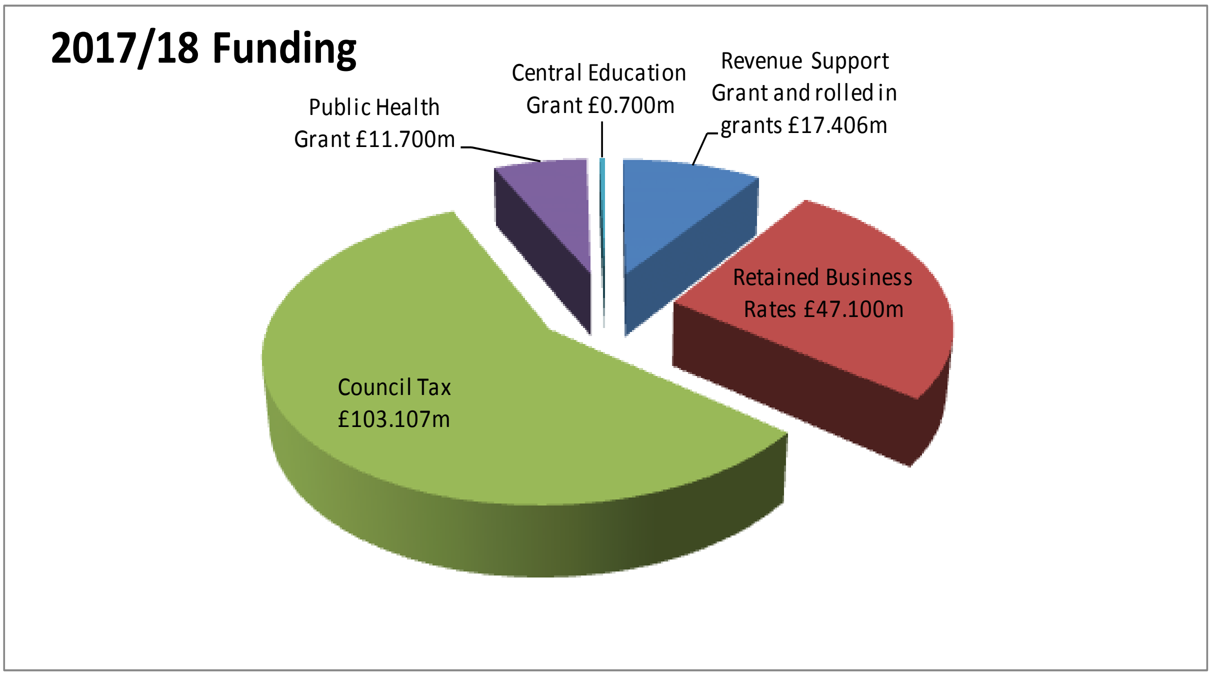
	MKC £'000	NCC £'000	CCC £'000	Total £'000
LGSS Performance	(75)	188	115	228

Workforce

In order to meet the above aims, Milton Keynes Council has a total establishment of 2,276 f.t.e. at 31 March 2018. This workforce reflects the diversity of the residents of the City.

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 2017/18 budget requirement of £180.014m 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.

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 Audit Committee and published alongside the 2017/18 accounts. The significant risks and opportunities are identified on page 13.

The Council's 2017/18 Financial Position

Service Expenditure – General Fund

The council had a net budget of £180.014m at the end of the 31 March 2018. This compares against spend of £180.154m after a net movement on reserves of £3.001m.

The transfers between reserves and the CIES are explained in detail in the Cabinet report for the 5 June 2018 (available on the council's website).

General Fund Revenue – Key Risks and Actions

The council continues to work within a very challenging financial environment, having made budget reductions of £130m between 2011/12 and 2017/18. The council's Medium Term Financial Plan (February 2018) is currently forecasting a requirement for a further £23m savings to be identified in the period to 2021/22 this is after identifying £18m to date. Meanwhile, MK continues to grow and there are increasing demands on council services.

The following are significant ongoing risks the council is facing:

a. Adult Social Care – there are growing pressures in Older People Services, in particular external homecare which was £2.171m overspent (offset by demand reserve) as a result of:

    - An increase in demand for external homecare;
    - Existing care packages increasing due to rising complexity of needs.

There is insufficient capacity in the care home market which has resulted in some complex cases being supported though homecare packages, at a higher cost.

The focus going forward into 2018/19 is placing emphasis on preventative functions which directly impact on those at risk of seeing their needs escalate into formal social care and health service. This includes:

- Increasing the Fall Prevention service;
- Introducing a one year pilot community prevention scheme;
- Investing in additional therapy staff to primarily reduce and prevent dependence on long term care;
- Exploring schemes to improve the flow of service users through the social and health system.

The above initiatives are being introduced over the next three years and will be funded through a combination of the new Adult Social Care (ASC) grant of £0.567m and earmarked reserves held for ASC, taking the total investment package to £1.823m. The benefits of the investment into preventative measures will enable people to remain independent, considering where community equipment and aids for daily living, alongside professional advice, can be utilised to meet need. Introducing a transitional service for domiciliary support which will be used while long term support needs are appropriately assessed will enable a reduction in delayed hospital discharges, improve the flow and capacity within the reablement team and provide appropriate levels of care to service users. This scheme will further reduce the risk of financial penalties being applied to the LA for delayed hospital discharges.

b. Children's Social Care – there are growing cost pressures, which include:

- The number of Looked After Children (LAC) placements, and the associated direct costs of care and in-direct costs such as legal fees;
- Increasingly complex needs of children with disabilities and medical conditions;
- Access to affordable and quality care provision back down.

The overspend against the LAC placements budget was £0.986m (offset by the use of the demand led reserve). The 2017/18 budget was set before the late increase in LAC numbers from the previous financial year, and as a result the budget did not reflect the right level of LAC cohort. Whilst the number of LAC coming into the service has now reduced to 2011 levels (the current number of LAC at March 2018 is 388, a reduction from the position at the beginning of the financial year of 403), there has been an increase in the complexity of need of these young people resulting in increased costs (including in legal fees). The overspend occurred in the fostering and special guardianship budgets, which are lower cost alternatives to external fostering or residential placements and links to the council initiative to increase the number of in-house foster carers. The number of Special Guardianship Orders has also increased (165 at March 2018) – this is in part the impact of the reduction in LAC as children cease to be LAC once this order is granted (i.e. placed with family and friends).

The council is managing these issues with a comprehensive management plan which is seeking to reduce ongoing costs through:

- Increasing the availability of accommodation;
- Sourcing lower cost placements;
- Stepping down children from high cost residential placements into fostering placements or, where appropriate, home to parents;
- Recruiting more in-house foster carers and reviewing the components of the foster carer fees.

Additional funding of £1.500m has been included in the budget for 2018/19, to reflect the increasing costs of the service, which together with the actions being taken, is expected to address the current pressure.

c. Homelessness - Temporary Accommodation (TA) – The Housing and Regeneration service is focused on delivering a Homelessness Recovery Plan involving:

- Reducing numbers entering TA, by preventing homelessness and reducing the amount of TA provided under para 188 of Part VII of the Homelessness Act 1996 to families awaiting a decision on whether the council owes the full duty under para 193.
- Increasing numbers leaving TA and reducing the length of time households stay in TA through improved and speedier decision-making and maximising opportunities to discharge the homelessness duty.
- Reducing the average cost of TA per night, by sourcing new low-cost supplies of TA and making the most effective use of different types of TA.
- The success of delivery of the plan is reflected in a reduction in forecast overspend on TA from £1.360m as at 30 September 2017 to an outturn actual at 31 March 2018 of £0.809m.

This risk will be managed by delivering the Cabinet-approved management action plan and associated investment in the service to strengthen the preventative work, improve stock management and both the quality and speed of decision making.

d. Residual Waste Treatment Facility (RWTF) – the plant moved to service commencement in March 2018, rather than August 2016 as originally expected. This meant that all of the £4.220m reserve set aside for a delayed opening was spent, taking the total cost of delay in 2017/18 to £6.320m, with the balance having been met through the planned use of a £2.100m specific reserve. Whilst the plant is now in service commencement and the council is receiving the benefit of a zero gate fee, the plant still has a final test to pass within 24 months. In the unlikely event that this is not achieved the council has various rights under the agreement including access to a retention bond (up to £10.524m) which could fund any costs that might arise.

   Now that service has commenced and energy is being exported to the grid. Income expectations for MKC's share of additional income over that built into the base case, of £1.3m have been included in the 2018/19 budget, these will require detailed monitoring.

e. Car Parking Income - Parking income was £1.184m below budget, after the planned use of £0.300m from the car parking reserve.

The budget for 2018/19 has been reduced, however the continued reduction in income during the latter part of 2017/18 needs to be monitored. A management action plan is in place for the medium term which includes the re-procurement of both the current parking systems and enforcement services. A key benefit will be improved management data and reporting on customer usage and from this, proposals will be developed to help manage both parking operations, tariffs and optimise land use.

General Fund - Income & Expenditure Forecast Summary at 31 March 2018.

	Impact Before Use of Reserves			Impact After Application of Reserves				
	Current Budget	Outturn	Variation	Use of Demand Reserves	Use of Other Reserves	Contribution to Reserves	Outturn After Use of Reserves	Variation Net of Use of Reserves
	£m	£m	£m	£m	£m	£m	£m	£m
Adult Social Care and Health	58.315	59.055	0.740	(0.259)	(0.740)	0.000	58.056	(0.259)
Children Services	47.101	49.555	2.454	(1.337)	(0.068)	0.000	48.150	1.049
Public Health	11.735	11.735	0.000	0.000	0.000	0.000	11.735	0.000
Total People	**117.151**	**120.345**	**3.194**	**(1.596)**	**(0.808)**	**0.000**	**117.941**	**0.790**
Housing and Regeneration	3.509	5.720	2.211	(1.500)	(0.200)	0.000	4.020	0.511
Growth, Economy and Culture	7.043	6.416	(0.627)	0.000	(0.177)	0.000	6.239	(0.804)
Public Realm	37.801	42.254	4.453	0.000	(4.220)	0.000	38.034	0.233
Total Place	**48.353**	**54.390**	**6.037**	**(1.500)**	**(4.597)**	**0.000**	**48.293**	(0.060)
Resources - Retained MKC	8.517	8.425	(0.092)	0.000	0.000	0.000	8.425	(0.092)
Resources – LGSS	6.649	6.649	0.000	0.000	0.000	0.000	6.649	0.000
Total Resources	**15.166**	**15.074**	**(0.092)**	**0.000**	**0.000**	**0.000**	**15.074**	**(0.092)**
Corporate Core	**0.681**	**0.471**	**(0.210)**	**0.000**	**0.000**	**0.000**	**0.471**	**(0.210)**
Debt financing	16.238	10.267	(5.971)	0.000	0.000	5.500	15.767	(0.471)
Corporate & Sustainability items	3.668	3.571	(0.097)	0.000	0.000	0.000	3.571	(0.097)
Assets rentals	(21.243)	(21.243)	0.000	0.000	0.000	0.000	(21.243)	0.000
Net Operating Expenditure	**180.014**	**182.875**	**2.861**	**(3.096)**	**(5.405)**	**5.500**	**179.874**	**(0.140)**

Significant Overall Revenue Variances – these are explained in detail in the Cabinet report for the 5 June 2018.

Adult Social Care – underspend £0.259m after using £0.999m of unplanned one off resources, the key variations being Older People's external homecare was £2.171m overspent, an underspend in the Learning Disability service of £1.057m, Mental Health underspent by £0.416m.

Children and Families – the final outturn is an overspend of £2.454m, which reduces to £1.049m after using £1.337m of demand led reserves and £0.068m from other reserves. The key variations being overspends in placements of £1.396m, an overspend of £0.460m in children's social care.

Public Health as a ring-fenced account, the overall variance to the budget is nil, however £0.127m of the public health reserve was used in 2017/18.

Housing and Regeneration – overspend of £0.511m after using £1.500m of the homelessness demand led reserve and £0.200m from the Value for Money reserve. The key variations being an overspend on Temporary Accommodation costs, the overspend has been mitigated by staffing and other underspends of £0.659m.

Growth, Economy and Culture – underspend of £0.804m after the use £0.177m of demand led reserves, the key variation being additional Planning income of £0.736m.

Public Realm – overspend of £0.233m after the use of £4.220m from reserves, the main variations being the delayed service commencement of the Residual Waste Plant, lower parking income, increased inflation costs for waste and landscape contracts, additional street lighting energy costs and additional highway adoption income.

Resources MKC – £0.092m underspend. The key variations being a £0.234m underspend within Revenues and Benefits, £0.116m underspend in Democratic Services and £0.040m underspend for Pension charges for Buckinghamshire County Council, an overspend in insurance premiums £0.197m and additional costs in ERP training.

Corporate Core - underspend £0.210m. This is due to salary vacancies £0.088m, higher demand in street naming income £0.043m and delays to cloud migration £0.079m.

Debt Financing - underspend £0.471m due to management of cash balances in year from phasing of the capital programme and delayed service commencement on the Residual Waste Plant. In addition the council revised its MRP policy in 2014, which released savings in the debt financing budget in the short term (in 2017/18 there was £10.500m headroom in this budget.

Corporate – a £0.097m underspend is from the Corporate contingency & sustainability items, due to the increase in the employer pension contribution rate being less than anticipated.

Service Expenditure – Cost Reductions and Income

The 2017/18 budget included budget reductions and new income proposals worth £22.915m, £0.400m of which was agreed to be delayed as part of the budget resolution.

The outturn position shows £17.614m was delivered by 31 March 2018, leaving a shortfall of £5.301m, of which £1.378m was mitigated by alternative budget actions and £3.124m through the use of reserves in year (this includes £2.020m resulting from the delayed service commencement of the Residual Waste Plant previously shown as undelivered as one off funding had been set aside as part of the budget process). The remaining £0.799m was offset through unplanned savings on other services as part of the general fund outturn position.
£3.934m of savings planned for 2017/18 have been delayed until 2018/19 and a total of £0.967m will not be delivered at all and therefore have been included within the 2018/19 budget as additional cost pressures.

The main undeliverable Cost Reductions or Income proposals are a budget reduction of £0.311m for Saxon Court and Civic Offices and the net coring income within Public Realm of £0.178m was not achieved

The main cost reduction and income proposals that have been delayed are the planned service commencement of the Residual Waste Plant £2.020m, six savings targets within Adult Social Care totalling £1.061m, new support planning services and the extra care contract. This was offset by £0.361m use of one-off reserves to mitigate the impact in year. The remainder has been mitigated by service underspends £0.580m.

Service Expenditure – Capital

The 2017/18 outturn on the Capital programme was £220.344m compared to £110.158m in 2016/17. The main expenditure was;

Public Realm £152.415m - including £129.162m for the Residual Waste Treatment Facility, £10.302m on Highways infrastructure and £6.118m in upgrading street lighting.

People Services £17.682m - to build and expand new schools (£9.564m on 2 Secondary Schools and £4.393m on 3 new Primary Schools).

Social Housing £23.394m - including £12.365m on building new council houses and purchasing existing houses.

The councils Property Portfolio £14.439m - including £5.482m for a new building at Brooklands and £5.771m on the Civic Offices.

Community Facilities £5.241m - including £3.201m on the Museum.

The programme was funded by prudential borrowing of £138.080m, Government Grants of £30.580m, Third Party contributions of £14.615m and Revenue contributions of £22.676m.

Assets disposals (transfers) - 4 schools to Academy status £31.708m (Jubilee Wood Primary School £11.074m, South West MK Additional Primary £7.583m, Knowles Primary School £6.980m and Monkston Primary School £6.071m).

Other non-current asset disposals - sale of council dwellings main stock of (£0.445m), council dwellings shared ownership stock of (£0.861m) and other disposals totalling (£1.478m).

Expenditure – Borrowing

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.

Public Works Loan Board (PWLB) - principal repayments on annuity loans (£2.568m) were made and no new loans were undertaken.

At 31 March 2018 outstanding borrowing totalled £492.073m; of this total, £484.426m (including accrued interest of £3.594m) represents funding of capital projects and the remaining £7.647m represents cashflow loans pursuant to the transfer of assets from Homes and Communities Agency. Further details of the composition of this sum can be found in the note 30 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 2018.

At the 31 March 2018, the council held £157.330m invested with various financial institutions (including total accrued interest of £0.411m); of this amount £76.055m has been classified as cash equivalents (including £0.020m of accrued interest of the total previously stated) in accordance with Accounting Policy note 6.

Service Expenditure – Investments

The Treasury Management Strategy Statement (TMSS) for 2017/18, which included the Annual Investment Strategy was and approved by council on 15 February 2017. It set out the investment priorities as being:

1. Security of Capital;
2. Liquidity; and
3. Yield

Interest rates expectations within the 2017/18 strategy anticipated low but rising Bank Rate, with gradual rises in medium and longer term fixed borrowing rates. Short-term borrowing rates were expected to be the cheaper form of borrowing should funds have needed to be raised. Continued market risks promoted a cautious approach to investments, whereby options would continue to be dominated by low counterparty risk appetite, resulting in relatively low returns (when compared to borrowing rates).

Contingencies and Material Write-offs

During 2017/18 fourteen debts over £0.020m were written off. These totalled £0.593m and relates to Business Rates and Care Costs. It was not possible to recover these debts due to the customers being either insolvent, deceased or, in one case, had served an 88 day prison sentence for non-payment of Business Rates. During 2017/18 Milton Keynes Council raised debts totalling £404.433m, of this £1.498m was written off in 2017/18.

The council has 5 Contingent Liabilities which are detailed in note 26 to the accounts.

The 2017/18 Accounts

The council is required to present a complete set of financial statements (including comparative information). The financial statements are set out on pages 44 to 47 and are presented as follows:

Movement in Reserves Statement (MIRS) – representing 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 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.

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).

The headline figures and messages from this statement are:

- The council transferred four schools that converted to Academy in year, causing a large loss on disposal of £31.708m, offset by sales of council dwellings main stock of (£0.445m) and council dwellings shared ownership stock of (£0.861m).
- Land values applied in 2017/18 are £2.1m per ha, compared to £1.729m in 2016/17 an increase of 21%. The Authority subsequently decided to procure a desktop review, by Wilks, Head and Eve (WHE), of all school sites as they total 50% of the operational land and buildings asset values on the Balance Sheet, causing a large increase in the council’s asset values.

- A componentised approach (where assets are divided up into their component parts and depreciated at different rates) to the valuation of council dwellings led to a significant increase in capital charges to the Housing Revenue Account.

    - Depreciation increased from £9.8m to £13.8m an increase of 41%
    - Derecognition of Components £3.6m an increase of 100%
- The year-end valuation created a total £8.2m Impairments, these impairments resulted from:

    - Capital expenditure of £4.2m building 22 new council dwelling, initial valuation resulted in £2.6m Impairment.

  - Capital expenditure of £7.5m purchasing of 37 dwelling properties, the change in valuation basis has resulted in impairment of £5.6m.

There has not been any material or unusual transactions in the 2017/18 year.

Balance Sheet – setting 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 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. The financing of the project is through prudential borrowing, with debt repayments based on the average loan pool rate of 4.4% funded from both the waste cashflow reserve and forecasted savings in waste disposal revenue budgets.
- The pension liability calculated by the actuary has decreased by £84.0m in 2017/18. 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.
- The Milton Keynes Development Partnership (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 through prudential borrowing and this has been reflected in the council's balance sheet as additional Long Term Borrowing. This debt was passed on to MKDP along with the assets. The council therefore holds a Long Term Debtor on its Balance Sheet to reflect the amount owed by the MKDP. As the assets are developed and/or sold by the MKDP or as the economic benefit is used (in the case of operational assets), the debt will be settled with the council and the long term debtor will be reduced. This debt is due to be repaid by the end of 2018/19.

Cash Flow 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. The EFA can be found in Note 1 to the Accounts.

Supplementary Financial Statements:

- The Housing Revenue Accounts shows the in year cost of providing housing services in accordance with generally accepted accounting practices.
- The transactions of the billing authority are shown on the Collection Fund Statement in accordance with the code of accounting practice.

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. Further details of the council Group Accounts arrangements are detailed in note 33 to the financial statement.

Risks and opportunities

The aim of Risk Management, as identified in the councils Risk Strategy 2015-18, 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.

Milton Keynes Council has the following Corporate Risks which are aligned with the Corporate Plan priorities:

- **Medium Term Financial Challenge** – Reductions in Central Government funding combined with an increased demand on services outstripping the available resources. This is mitigated by robust budget planning and monitoring underpinned by strong accountability.

- **Organisational Capacity at a time of increasing demand and declining resources –** Lack of clarity on the long term vision and role of the council. This is

mitigated through an integrated approach to corporate and services planning and maintenance of a robust level of reserves.
- **Planning for cohesive growth** – Piecemeal growth and poor returns on investment (time or cash). There is a coherent vision/strategy in place; this is the Plan MK process.
- **Protecting and Caring for vulnerable people** – Failure to safeguard Adult/Children's Social Care, and manage exponential demand. This is mitigated by development of new & innovative models of service delivery, a sustained culture of openness & transparency, effective performance reporting and management information and high quality commissioned, third sector/community services.

All risks are monitored and the Audit Committee receive updates on risks and their management actions on a quarterly basis.

The 2018/19 Budget and Medium Term Outlook

The 2018/19 Budget for the council has been formulated to ensure that the resources available support priorities set out in the council Plan. The key themes are:

- A City of Opportunity
- An Affordable City
- A Healthy City

The 2018/19 Budget has been set against a background of tough financial conditions, mainly due to continued cuts to Government funding and substantial increases in demand for services. A number of pressures have been identified which will increase costs to the council.

Demographic Pressures

Milton Keynes is a high growth area; over the last six years the population has increased by 16,750 people (6.7%). The borough will continue to grow over the medium-term, and as such the Medium Term Financial Strategy addresses the councils anticipated demographic pressures. The key demographic pressures are summarised below:

1. The population of under 19s will grow by 2% per year or equivalent to 1,000 children. This will cost an additional £3.0m over the next four years.
2. The fact that Milton Keynes was a new town means that while we currently have relatively small numbers of over 65s, this number will increase by 14%, over the next four years, 2017-2021, and is expected to cost us £2.044m in additional care costs.
3. Between 2015 – 2030 the number of people (65+) with Dementia will increase by 19%, a potential increase of £0.702m.
4. The success of Milton Keynes means more people are moving to the area. The value of houses is increasing, as is the cost of private rental sector homes, which contributes to more people having a statutory requirement for rehousing. We are also seeing a reduction in the numbers of people moving from our own housing, so reducing the numbers of properties available for rehousing. The cost of this in 2018/19 will have risen by £3.097m.

Legislative Pressures

We expect the following legislative changes to increase the costs to the council:

1. The National Living Wage from April 2016 is expected to continue upward pressure and the introduction of the Ethical Charter recognising the National Living wage is still a minimal rate.
2. Employment of a medical examiner to countersign any death not certified by the coroner. Expected to cost an additional £0.2m a year from April 2018.
3. Homelessness Reduction Act which comes into effect from April 2018 placing additional duties on the council. Milton Keynes Council has already provided £0.8m in funding for new staff to manage current and new demand.

Inflation

Although inflation has remained relatively low, it started to increase in 2017 (CPI was 3% in December 2017) and it is expected to remain above the government target of 2% through to 2019. The council has a large number of revenue contracts that are subject to inflation based on specific indices. The risk is that costs will increase by more than the forecast level.

Social Care

Over the next three years the council is already projecting to spend more on Adult Social Care (ASC) than the precept (additional precept on Council Tax for Adult Social Care) provides, due to substantial demand increases for services. The council is already committed to investing in preventative services, and resources such as the changes to the reablement service and aids and adaptions. As a result the ASC precept will not be used to fund additional preventative services, but to enable the existing services to be safeguarded as far as possible for the future.

Reserves

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

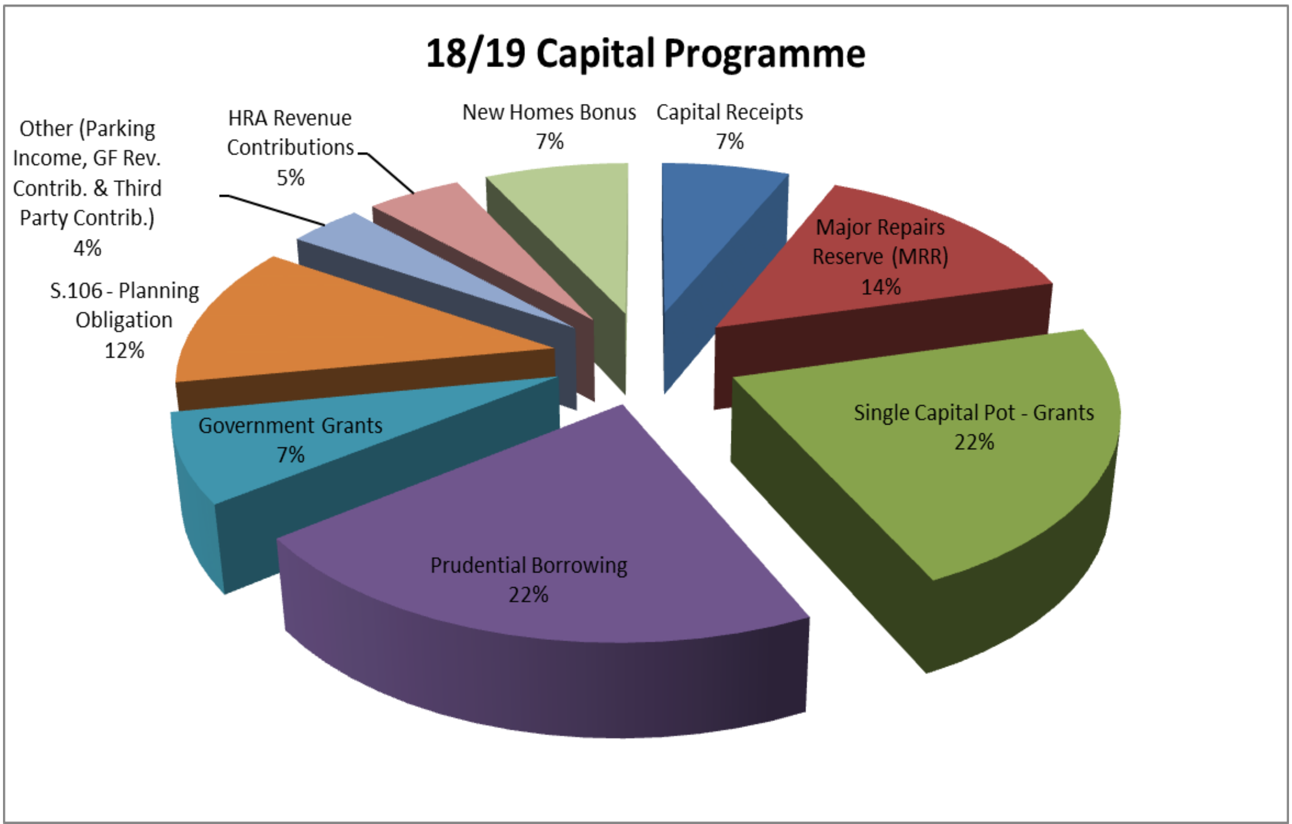
- To manage known financial risks
- To hold funding as one-off contributions to expenditure, which has allowed the council to make ongoing revenue budget reductions
- To manage timing differences between the receipt of funding and actual spend.
- To hold ring-fenced balances for example, specific grants,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

Details of the councils reserves can be found in note 9 to the Financial Statement.

Capital

The Capital Programe in the Medium Term is projected to spend £129.989m.

The table below shows how the medium term capital programme will be funded:



Annual Investment Strategy

Both 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 council aims to maintain the diversity of its investments as a means of limiting exposure to credit risk. This will represent a continuation of the strategy that has been 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. Milton Keynes Council is a going concern and this is the basis the 2017/18 accounts have been prepared under.

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**:**

1. 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.

2. MK:IT

   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.

3. Learning 2050

   To ensure that the city provides, and is known for providing, world-class education for all its young people; and the Milton Keynes Promise.

4. 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.

5. Renaissance CMK

   To recreate or create an even stronger city centre fit for the 21st century.

6. Cultured and Creative city

   To harness the energy and motivation of the city's most important asset – its people.

FURTHER INFORMATION

For information please contact: CorporateFinance@milton-keynes.gov.uk

You have the right to inspect our accounts each year before the external audit is completed. We advertise the dates during which you can inspect the accounts on Milton ` the demise of the Audit Commission.

Audit Opinion

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 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement; and the related Notes 1 to 36;
- Housing Revenue Account Income and Expenditure Statement (Note 1), the Movement on the Housing Revenue Account Statement (Note 2) and related notes 3 to 14;
- Collection Fund (Note 15) and the related notes 16 to 20.
- Group Accounts, comprising the Group Movement in Reserves Statement, Group Income and Expenditure Statement, Group Balance Sheet, Group Cash Flow Statement and notes 1 to 7 for group statements

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 2017/18.

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 2018 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 2017/18.

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 Authority and 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.

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 Corporate Director, Resources use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporate Director, 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 2017/18, other than the financial statements and our auditor's report thereon. The Corporate Director, 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
In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, 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 2018.

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 Authority;
- 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 Corporate Director, Resources
As explained more fully in the Statement of the Chief Finance Officer's Responsibilities set out on page 21, the Corporate Director, Resources is responsible for the preparation of the Statement of Accounts, which includes the Authority 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 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Corporate Director, 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 in November 2017, 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 2018.

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.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

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 Milton Keynes Council and Milton Keynes Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Maria Grindley (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
31st July 2018

The maintenance and integrity of Milton Keynes Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. .

THE COUNCIL'S RESPONSIBILITIES

The council is required:

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

Chair of the Audit Committee
Date: 30th July 2018

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 2018.

Paul Simpson
Corporate Director – Resources
Date: 30th July 2018

Accounting Policies

1. GENERAL PRINCIPLES

The Statement of Accounts summarises the council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18, 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.

2. ACCRUALS OF INCOME AND EXPENDITURE

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

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

3. 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.

4. 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.

5. 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.

6. CASH AND CASH EQUIVALENTS

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

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

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.

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

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

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

The charge made to the Housing Revenue Account is calculated in accordance with the Item 8 Credit and Item 8 Debit (General) Determination from April 2012 (Item 8 Determination). Depreciation is charged in line with the five-year period transitional arrangements specified in the CIPFA Code of Practice on Local Authority Accounting 2017/18.

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

The council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement calculated in accordance with accounting policy 12 (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.

8. 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 2018 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:

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

Post-Employment Benefits

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

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

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

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 5 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 35 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, etc., and projected earnings for current employees).

Liabilities are discounted to their value at current prices using a discount rate of 2.55% (0.1% real). The discount rate for pension's liabilities is calculated using the AA Corporate Bond Rate.

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

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

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

- Current Service Cost – the increase in liabilities as 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 as part of Non Distributed Costs;

- Any gain or loss on settlement – arising when an authority enters into a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan.
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Re-measurements comprising:

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

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

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 35 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.

9. 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 8 to the Financial Statements.

10. 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 2017/18).

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

11. FINANCIAL INSTRUMENTS

Financial Liabilities:

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

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

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

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

Soft Loan:

A soft loan is a loan which carries a favourable rate of interest compared to market rates. The council has historic soft loans received from the Homes and Community Agency (which carry a nil interest rate) pursuant to the council taking on management of the Milton Keynes Tariff. 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 debt redemption. 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 2017/18, 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.

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

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. Although the council expects its investment to be returned in full with surpluses accruing from capital growth, the risk of the investment not being returned in full will be provided for through setting aside a Minimum Revenue Provision over the expected life of the underlying property assets. The values of the fund and the underlying assets will be kept under review.

Debt Restructuring:

The council undertook no debt restructuring during 2017/18.

Financial Assets:

Financial Assets are classified as:

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

Loans and Receivables:

Loans and receivables are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all of the loans the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and any accrued interest and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. Where interest relates to 2017/18 which has not been paid by the 31 March 2018 this amount has been accrued and can be seen as part of the borrowing repayment on demand or within excess of 12 months.

Available for sale asset:

Available for sale assets are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.
The council holds investments where there are no fixed or determinable payments and therefore income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the authority. The investment relates to financial instruments with a quoted market price and therefore held in the Balance Sheet at fair value.

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

Impairment of Financial Assets:

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

12. 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.

13. HOUSING REVENUE ACCOUNT SELF-FINANCING

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

14. 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 2018. 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	250,000	2,100,000	
Material Damage	100,000	355,000	
Business Interruption	100,000	355,000	Linked to Material Damage
Property Owners (Commercial)	250	Unlimited	
Property Owners (Leasehold)	0	0	Excess on claims payable by leaseholders not MKC
Contract Works	200,000	Unlimited	
Terrorism	500,000	Unlimited	
Motor	1,000	Unlimited	Note any one event with more than one vehicle involved subject to a limit of £4,000
Crime	100,000	Unlimited	
Computer	250	Unlimited	
Engineering	250	Unlimited	
Contents Accidental Damage (General Properties)	100% Self insured	Unlimited	Uninsured

15. INTEREST IN COMPANIES

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

The council is invited to appoint 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 interests in companies are detailed in note 32 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 are deemed immaterial and should not be treated as group accounts in compliance with the definition in the Code of Practice. The group accounts can be found on page 114. Further details on this can be found in note 33.

16. INVESTMENT PROPERTY

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

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

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

Investment properties are measured at cost initially. The cost of an investment property includes its purchase price, transaction costs and directly attributable expenditure. After initial recognition, investment properties are measured at fair value. The fair value of an investment property reflects market conditions at the Balance Sheet date. Investment properties are not depreciated but are revalued annually according to market conditions at the end of each year. See accounting policy note 3 on Fair Value Measurement for a more detailed explanation of the valuation techniques adopted.

17. 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.

18. NON DOMESTIC RATES

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

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

The Department for Communities and Local Government guidance 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 appeals.

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

19. 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.

20. 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 £10,000:

- 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 losses attributable to consumption of economic benefit or a fall in prices that are specific to an asset.

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

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

Depreciation:

Depreciation is provided for on all assets with a determinable finite life (except for investment properties, 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 has 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

21. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent Liabilities

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

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

Contingent Assets

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

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

The Carbon Reduction Commitment Scheme

The authority is not required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme since the last recast of the scheme; on the basis of its reduction of carbon emissions since the start of phase one. This scheme is currently in phase two, which ends on 31 March 2019. The authority is therefore no longer required to purchase and surrender allowances under the current phase (two).

22. 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 27 to the Financial Statements.

23. 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.

24. 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.

25. 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.

26. 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 center 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 2017/18 the fund received £15.2 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.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

2017/18 Current Year	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	**Total Usable Reserves £'000**	Unusable Reserves £'000	**Total Authority Reserves £'000**
Balance at 31 March 2017	**(103,493)**	**(52,433)**	**(19,399)**	**(33,873)**	**(16,605)**	**(225,803)**	**(442,849)**	**(668,652)**
Total Comprehensive Expenditure and Income	(11,080)	(25,802)	0	0	0	**(36,882)**	(82,138)	**(119,020)**
Adjustments between Accounting Basis & Funding Basis under Regulations (Note 8)	10,546	20,561	(3,825)	(12,437)	(6,339)	**8,506**	(6,547)	**1,959**
Net (Increase) / Decrease in 2017/18	**(534)**	**(5,241)**	**(3,825)**	**(12,437)**	**(6,339)**	**(28,376)**	**(88,685)**	**(117,061)**
Balance at 31 March 2018*	**(104,027)**	**(57,674)**	**(23,224)**	**(46,310)**	**(22,944)**	**(254,179)**	**(531,534)**	**(785,713)**

2016/17 Comparative year	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	**Total Usable Reserves £'000**	Unusable Reserves £'000	**Total Authority Reserves £'000**
Balance at 31 March 2016	**(100,895)**	**(43,525)**	**(15,679)**	**(46,143)**	**(13,983)**	**(220,225)**	**(428,477)**	**(648,702)**
Total Comprehensive Expenditure and Income	33,192	(58,810)	0	0	0	**(25,618)**	3,710	**(21,908)**
Adjustments between Accounting Basis & Funding Basis under Regulations (Note 8)	(35,790)	49,902	(3,720)	12,270	(2,622)	**20,040**	(18,082)	**1,958**
Net (Increase) / Decrease in 2016/17	**(2,598)**	**(8,908)**	**(3,720)**	**12,270**	**(2,622)**	**(5,578)**	**(14,372)**	**(19,950)**
Balance at 31 March 2017*	**(103,493)**	**(52,433)**	**(19,399)**	**(33,873)**	**(16,605)**	**(225,803)**	**(442,849)**	**(668,652)**

*** Balance at 31 March**	**2016/17 £'000**	**Increase/ Decrease in year £'000**	**Use of reserves £'000**	**2017/18 £'000**
General Fund Balance	(7,000)	(11,376)	0	(18,376)
Schools Balance	(9,570)	0	689	(8,881)
Earmarked Reserves	(86,923)	11,236	(1,083)	(76,770)
Total	**(103,493)**	**(140)**	**(394)**	**(104,027)**

Comprehensive Income and Expenditure Statement

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

31 March 2017				31 March 2018			
Gross Income £'000	Gross Exp £'000	Net Exp £'000	Comprehensive Income and Expenditure	Gross Income £'000	Gross Exp £'000	Net Exp £'000	Note
(17,026)	76,864	59,838	Adult Social Care and Health	(31,906)	93,717	61,811	
(180,007)	241,153	61,146	Children and Families	(170,327)	228,650	58,323	
(12,221)	12,361	140	Public Health	(11,958)	12,218	260	
(209,254)	**330,378**	**121,124**	**Total People**	**(214,191)**	**334,585**	**120,394**	
(11,611)	20,785	9,174	Housing and Community	(8,250)	14,341	6,091	
(56,377)	(7,971)	(64,348)	Housing Revenue Account	(55,415)	22,520	(32,895)	
(12,676)	11,084	(1,592)	Growth, Economy and Culture	(16,568)	24,492	7,924	
(27,289)	56,781	29,492	Public Realm	(24,478)	56,115	31,637	
(107,953)	**80,679**	**(27,274)**	**Total Place**	**(104,711)**	**117,468**	**12,757**	
(3,193)	6,096	2,903	Resources delegated to LGSS	(1,500)	10,410	8,910	
(105,756)	103,954	(1,802)	Resources retained MKC	(102,529)	93,112	(9,417)	
(108,949)	**110,050**	**1,101**	**Total Resources**	**(104,029)**	**103,522**	**(507)**	
(1,803)	4,029	2,226	**Total Corporate Core**	(2,405)	5,168	2,763	
(2,164)	587	(1,577)	Corporate Items	(22)	334	312	
(430,123)	**525,723**	**95,600**	**Cost of Services**	**(425,358)**	**561,077**	**135,719**	
			Other Operating Expenditure				
		6,346	Parish Precepts			7,271	
		458	Levies			461	
		1,009	Payment to the Government Housing Capital Receipt Pool			834	
		65,509	(Gain)/Loss on Disposal of Non-Current Assets			28,925	
		73,322	**Total Other Operating Expenditure**			**37,491**	
			Financing and Investment Income and Expenditure				
		27,385	Interest Payable and Similar Charges			21,622	
		(2,598)	Interest Receivable and Similar Income			(2,169)	
		(647)	(Surplus)/Deficit on Trading Operations			(431)	10
		5,680	Income and Expenditure in relation to Investment Properties and Changes in their Fair Value			(5,767)	20
		11,700	Net Interest on the net defined benefit liability (asset)			11,189	35
		41,520	**Total Financing and Investment Income and Expenditure**			**24,444**	
			Taxation and Non-Specific Grant Income				
		(105,171)	Council Tax Income			(113,661)	18
		(48,587)	Non-Domestic Rate Income			(48,671)	18
		(52,186)	Capital Grants & Contributions			(53,137)	18
		(30,116)	Non-Ringfenced Government Grants			(19,067)	18
		(236,060)	**Total Taxation and Non-Specific Grant Income**			**(234,536)**	
		(25,618)	**(Surplus) or Deficit on Provision of Services**			**(36,882)**	
		(63,369)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment			(36,337)	27b
		231	(Surplus) or deficit on revaluation of available-for-sale financial asset.			(689)	
		66,848	Remeasurements of the net benefit liability (asset)			(45,112)	35
		3,710	**Other Comprehensive Income and Expenditure**			**(82,138)**	
		(21,908)	**Total Comprehensive Income and Expenditure**			**(119,020)**	

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.

31 March 2017	Balance Sheet	Note	31 March 2018
£'000			£'000
1,307,143	Property, Plant & Equipment	19	1,505,051
784	Heritage Assets		853
64,128	Investment Property	20	69,828
1,165	Intangible Assets		1,065
42,478	Long Term Investments	30	28,209
39,411	Long Term Debtors	22	36,811
1,455,109	**Long Term Assets**		**1,641,817**
135,891	Short Term Investments	30	53,066
1,845	Assets Held for Sale		1,840
77	Inventories		77
31,646	Short Term Debtors	22	65,463
87,385	Cash and Cash Equivalents	28	71,414
256,844	**Current Assets**		**191,860**
(9,877)	Short Term Borrowing	24	(17,729)
(80,786)	Short Term Creditors	23	(92,534)
(12,191)	Short Term Provisions	25	(14,340)
(7,593)	Short Term Capital Grants & Contributions Receipts in Advance	18	(6,975)
(4,055)	Short Term Revenue Grants & Contributions Receipts in Advance	18	(6,656)
(114,502)	**Current Liabilities**		**(138,234)**
(8,943)	Long Term Provisions	25	(14,968)
(483,294)	Long Term Borrowing	24	(474,344)
(410,932)	Liability Related to Defined Benefit Pension Scheme	35	(392,509)
(2,373)	Long Term Capital Grants & Contributions Receipts in Advance	18	(2,124)
(23,257)	Long Term Revenue Grants & Contributions Receipts in Advance	18	(25,785)
(928,799)	**Long Term Liabilities**		**(909,730)**
668,652	**Net Assets**		**785,713**
(225,803)	Usable reserves	27	(254,179)
(442,849)	Unusable Reserves	27	(531,534)
(668,652)	**Total Reserves**		**(785,713)**

These financial statements replace the unaudited financial statements authorised for issue by the Director of Finance on 30 June 2018.

Paul Simpson
Corporate Director – 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.

2016/17 £'000	Cash Flow Statement	2017/18 £'000
25,618	**Net surplus or (deficit) on the provision of services**	**36,882**
(5,460)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(37,632)
(473)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(1,379)
19,685	**Net Cash flow from Operating Activities (Note 29)**	**(2,129)**
	Investing Activities	
(99,450)	Purchase of Property, Plant & Equipment, Investing Properties and Intangible Fixed Assets	(214,202)
(139,958)	Purchase of short-term and long-term investments	(37,960)
(1,009)	Other payments for investing activities	(834)
8,566	Proceeds of Property, Plant & Equipment, Investing Properties and Intangible Fixed Assets	11,665
210,488	Proceeds of short-term and long-term investments	135,891
77,468	Other receipts from investing activities	79,103
56,105	**Net cash flows from investing activities**	**(26,338)**
	Financing Activities	
0	Cash receipts of short and long-term borrowing	0
4,709	Other receipts from financing activities	14,236
(2,473)	Repayment of short and long-term borrowing	(2,384)
485	Other payments for financing activities	644
2,721	**Net cash flows from financing activities**	**12,496**
78,511	**Net increase or (decrease) in cash and cash equivalents**	**(15,971)**
8,874	Cash and cash equivalents at the beginning of the reporting period	87,385
87,385	**Cash and cash equivalents at the end of the reporting period (Note 28)**	**71,414**

1. EXPENDITURE AND FUNDING ANALYSIS (EFA)

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.

			2017/18		
	Outturn £'000	Use of Appropriations £'000	Net Exp Chargeable to the GF& HRA Balances £'000	Adjustments between funding and accounting basis (Note 6) £'000	Net expenditure in CIES £'000
Adult Social Care and Health	58,056	1,490	59,546	2,265	61,811
Children and Families	48,150	2,660	50,810	7,513	58,323
Public Health	11,735	177	11,912	(11,652)	260
Total People	**117,941**	**4,327**	**122,268**	**(1,874)**	**120,394**
Housing and Community	4,021	2,556	6,577	(486)	6,091
Housing Revenue Account	(1,023)	5,931	4,908	(37,803)	(32,895)
Growth, Economy and Culture	6,240	(4,051)	2,189	5,735	7,924
Public Realm	38,033	7,464	45,497	(13,860)	31,637
Total Place	**47,271**	**11,900**	**59,171**	**(46,414)**	**12,757**
Resources delegated to LGSS	6,649	929	7,578	1,332	8,910
Resources retained MKC	8,425	528	8,953	(18,370)	(9,417)
Total Resources	**15,074**	**1,457**	**16,531**	**(17,038)**	**(507)**
Total Corporate Core	**471**	**310**	**781**	**1,982**	**2,763**
Debt Financing	15,767	(4,190)	11,577	(11,577)	0
Corporate Items	3,569	(11,085)	(7,516)	7,828	312
Asset Rentals	(21,243)	(4,887)	(26,130)	26,130	0
Net Cost of Services	**178,850**	**(2,168)**	**176,682**	**(40,963)**	**135,719**
Other Income and Expenditure	**(180,013)**	**(2,444)**	**(182,457)**	**9,856**	**(172,601)**
(Surplus) or deficit *	**(1,163)**	**(4,612)**	**(5,775)**	**(31,107)**	**(36,882)**
Opening General Fund and HRA Balance as 31 March 2017			**(155,926)**		
Less (surplus) or deficit on General Fund and HRA Balance in year			(5,775)		
Closing General Fund and HRA Balance at 31 March 2018			**(161,701)**		

*The surplus of (£1.163m) above includes both the General Fund underspend of (£0.140m) and the HRA surplus of (£1.023m)

	Outturn £'000	Use of Appropriations £'000	2016/17 Net Exp Chargeable to the GF& HRA Balances £'000	Adjustments between funding and accounting basis (Note 6) £'000	Net expenditure in CIES £'000
Adult Social Care and Health	60,380	366	60,746	(908)	59,838
Children and Families	48,729	4,628	53,357	7,789	61,146
Public Health	12,051	117	12,168	(12,028)	140
Total People	**121,160**	**5,111**	**126,271**	**(5,147)**	**121,124**
Housing and Community	3,431	1,701	5,132	4,042	9,174
Housing Revenue Account	(757)	(138)	(895)	(63,453)	(64,348)
Growth, Economy and Culture	7,304	(1,922)	5,382	(6,974)	(1,592)
Public Realm	41,384	(2,917)	38,467	(8,975)	29,492
Total Place	**51,362**	**(3,276)**	**48,086**	**(75,360)**	**(27,274)**
Resources delegated to LGSS	1,959	721	2,680	223	2,903
Resources retained MKC	10,753	2,255	13,008	(14,810)	(1,802)
Total Resources	**12,712**	**2,976**	**15,688**	**(14,587)**	**1,101**
Total Corporate Core	**813**	**244**	**1,057**	**1,169**	**2,226**
Debt Financing	15,752	(4,850)	10,902	(10,902)	0
Corporate Items	767	(5,041)	(4,274)	2,697	(1,577)
Asset Rentals	(17,243)	(11,305)	(28,548)	28,548	0
Net Cost of Services	**185,323**	**(16,141)**	**169,182**	**(73,582)**	**95,600**
Other Income and Expenditure	**(186,080)**	**5,392**	**(180,688)**	**59,470**	**(121,218)**
(Surplus) or deficit *	**(757)**	**(10,749)**	**(11,506)**	**(14,112)**	**(25,618)**
Opening General Fund and HRA Balance as 31 March 2016			**(144,420)**		
Less (surplus) or deficit on General Fund and HRA Balance in year			(11,506)		
Closing General Fund and HRA Balance at 31 March 2017			**(155,926)**		

*The surplus of (£0.757m) above includes both the General Fund overspend of £2.981m offset by a drawdown from the budget risk reserve (£2.981m) and the HRA surplus of (£0.757m)

2. NOTE TO THE EFA – ADJUSTMENTS BETWEEN FUNDING AND ACCOUNTING BASIS

The table below illustrates the adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts

2017/18	Adjustment for capital purposes £'000	Net change for the Pension Adjustment £'000	Other Difference £'000	Total Adjustment £'000
Adult Social Care and Health	(391)	2,082	574	2,265
Children and Families	(225)	8,056	(318)	7,513
Public Health	0	73	(11,725)	(11,652)
Total People	**(616)**	**10,211**	**(11,469)**	**(1,874)**
Housing and Community	18,698	169	(19,353)	(486)
Housing Revenue Account	(37,949)	490	(344)	(37,803)
Growth, Economy and Culture	4,414	511	810	5,735
Public Realm	967	922	(15,749)	(13,860)
Total Place	**(13,870)**	**2,092**	**(34,636)**	**(46,414)**
Resources delegated to LGSS	0	1,296	36	1,332
Resources retained MKC	(17,704)	487	(1,153)	(18,370)
Total Resources	**(17,704)**	**1,783**	**(1,117)**	**(17,038)**
Total Corporate Core	**0**	**1,414**	**568**	**1,982**
Debt Financing	(2,280)	0	(9,297)	(11,577)
Corporate Items	0	0	7,828	7,828
Asset Rentals	(40,634)	0	66,764	26,130
Net Cost of Services	**(75,104)**	**15,500**	**18,641**	**(40,963)**
Other Income and Expenditure from the Funding Analysis	**20,302**	**11,189**	**(21,635)**	**9,856**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit	**(54,802)**	**26,689**	**(2,994)**	**(31,107)**

Items included in the difference above are as follows:	**£'000**
Reversal of Accrued Employee benefits	(1,017)
Council's share of Movement in Collection Fund Surplus/(Deficit)	(232)
Financial Instruments	214
Voluntary additional payment of LGR Debt	(1,959)
Total other differences	**(2,994)**

Also included within the other differences column above are adjustments required between services areas from the presentation required by the council for decision making purposes, and the Income and Expenditure accounted for under generally accepted accounting practices presented in the councils Comprehensive Income and Expenditure Statement. This includes:

- Public Health Grant £11.700m moved between the Other Income and Expenditure to Public Health.
- General Fund and Housing Revenue Account Interest Payable and Receivable transferred from the Housing Revenue Account and debt financing to Other Income Expenditure.
- (Surplus)/Deficit on Trading Operations transferred from the Net Cost of Service to Other Income expenditure.

2016/17	Adjustment for capital purposes £'000	Net change for the Pension Adjustment £'000	Other Difference £'000	Total Adjustment £'000
Adult Social Care and Health	0	(1,015)	107	(908)
Children and Families	(947)	7,988	748	7,789
Public Health	0	(42)	(11,986)	(12,028)
Total People	**(947)**	**6,931**	**(11,131)**	**(5,147)**
Housing and Community	4,316	(222)	(52)	4,042
Housing Revenue Account	(54,138)	(63)	(9,252)	(63,453)
Growth, Economy and Culture	(4,983)	(250)	(1,741)	(6,974)
Public Realm	(2,754)	(451)	(5,770)	(8,975)
Total Place	**(57,559)**	**(986)**	**(16,815)**	**(75,360)**
Resources delegated to LGSS	202	(472)	493	223
Resources retained MKC	(6,925)	(223)	(7,662)	(14,810)
Total Resources	**(6,723)**	**(695)**	**(7,169)**	**(14,587)**
Total Corporate Core	**11**	**765**	**393**	**1,169**
Debt Financing	(2,136)	0	(8,766)	(10,902)
Corporate Items	0	0	2,697	2,697
Asset Rentals	29,365	0	(817)	28,548
Net Cost of Services	**(37,989)**	**6,015**	**(41,608)**	**(73,582)**
Other Income and Expenditure from the Funding Analysis	**14,332**	**11,668**	**33,470**	**59,470**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or deficit	**(23,657)**	**17,683**	**(8,138)**	**(14,112)**

3. EXPENDITURE AND INCOME ANALYSED BY NATURE

The council's expenditure and income is subjectively analysed as follows:

2016/17 £'000		2017/18 £'000
	Expenditure	
150,275	School Employee Expenses	144,833
80,039	Non School Employee	86,577
191,042	Other operating expenses	193,527
59,753	Third Party payments	54,246
109,417	Transfer Payments	106,798
(13,376)	Depreciation, amortisation, impairment, revaluations	6,945
27,385	Interest Payments	21,622
6,805	Precepts & levies	7,731
1,009	Payment to Housing Capital Receipts Pool	834
65,499	Gain on the disposal of assets	28,925
677,848	**Total Expenditure**	**652,038**
	Income	
(119,525)	Fees, charges and other service income	(107,508)
(2,598)	Interest and investment income	(2,169)
(381,556)	Government Grants & Contributions	(354,471)
(46,029)	Non Government Grant & Contributions	(62,440)
(105,171)	Council Tax	(113,661)
(48,587)	Non Domestic rate income	(48,671)
(703,466)	**Total Income**	**(688,920)**
(25,618)	**(Surplus) or Deficit on Provision of services**	**(36,882)**

The fees, charges and other service income (i.e. income received from external customers) is analysed further in the table on an operating segment basis:

2016/17 £'000		2017/18 £'000
	Expenditure	
(1,993)	Adult Social Care and Health	(1,879)
(6,100)	Children & Families	(3,760)
(103)	Public Health	(76)
(8,196)	**Total People**	**(5,715)**
(5,160)	Housing and Community	(5,080)
(56,035)	HRA	(54,545)
(9,507)	Growth, Economy & Culture	(8,276)
(26,362)	Public Realm	(24,420)
(97,064)	**Total Place**	**(92,321)**
(2,486)	Resources delegated to LGSS	(1,749)
(8,440)	Resources retained MKC	(6,727)
(10,926)	**Total Resources**	**(8,476)**
(116)	**Total Corporate Core**	**(161)**
(2,164)	Corporate Items	(21)
(1,059)	Other Income & expenditure	(814)
(119,525)	**Total Income received from External Customers**	**(107,508)**

4. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

The following sets out a description of the reserves that the adjustments are made against and provides an analysis of the adjustment against each reserve.

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

The Capital Receipts Reserve balance is broken down as follows:

2016/17 £'000		2017/18 £'000
(13,983)	**Balance at 1 April**	**(16,605)**
(7,150)	Capital Receipts in year from Sale of Assets	(12,520)
(24)	Capital Receipts in year from Repayments of Advances	(589)
(79)	Other Capital Receipts in year	(521)
(21,236)		(30,235)
	Less:	
2,698	Capital Receipts applied to finance capital expenditure	4,917
925	Capital Receipts transferred to Capital Adjustment Account re: HRA Debt	1,477
(1)	Deferred Capital Receipts in year from Sale of Assets	63
1,009	Statutory HRA Pooling (Right to Buy)	834
4,631		7,291
(16,605)	**Balance at 31 March**	**(22,944)**

Capital Grants Unapplied Reserve

The Capital Grant Unapplied Reserve holds the grants and contributions received towards capital projects for which the council has not met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet capital expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place. The balance can be analysed as follows:

2016/17		2017/18		
Total		General Fund	HRA	Total
£'000		£'000	£'000	£'000
(46,143)	**Balance at 1 April**	**(33,873)**	**0**	**(33,873)**
	Capital Grants and Contributions credited to the Comprehensive Income & Expenditure Statement			
(30,607)	Government Grants	(38,649)	0	(38,649)
(21,579)	Third Party Contributions	(14,373)	(115)	(14,488)
	Applied Capital Grants and Contributions			
42,877	Government Grants	26,212	0	26,212
21,579	Third Party Contributions	14,373	115	14,488
(33,873)	**Balance at 31 March**	**(46,310)**	**0**	**(46,310)**

2017/18	Usable Reserves: General Fund Balance £'000	Usable Reserves: Housing Revenue Account £'000	Usable Reserves: Usable Capital Receipts Reserve £'000	Usable Reserves: Major Repairs Reserve £'000	Usable Reserves: Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Reversal of items Impacting the Usable Capital Reserves						
Charges for depreciation, impairment and Revaluation Losses of non-current assets	(10,527)	(1,800)	0	0	0	12,327
Movements in the market value of Investment Properties	5,700	0	0	0	0	(5,700)
Amortisation of intangible fixed assets	(382)	0	0	0	0	382
Capital grants and contributions applied	0	0	0	0	40,700	(40,700)
Revenue Expenditure Funded from Capital Under Statute	0	0	0	0	0	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(42,782)	1,336	0	0	0	41,446
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	9,476	0	(9,476)
HRA Self Financing	0	0	1,477	0	0	(1,477)
Statutory provision for the financing of capital investment	2,095	0	0	0	0	(2,095)
Capital expenditure charged against the General Fund and HRA balance	13,976	8,540	0	0	0	(22,516)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	53,137	0	0	0	(53,137)	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	12,520	0	(12,520)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	4,328	0	0	(4,328)
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	63	0	0	(63)
Other Capital receipts in year	521	0	(521)	0	0	0
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Notional Major Repairs Allowance credited to the HRA	0	13,301	0	(13,301)	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	(43,884)	(1,434)	0	0	0	45,318
Employers pensions contributions and direct payments to pensioners payable in year	18,040	589	0	0	0	(18,629)
Adjustments impacting Other Reserves						
Reversal of Accured Employee benefits	969	50	0	0	0	(1,019)
Council's share of Movement in Collection Fund Surplus/(Deficit)	232	0	0	0	0	(232)
Financial Instruments	(194)	(21)	0	0	0	215
Voluntary additional payment of LGR Debt	1,959	0	0	0	0	0
Total Adjustments	**10,546**	**20,561**	**(6,339)**	**(3,825)**	**(12,437)**	**(6,547)**

2016/17	General Fund Balance £'000	Housing Revenue Account £'000	Usable Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
	Usable Reserves					
Reversal of items Impacting the Usable Capital Reserves						
Charges for depreciation, impairment and Revaluation Losses of non-current assets	(10,882)	30,059	0	0	0	(19,177)
Movements in the market value of Investment Properties	(5,750)	0	0	0	0	5,750
Amortisation of intangible fixed assets	(42)	0	0	0	0	42
Capital grants and contributions applied	0	0	0	0	64,456	(64,456)
Revenue Expenditure Funded from Capital Under Statute	(4,499)	0	0	0	0	4,499
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(76,233)	3,574	0	0	0	72,659
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	8,792	0	(8,792)
HRA Self Financing	0	0	925	0	0	(925)
Statutory provision for the financing of capital investment	1,959	0	0	0	0	(1,959)
Capital expenditure charged against the General Fund and HRA balance	10,989	3,544	0	0	0	(14,533)
to the Comprehensive Income and Expenditure Statement	52,186	0	0	0	(52,186)	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	7,150	0	(7,150)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	2,696	0	0	(2,696)
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	(1,009)	0	1,009	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(1)	0	0	1
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Notional Major Repairs Allowance credited to the HRA	0	12,512	0	(12,512)	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	(35,688)	438	0	0	0	35,250
Employers pensions contributions and direct payments to pensioners payable in year	17,785	(218)	0	0	0	(17,567)
Adjustments impacting Other Reserves						
Reversal of Accured Employee benefits	(31)	17	0	0	0	14
Council's share of Movement in Collection Fund Surplus/(Deficit)	6,400	0	0	0	0	(6,400)
Financial Instruments	(184)	(24)	0	0	0	208
Voluntary additional payment of LGR Debt	1,958	0	0	0	0	0
Total Adjustments	**(35,790)**	**49,902**	**(2,622)**	**(3,720)**	**12,270**	**(18,082)**

5. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET 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:

- IFRS 9 Financial Instruments - The council will adopt IFRS 9 Financial Instruments with effect from 1 April 2018. The main changes include the reclassification of financial assets and the earlier recognition of the impairment of financial assets. The council does not expect the reclassification changes to have a material impact upon the financial statements because the majority of its financial assets will retain the same measurement basis and so any impairment charges will be immaterial for its treasury management assets (e.g. bank deposits and bonds).

  On 1 April 2018, the council irrevocably elects to present changes in the Fair Value through Other Comprehensive Income (FVOCI) of the following equity type investments as permitted by the IFRS:

  - CCLA Property Fund

  Investments purchased after the transition to IFRS 9 may also be elected to FVOCI upon acquisition, subject to review.

- IFRS 15 Revenue from Contracts with Customers presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The council does not have any material revenue streams within the scope of the new standard.
- IAS 7 Statement of Cash Flows (Disclosure Initiative) will potentially require some additional analysis of Cash Flows from Financing Activities (disclosed at note 29) in future years. If the standard had applied in 2017/18 there would be no additional disclosure because the council does not have activities which would require additional disclosure.
- IAS 12 Income Taxes (Recognition of Deferred tax Assets for Unrealised Losses) applies to deferred tax assets related to debt instruments measured at fair value. The council’s subsidiary company MKDP in the Group Accounts have no such debt instruments.
- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases).

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

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

Critical Judgements

The following critical judgements have been made by the council:

- 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 2018 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 19 and Accounting Policy 20 - 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. Details of the schools accounting treatment can be found in Accounting Policy 25.

- 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 2017/18 the fund received £15.2 million to spend across various Adult Social Care 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. Details of the Better Care Fund Accounting treatment can be found in Accounting Policy 26.

Estimation Uncertainty

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Defined Benefit Pension Scheme – Pension Liability.	Pensions disclosures provided within the Statement of Accounts are taken from the annual Actuary report, provided by Barnett Waddingham. Key assumptions made are on RPI, CPI and salary increases.	The value of the liability may increase/decrease if the assumptions change. The present value of the total obligation is £977.785m. An adjustment to the long term salary assumption by +1% would result in the present value of the total obligation increasing by £1.441m. Sensitivity to some of the key assumptions is provided in note 35. The carrying amount of the liability is £392.509m.
Provisions	The most significant provision the council has disclosed is a provision of £26.214m 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 25 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 £15.712m.	The council evaluates each debt or category of debt by considering any significant financial difficulty for the debtor, any breach of contract or default, any concessions granted by the authority based on difficulty for the debtor, the likelihood of the debtor entering bankruptcy. The value of the allowance is calculated based on a review of all debts and a judgement of the probability of collection for each.
Property, Plant and Equipment - Depreciation	Depreciation is charged on a Useful Economic Life basis ranging from 3-85 years depending on the asset. In 2017/18 the charge is shown as £34.124m.	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 2017/18 would decrease to £4.803m, currently shown as £6.004m 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 20, and non-current asset values are provided in note 19 to the Financial Statements.
Contingent Gains & Losses	The council has disclosed 5 material contingent	There is no impact on the 2017/18 Accounts if the contingency varies from

	gains and losses within the 2017/18 Accounts	the amount disclosed in the note. The cost/income is not provided for until the year in which it meets the definition of an asset, liability, income or expense.

7. MATERIAL ITEMS OF INCOME AND EXPENSE

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

8. MATERIAL EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Corporate Director Resources on 30 July 2018. 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 2018, the notes in the Financial Statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no material events after the Balance Sheet date in the 2017/18 Accounts.

9. TRANSFERS TO/ FROM EARMARKED RESERVES

The table and notes which follow set out the amounts set aside from the General Fund and Housing Revenue Account balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts transferred from Earmarked Reserves to meet General Fund and Housing Revenue Account expenditure in 2017/18.

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

	Balance at 31 March 2016	Transfers Out 2016/17	Transfers In 2016/17	Balance at 31 March 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Care Demand Led Reserve	(2,334)	0	(550)	(2,884)	2,884	0	0
Budget Rollovers Reserve	(3,125)	1,165	(379)	(2,339)	2,339	0	0
Capital Reserve - General Fund	(7,828)	10,810	(14,718)	(11,736)	11,737	(6,474)	(6,473)
Corporate Property Reserve	(500)	0	0	(500)	0	(2,112)	(2,612)
General Fund Balance Reserve	(7,000)	0	0	(7,000)	0	(11,376)	(18,376)
HR Manpower Planning Reserve	(1,342)	899	(1,000)	(1,443)	740	(2,020)	(2,723)
Infrastructure Reserve	(6,384)	2,231	(4,650)	(8,803)	3,119	(7,400)	(13,084)
Internal Insurance Fund	(454)	2,724	(2,320)	(50)	617	(4,035)	(3,468)
Local Government Reorganisation Debt Reserve	(4,914)	0	(2,164)	(7,078)	1,060	0	(6,018)
NDR Funding Volatility Reserve	(7,233)	6,432	(135)	(936)	52	(2,495)	(3,379)
New Homes Bonus Reserve	(13,042)	11,471	(13,134)	(14,705)	10,345	(9,505)	(13,865)
One-Off Expenditure Reserve	(12,281)	12,537	(10,071)	(9,815)	15,330	(5,515)	0
Other Earmarked Reserves	(15,842)	11,191	(11,355)	(16,006)	7,958	(5,058)	(13,106)
Tariff & HCA Risk Reserve	(3,191)	0	(580)	(3,771)	0	(580)	(4,351)
Value for Money Reserve (Invest to Save)	(1,794)	53	0	(1,741)	206	(1,899)	(3,434)
Waste Cashflow Reserve	(2,000)	1,761	(4,875)	(5,114)	11,298	(10,441)	(4,257)
Total General Fund Earmarked Reserves	**(89,264)**	**61,274**	**(65,931)**	**(93,921)**	**67,685**	**(68,910)**	**(95,146)**
Capital Reserve - HRA	(30,904)	3,971	(11,985)	(38,918)	38,918	(49,067)	(49,067)
HRA Balance	(5,478)	0	(758)	(6,236)	0	(1,023)	(7,259)
Other Earmarked Reserves	(7,143)	1,036	(1,174)	(7,281)	6,877	(944)	(1,348)
Total HRA Earmarked Reserves	**(43,525)**	**5,007**	**(13,917)**	**(52,435)**	**45,795**	**(51,034)**	**(57,674)**
Total Schools Balances	**(11,631)**	**3,675**	**(1,614)**	**(9,570)**	**689**	**0**	**(8,881)**
Total Earmarked Reserves	**(144,420)**	**69,956**	**(81,462)**	**(155,926)**	**114,169**	**(119,944)**	**(161,701)**

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 delivery of the property strategy.

HR Manpower Planning Reserve - This reserve was created to meet the forecast 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 change 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. This reserve has been fully committed to fund the first five years of debt costs for the assets belonging to Milton Keynes Development Partnership; schemes in the Medium Term Capital Programme.

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.

Value for Money Reserve - This reserve was set up to ensure adequate funding was available for "Invest to Save" schemes which deliver a return on initial investment over a number of 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.

10. 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.

2016/17 (Surplus)/ Deficit £'000		2017/18 Expenditure £'000	2017/18 Turnover £'000	2017/18 (Surplus)/ Deficit £'000
(452)	Commercial Properties	0	0	0
(11)	Small Building Maintenance Work	0	0	0
(61)	Emberton Park	54	(310)	(256)
435	Woughton Leisure Centre	0	0	0
58	Woughton on the Green Sports Ground	0	0	0
2	Windmill Hill Golf Centre	0	0	0
(432)	Sponsorship- Advertising space on roundabouts	0	0	0
90	Connect MK- Broadband to Residents and Businesses	0	0	0
(137)	Community Learning	0	0	0
(11)	Finance Services	0	0	0
(87)	IT Service Desk and Technical Support Services	289	(387)	(98)
0	Building Control	293	(395)	(102)
(41)	HR Advisory and Payroll services	156	(131)	25
(647)	**Net (Surplus)/Deficit on Trading Accounts**	**792**	**(1,223)**	**(431)**

11. AGENCY SERVICES

The council acts as an agent for the Clinical Commissioning Group in respect of the provision of nursing care to residents in care homes and the payment for that care. Expenditure of £1.744m (2016/17 £1.759m) was fully recovered during the year.

The council acts as an agent for the Clinical Commissioning Group in relation to the provision of the Child and Adolescent Mental Health Services. The cost of the service is £0.031m (£0.031m in 2016/17) and will be recovered. Therefore, the net cost to the council is nil.

12. COUNCILLOR'S ALLOWANCES

The Authority paid the following amounts to councillors during 2017/18

2016/17 £'000		2017/18 £'000
569	Basic Allowances	565
214	Other Allowances	209
7	Expenses	5
790	**TOTAL**	**779**

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

13. 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:

2016/17 £'000		2017/18 £'000
190	Fees payable with regard to external audit services carried out by the appointed Auditor	182
16	Fees payable for the certification of grant claims and returns	57
206		**239**

14. ROAD CHARGING SCHEMES UNDER THE TRANSPORT ACT 2000

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

2016/17 £'000		2017/18 £'000
	Expenditure	
1,642	Contractors Management Fee	1,527
153	Pay and Display Installation Costs	94
171	Staffing Cost	184
149	Supplies and Services	163
189	Support Costs	177
8	Surveys and Fees	8
34	Decriminalised Costs	40
2,346	**Total Expenditure**	**2,193**
	Income	
(792)	Excess Charge/Penalty Charge Notices	(807)
(4,016)	Business Permits	(4,853)
(79)	Suspensions	(90)
(287)	Scratch Cards	(3)
(8,376)	Pay and Display Income	(8,100)
(13,550)	**Total Income**	**(13,853)**
(11,204)	**Surplus achieved in year**	**(11,660)**
(350)	Transfer from Special Parking Reserve	(300)
50	Transfer to Capital Programme	0
(11,504)	**Surplus for the year**	**(11,960)**

The surplus of (£11.960m) 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 £4.050m, Highway improvement design and project management £0.542m, street lighting £0.095m, off-street car parks £0.550m, the passenger transport team, publicity, Routel, studies and project development, RTP Transport Information, Coachway and bus infrastructure £0.690m. This surplus has also contributed towards concessionary fares and bus subsidies. In total the council spends £4.106m on concessionary fares and £1.927m on bus subsidies.

15. POOLED BUDGETS

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

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

a. Integrated Community Equipment Service (ICES)

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

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

The table below summarises the financial performance of the scheme:

2016/17 £'000		2017/18 £'000
	Integrated Community Equipment Service (ICES)	
	Gross Funding	
(331)	Milton Keynes Council	(551)
(993)	Milton Keynes Clinical Commissioning Group (CCG) - Millbrook	0
0	Better Care Fund	(1,030)
(1,324)	**Total Funding**	**(1,581)**
1,535	Expenditure	1,343
1,535	**Total Expenditure**	**1,343**
211	**Net (Surplus)/Deficit**	**(238)**
53	MKC share of (surplus)/deficit	(132)
158	CCG share of (surplus)/deficit	(106)
0	**Net (Surplus) / Deficit Carried Forward**	**0**

b. Learning Disability

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

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

2016/17 £'000	Learning Disability	2017/18 £'000
	Gross Funding	
(19,543)	Milton Keynes Council	(19,566)
(1,443)	Milton Keynes Clinical Commissioning Group (CCG)	(1,444)
(20,986)	**Total Funding**	**(21,010)**
	Expenditure	
20,986	Pooled Expenditure	20,881
20,986	**Total Expenditure**	**20,881**
0	**Net (Surplus) / Deficit Carried Forward**	**(129)**

c. Better Care Fund (BCF)

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 acute admissions; develop more robust and sustainable community health and social care services; and promote independent living. The council's share of income and expenditure is included within the Comprehensive Income and Expenditure Statement.

2016/17 £'000	Better Care Fund	2017/18 £'000
	Gross Funding	
(871)	Milton Keynes Council - Capital Funding	(953)
(14,085)	Milton Keynes Clinical Commissioning Group (CCG)	(14,337)
(14,956)	**Total Funding**	**(15,290)**
	Expenditure	
14,683	Expenditure	15,219
14,683	**Total Expenditure**	**15,219**
(273)	**Net (Surplus)/Deficit**	**(71)**
(167)	MKC share of underspend	(30)
(106)	CCG share of underspend	(41)
0	**Net (surplus) / Deficit Carried Forward**	**0**

16. OFFICERS REMUNERATION

The remuneration paid to the council's senior employees during 2017/18 whose salary was between £50,000 and £150,000 was as follows:

Total 2016/17 £		Note	Salary £	Expense Allowances £	Pension Contributions £	Total 2017/18 £
119,935	Corporate Director, Resources	1	97,074	43	19,124	116,241
94,795	Corporate Director, Resources	2	0	0	0	0
0	Corporate Director, Resources	3	43,423	48	0	43,472
125,790	Director of Strategy		107,111	80	21,101	128,292
143,622	Corporate Director, People		126,206	0	24,863	151,068
154,457	Corporate Director, Place		131,593	0	25,924	157,517
89,002	Acting Director, Policy, Insight & Communications		89,069	92	17,389	106,550

Notes
1. Employment ended 17.01.2018
2. Employment ended 08.11.2016
3. Employment started 04.12.2017

The remuneration paid to the council's senior employees during 2017/18 whose salary is more than £150,000 was as follows:

Total 2016/17 £		Note	Salary £	Expense Allowances £	Pension Contributions £	Total 2017/18 £
184,842	Chief Executive - C Mills	1	0	0	0	0

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

2016/17 Number of Employees	£ Band	2017/18 Number of Employees
52	£50,000 - £54,999	62
48	£55,000 - £59,999	42
36	£60,000 - £64,999	35
22	£65,000 - £69,999	26
12	£70,000 - £74,999	17
4	£75,000 - £79,999	5
6	£80,000 - £84,999	9
4	£85,000 - £89,999	1
1	£90,000 - £94,999	3
1	£95,000 - £99,999	3
0	£100,000 - £104,999	2
0	£105,000 - £109,999	0
0	£110,000 - £114,999	1
0	£115,000 - £119,999	1
0	£120,000 - £124,999	1
185		**208**

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:

(a) Exit package cost band (including special payments)	(b) Number of Compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages in each band [(b) + (c)]		(e) Total Cost of exit package in each band	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17 £'000	2017/18 £'000
£0 - £20,000	18	53	12	40	30	93	167	739
£20,001 - £40,000	22	6	40	5	62	11	667	285
£40,001 - £140,000	4	7	19	3	23	10	410	796
Total Exit packages charged to the Comprehensive Income & Expenditure Statement	**44**	**66**	**71**	**48**	**115**	**114**	**1,244**	**1,820**

The total cost of £1.820m 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.

17. DEDICATED SCHOOLS GRANT

The council's expenditure on schools is funded primarily by grant monies provided by the Education Funding and Skills Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2014. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

The Dedicated Schools Grant has been deployed in accordance with regulations. Details of the deployment of DSG receivable for 2017/18 are as follows:

2016/17		**2017/18**		
Total £'000		**Central Expenditure £'000**	**ISB £'000**	**Total £'000**
224,140	Final DSG for 2017/18 before academy recoupment			236,040
75,648	Less: Academy figure recouped for 2017/18			90,095
148,492	Total DSG after academy recoupment for 2017/18			145,945
210	Plus: Brought forward from 2016/17			(57)
37	Less: Carry forward to 2017/18 agreed in advance			135
148,665	**Final Allocation in 2017/18**			**146,023**
148,665	**Agreed initial budgeted distribution in 2017/18**	30,094	115,929	**146,023**
85	In year adjustments	0	(1,187)	(1,187)
148,750	**Final budgeted distribution for 2017/18**	**30,094**	**114,742**	**144,836**
28,582	Less: Actual central expenditure	30,279		30,279
120,262	Less: Actual ISB deployed to schools		113,121	113,121
0	Plus: Local Authority contributions for 2015/16	0	0	0
0	Plus: Local Authority contributions for 2015/16	0	0	0
(57)	**In year Carry forward to 2018/19**	**(185)**	**1,486**	**1,301**

18. GRANT INCOME

The council has been credited with the following grants and contributions in the Comprehensive Income and Expenditure Statements during 2017/18. The balances at the year-end are as follows:

2016/17 £'000		2017/18 £'000
	Credited to Taxation and Non Specific Grant Income	
(26,534)	Revenue Support Grant	(17,406)
(2,864)	Central Education Grant	(749)
(718)	Other Grants	(912)
(30,116)	**Total Non-Ringfenced Government Grants**	**(19,067)**
(105,171)	Council Tax Income	(113,661)
(48,587)	Redistributed National Non-Domestic Rate Income	(48,671)
(52,186)	Capital Grants and Contributions	(53,137)
(236,060)	**Total Credited to Taxation and Non Specific Grant Income**	**(234,536)**
	Credited to Services	
	Grants:	
(148,844)	Dedicated Schools Grant	(145,668)
(62,071)	Mandatory Rent Allowance: Subsidy	(58,160)
(30,572)	Mandatory Rent Rebates	(30,464)
(12,458)	New Homes Bonus	(9,505)
(11,996)	Public Health Grant	(11,700)
(7,756)	Pupil Premium Grant	(6,541)
(6,089)	Young People's Learning Agency	(6,496)
(2,909)	Universal Infant Free School Meals	(2,985)
(1,529)	Benefits Administration Grant	(1,014)
(8,465)	Other Grant Income	(12,230)
	Contributions:	
(14,516)	Better Care Fund Contributions	(14,809)
(9,131)	Social Care Client Contributions	(7,804)
(5,497)	Milton Keynes Hospital NHS Foundation Trust and Clinical Commissioning Group Contributions	(6,710)
(1,419)	Other Contributions	(1,133)
(323,252)	**Total Grant Income credited to Cost of Services**	**(315,218)**

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 2018 are £13.631m. This includes:

- Revenue receipts in advance of £6.656m, of which £1.855m is mainly from Developer S106 contributions; £0.499m was received for the SEN reform grant.
- Capital receipts in advance of £6.975m including the Go Ultra Low Grants of £5.358m.

The long term Grants and Contributions receipts in advance at the 31 March 2018 are £27.909m. This includes Revenue receipts in advance of £25.785m which is mainly from Developer S106 Contributions and Capital receipts in advance of £2.124m.

Notes to the Accounts

19. PROPERY, PLANT AND EQUIPMENT

The tables on the following pages show the movements in year for PPE in 2017/18 and the 2016/17 comparative movement.

Movement in 2017/18	**Council Dwellings**	**Other Land and Buildings**	**Vehicles, Plant & Equipment Finance Lease**	**Vehicles, Plant & Equipment Other**	**Infra structure**	**Community Assets**	**Surplus Assets**	**Assets Under Construction**	**Total PPE**
Cost or Valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2017	625,961	470,826	2,314	20,093	238,540	3,344	3,186	43,992	1,408,256
Additions	15,166	2,595	0	92,904	20,267	0	0	84,475	215,407
Revaluation recognised in the Revaluation Reserve	0	15,685	0	0	0	0	5	0	15,690
Revaluation recognised in the Surplus/Deficit on the Provision of Services	7,167	10,183	0	(144)	0	0	4	0	17,210
Derecognitions and disposals	(8,282)	(32,081)	0	(308)	0	0	0	0	(40,671)
Assets Reclassified (to)/from other asset classes	6,376	59,120	0	321	2,444	3,408	(1,420)	(71,715)	(1,466)
Other Movements in cost or valuation	0	0	0	13	0	0	37	0	50
At 31 March 2018	**646,388**	**526,328**	**2,314**	**112,879**	**261,251**	**6,752**	**1,812**	**56,752**	**1,614,476**
Accumulated Depreciation and Impairment									
Depreciation value at 1 April 2017	1,743	(12,383)	(2,315)	(12,339)	(50,184)	(19)	(58)	0	(75,555)
Impairment value at 1 April 2017	(2,402)	(23,021)	1	(131)	0	0	(5)	0	(25,558)
Depreciation charge	(13,080)	(12,849)	0	(2,068)	(6,004)	(86)	(37)	0	(34,124)
Depreciation written out to the Revaluation Reserve	0	16,142	0	0	0	0	5	0	16,147
Depreciation written out to the Surplus/Deficit on the Provision of Services	12,759	1,580	0	0	0	0	1	0	14,340
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	4,448	0	0	0	0	0	0	4,448
Impairment losses/(reversals) recognised in the Surplus/Deficit on the provision of Services	(8,258)	(1,530)	0	0	0	0	0	0	(9,788)
Derecognitions and disposals	288	20	0	299	0	0	0	0	607
Assets Reclassified (to)/from other asset classes	(1)	386	0	0	0	(364)	1	0	22
Other movements in depreciation or impairment	0	0	0	(8)	0	0	44	0	36
At 31 March 2018	**(8,951)**	**(27,207)**	**(2,314)**	**(14,247)**	**(56,188)**	**(469)**	**(49)**	**0**	**(109,425)**
Net Book Value									
as at 31 March 2018	**637,437**	**499,121**	**0**	**98,632**	**205,063**	**6,283**	**1,763**	**56,752**	**1,505,051**
as at 31 March 2017	**625,302**	**435,422**	**0**	**7,623**	**188,356**	**3,325**	**3,123**	**43,992**	**1,307,143**

Movement in 2016/17	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment Finance Lease	Vehicles, Plant & Equipment Other	Infra structure	Community Assets	Surplus Assets	Assets Under Construction	Total PPE
Cost or Valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2016	586,813	438,108	2,315	17,731	218,366	1,945	3,756	51,253	1,320,287
Additions	11,430	1,054	0	1,798	18,595	85	0	64,261	97,223
Revaluation recognised in the Revaluation Reserve	0	35,451	0	0	0	0	683	0	36,134
Revaluation recognised in the Surplus/Deficit on the Provision of Services	30,175	(1,955)	0	0	0	0	0	0	28,220
Derecognitions and disposals	(3,628)	(69,179)	0	(78)	0	0	0	0	(72,885)
Assets Reclassified (to)/from other asset classes	1,171	67,347	0	642	1,579	1,314	(1,253)	(71,520)	(720)
Other Movements in cost or valuation	0	0	(1)	0	0	0	0	(2)	(3)
At 31 March 2017	**625,961**	**470,826**	**2,314**	**20,093**	**238,540**	**3,344**	**3,186**	**43,992**	**1,408,256**
Accumulated Depreciation and Impairment									
Depreciation value at 1 April 2016	0	(27,505)	(2,311)	(10,886)	(44,698)	(9)	(56)	0	(85,465)
Impairment value at 1 April 2016	(643)	(33,043)	0	(131)	0	0	(250)	0	(34,067)
Depreciation charge	(8,992)	(10,236)	0	(1,526)	(5,486)	(10)	(27)	0	(26,277)
Depreciation written out to the Revaluation Reserve	0	19,061	0	0	0	0	25	0	19,086
Depreciation written out to the Surplus/Deficit on the Provision of Services	10,467	6,412	0	0	0	0	0	0	16,879
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	8,347	0	0	0	0	0	0	8,347
Impairment losses/(reversals) recognised in the Surplus/Deficit on the provision of Services	(1,455)	1,616	0	0	0	0	0	0	161
Derecognitions and disposals	268	(115)	(4)	73	0	0	0	0	222
Assets Reclassified (to)/from other asset classes	(304)	59	1	0	0	0	245	0	1
At 31 March 2017	**(659)**	**(35,404)**	**(2,314)**	**(12,470)**	**(50,184)**	**(19)**	**(63)**	**0**	**(101,113)**
<u>Net Book Value</u>									
as at 31 March 2017	**625,302**	**435,422**	**0**	**7,623**	**188,356**	**3,325**	**3,123**	**43,992**	**1,307,143**
as at 31 March 2016	**586,170**	**377,560**	**4**	**6,714**	**173,668**	**1,936**	**3,450**	**51,253**	**1,200,755**

Depreciation

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

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

2016/17 Depreciation Charge		Potential Useful Life of Asset Years	Actual Useful Life of Asset Years	2017/18 Depreciation Charge £'000
8,992	Council Dwellings	10 - 85 *	10 - 85 *	13,080
10,269	Other Properties	20 - 60 **	20 - 60 **	12,972
1,526	Vehicles, Plant and Equipment	3 - 40 ***	3 - 25	2,068
4	Leased VPE	3 - 40 ***	3 - 8	0
5,486	Infrastructure	40	40	6,004
	Infrastructure - Other	20	20	
26,277				**34,124**

* 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 20 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 2018, including those with a commitment of less than £2.0m totalled £16.2m.

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 2018 with a commitment of £2.0m or more are shown in the table.

Segment: Scheme Name	Scheme Description	2017/18 £'000	Period of Investments Years
Brooklands Health Facility	New Health Facility	2,049	1
Go Ultra Low Cities Scheme	To increase the uptake in Ultra Low Emission Vehicles in MK	5,481	4
Grand Total		**7,530**	

Valuation of Non-Current Assets

General Fund

Finance and Property colleagues have worked closely together to refresh the 5 Year Rolling Programme from 2017/18 onwards. The Authority has decided to group 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 will ensure 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 forthcoming 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 will continue to be carried out on Investment, Asset held for Sale and Surplus Assets.

All 2017/18 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 2017/18 valuations was carried out by Guy Harbord MRICS Registered Valuer of WHE. It refers to 3 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 2017/18 are £2.1m per ha, compared to £1.729m in 2016/17 an increase of 21%. The Authority subsequently decided to procure a desktop review, by WHE, of all school sites as they total 50% of the operational land and buildings asset values on the Balance Sheet.

The valuations were prepared in accordance with the Practice Statements in the RICS Red Book 2014, revised in April 2016, published by the Royal Institution of Chartered Surveyors and the valuation procedures agreed between RICS and CIPFA based on the International Financial Reporting Standards referred to in the RICS Red Book 2014.

Council Dwellings

Council Dwellings have been valued as at 1 April 2017 based on a desk top review and a full property review has been undertaken as at 31 March 2018. Council dwellings were valued by Michael J Rees BSc FRICS and Nicholas G Worman BSc Dipurv MRICS of Bruton Knowles in line with DCLG 2010 Guidance on Stock Valuation and the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards.

At 1 April 2017 componentisation of council dwellings was applied for the first time. The Authority applied an approach of Land still at 35% of the total value and the remaining 65% to be divided into the following components:

- Kitchens 7%
- Bathrooms 6%
- Windows/Doors 6%
- Heating/Lighting/Electrics 10%
- Roof 8%
- Structure 28%

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

Depreciation increased from £9.8m to £13.8m an increase of 41%.

Derecognition of Components £3.6m an increase of 100%.

The year-end valuation created a total £8.2m Impairments, these impairments resulted from:

- Capital expenditure of £4.2m building 22 new council dwelling, initial valuation resulted in £2.6m Impairment.
- Capital expenditure of £7.5m purchasing of 37 dwelling properties, the change in valuation basis has resulted in impairment of £5.6m.

Revaluation of Non-Current Assets

The table on the following page shows the progress of the council’s rolling programme for revaluation of Property, Plant and Equipment:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infra- structure	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets held at historical cost	**0**	**0**	**7,782**	**205,063**	**6,283**	**0**	**56,752**	**275,880**
Revalued Assets in:								
2017/18	637,437	385,158	90,850	0	0	1,763	0	1,115,208
2016/17	0	54,482	0	0	0	0	0	54,482
2015/16	0	8,378	0	0	0	0	0	8,378
2014/15	0	25,036	0	0	0	0	0	25,036
2013/14	0	26,067	0	0	0	0	0	26,067
Total Valuation of Revalued Assets	**637,437**	**499,121**	**90,850**	**0**	**0**	**1,763**	**0**	**1,229,171**
The Carrying amount for revalued assets had they been carried under the cost model	637,275	313,383	90,850	0	0	1,506	0	1,043,014
Revaluation surplus for revalued assets including the charge in year	162	185,738	0	0	0	257	0	186,157

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 2017/18 there were no schools that transferred to foundation status, but 1 converted to an academy (New Bradwell Primary). 4 other community schools also converted to an academy.

At 31 March 2018, there are 12 foundation schools with an estimated asset valuation of £67.533m (13 schools at £71.893m as at 31 March 2017).

Effects of Changes in Estimates

There are no changes in estimates for 2017/18.

Material Impairment Losses

During 2017/18, the council has recognised material impairment losses totalling £8.2m in relation to council dwellings and £11.2m in relation to Other Land and Building assets. The council did not reverse any material impairment losses in 2017/18. Further details can be found in the table overleaf:

Assets	**Material Impairment Loss - Recognised in year £'000**
Housing Revenue Account	
Council Dwellings	8,258
Growth Economy & Culture	
Kingston Library	1,007
Wolverton Swimming Pool	2,761
Stacey Hill Farm Museum	3,798
Public Realm	
Wolverton Depot	1,232
Resources MKC	
Civic Offices	2,362
Total	**19,418**

20. INVESTMENT PROPERTIES

In 2017/18 the annual rental income from investment properties is £0.065m (£0.070m in 2016/17).

The movement in the fair value of investment properties during 2017/18 comprised of:

- A revaluation increase of £5.700m which reflects market conditions (A revaluation decrease of (£5.750m) in 2016/17).

The total value of the council's investment property at the 31 March 2018 is £66.794m (£64.128m at 31 March 2017).

Fair Value Hierarchy

Details of the council's investment properties and information about the fair value hierarchy as at 31 March 2018 are as follows:

Fair value as at 31 March 2017		Quoted active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2018
£'000	Recurring fair value measurements using:	£'000	£'000	£'000	£'000
63,750	Farm Land in the Western Expansion Area	0	69,203	0	69,203
378	Miscellaneous pieces of land	0	625	0	625
64,128	**Total**	**0**	**69,828**	**0**	**69,828**

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

Significant Observable Inputs – Level 2

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.
Significant Unobservable Inputs – Level 3

The fair value for the farmland located in the council's Western Expansion Development area has been based on the market approach using previous valuation data 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.

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

21. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

31 Mar 2017 £'000		31 Mar 2018 £'000
543,325	**Opening Capital Financing Requirement**	**552,760**
	Capital Investment	
98,321	Assets	215,689
11,838	Revenue Expenditure Funded from Capital under Statute	4,655
110,159	**Total**	**220,344**
	Sources of Finance	
(2,698)	Capital Receipts	(4,917)
(8,792)	Major Repairs Reserves	(9,476)
(71,548)	Other Government Grants & Contributions	(45,195)
(14,780)	Revenue Contributions	(22,676)
(1,948)	Statutory provision for repayment of debt (Minimum Revenue Provision)	(2,088)
(7)	Statutory provision for PFI and Finance Lease debt (Minimum Revenue Provision)	(7)
(951)	HRA Additional Voluntary Repayment of debt	(1,476)
(100,724)	**Total**	**(85,835)**
552,760	**Closing Capital financing requirement**	**687,269**
(933)	Increase in underlying need to borrow (supported by government financial assistance)	(1,483)
10,368	Increase in underlying need to borrow (unsupported by government financial assistance)	135,992
9,435	**Increase/(Decrease) in Capital Financing Requirement**	**134,509**

22. DEBTORS

Long Term Debtors

31 Mar 2017 £'000		31 Mar 2018 £'000
31,511	Milton Keynes Development Partnership Loan*	30,922
62	Bodies External to Central Government	11
7,838	Payments in advance	5,878
39,411	**Total**	**36,811**

*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 Long Term Borrowing. This debt has been passed on to MKDP along with the assets. The council therefore holds a long term debtor of £30.922m on its Balance Sheet to reflect the amount owed by the MKDP which will reduce as the assets are developed and sold by the MKDP or as the economic benefit is used (in the case of operational assets).

Short Term Debtors

Total 31 Mar 2017 £'000		Debtors 31 Mar 2018 £'000	Bad Debt Impairment 31 Mar 2018 £'000	Total 31 Mar 2018 £'000
	Short Term Debtors			
6,459	Central Government Bodies	37,695	(21)	37,674
1,383	Other Local Authorities	546	(16)	530
2,199	NHS Bodies	2,198	(19)	2,179
8,040	Bodies External to Central Government	20,810	(12,135)	8,675
2,966	Council Tax Arrears	5,595	(2,035)	3,560
1,054	NNDR Arrears	2,371	(1,486)	885
3,380	Housing Rents	4,469	0	4,469
25,481	**Total Short Term Debtors before Payments in Advance**	**73,684**	**(15,712)**	**57,972**
6,164	Payments in Advance	7,491	0	7,491
31,645	**Total Short Term Debtors**	**81,175**	**(15,712)**	**65,463**

23. CREDITORS

The analysis of short term creditors is as follows:

31 Mar 2017 £'000		31 Mar 2018 £'000
(25,073)	Central Government Bodies	(31,479)
(5,193)	Other Local Authorities	(4,494)
(3,748)	NHS Bodies	(570)
(38,136)	Bodies External to Central Government	(46,192)
(2,803)	Council Staff Creditors	(4,031)
(1,627)	Housing Rent Prepayments	(1,619)
(2,464)	Council Tax Prepayments	(2,216)
(1,742)	NDR Prepayments	(1,933)
(80,786)	**Total Short Term Creditors**	**(92,534)**

24. BORROWING REPAYABLE

Analysis of Loans by type:

31 Mar 2017 £'000		Range of Interest Rates - 31 March 2018	31 Mar 2018 £'000
	Source of Loan		
(470,456)	Public Works Loan Board	Lowest: 3.37% / Highest: 10.875%	(469,170)
(15,253)	Market Loans	Lowest: 3.75% / Highest: 6.62%	(15,256)
(7,462)	Other Loans	Zero interest rate	(7,647)
(493,171)	**Total**		**(492,073)**

Analysis of Loans by maturity:

31 Mar 2017 £'000		31 Mar 2018 £'000
	Borrowing repayable on demand or within 12 months	
(7,692)	Borrowing repayable on demand or within 12 months	(14,396)
(2,185)	Accrued interest on borrowing repayable within a period in excess of 12 months	(3,333)
(9,877)	**Total Borrowing repayable on demand or within 12 months**	**(17,729)**
	Borrowing repayable within a period in excess of 12 months	
(9,104)	Maturing in 1 to 2 years	(13,946)
(30,550)	Maturing in 2 to 5 years	(26,856)
(66,710)	Maturing in 5 to 10 years	(70,348)
(376,930)	Maturing in more than 10 years	(363,194)
(483,294)	**Total Borrowing repayable within a period in excess of 12 months**	**(474,344)**
(493,171)	**Total**	**(492,073)**

25. PROVISIONS

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

	Balance at 31 March 2017 £'000	Additional provisions made in 2017/18 £'000	Amounts used in 2017/18 £'000	Balance at 31 March 2018 £'000	Short Term £'000	Long Term £'000
Appeals Provision	(18,162)	(81,845)	73,793	(26,214)	(12,114)	(14,296)
Other Provisions	(2,972)	(2,330)	2,208	(3,094)	(2,226)	(672)
Total	**(21,134)**	**(84,175)**	**76,001**	**(29,308)**	**(14,340)**	**(14,968)**

Appeals Provision

Under business rates retention, Milton Keynes Council has a percentage share of all business rates income net of any backdated reductions. Rate payers can appeal a valuation and they have 5 years in which to do so from the date of the creation of the Rating List. This provision has been calculated based on information provided by the

Valuation Office and external bodies, combined with local knowledge of the Rating List. The Valuation Office Agency has re-directed personnel resources in 2017/18 onto the 2018 revaluation of the Rating List and as a result it is expected that there will be significant delays in the resolution of rating appeals at 1 April 2018. This has therefore meant a shift in potential settlement of appeals to 2018/19 financial year and beyond.

Other provisions

The largest provision within this category is Insurance. At the 31 March the council has outstanding insurance liabilities (estimated claims for which liability was accepted) totalling £2.301m. A provision has been charged to the Comprehensive Income & Expenditure Account to fund this and recognises this liability with funding met through reserves.

26. CONTINGENT GAINS AND LOSSES

The most significant contingent gains and losses disclosed in the council's accounts for the year ending 31 March 2018 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 £4.351m.

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 2018 the value of receipts that were not allocated to a specific project was £8.006m.

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.

e. The council is in negotiations with its former Gas Maintenance contractor over possible recovery of historic contract payments, though the contractor is counter-claiming for additional contract sums that they assert are due. It is not clear at this time when the issue will be finalised or the likely value of the payment to/from the contractor (an estimated value is up to £0.75m).

27. RESERVES

Usable Reserves

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

31 Mar 2017 £'000		31 Mar 2018 £'000
	Usable Reserves	
(7,000)	General Fund Balance	(18,376)
(86,921)	Earmarked General Fund Reserves	(76,770)
(9,570)	Schools Balance Reserve	(8,881)
(6,236)	Housing Revenue Account	(7,259)
(46,199)	Earmarked HRA Reserves	(50,415)
(19,399)	Major Repairs Reserve	(23,224)
(33,873)	Capital Grants Unapplied	(46,310)
(16,605)	Capital Receipts Reserve	(22,944)
(225,803)	**Total Usable Reserves**	**(254,179)**

The movements in the authority's usable reserves are detailed in the Movement in Reserves Statement on page 44 and note 9 to the Financial Statements.

Unusable Reserves

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

31 Mar 2017 £'000		Notes	31 Mar 2018 £'000
	Unusable Reserves		
(689,940)	Capital Adjustment Account	a	(732,680)
(163,849)	Revaluation Reserve	b	(189,584)
43	Financial Instruments Adjustment Account		256
410,932	Pensions Reserve	c	392,509
(2,335)	Collection Fund Adjustment Account	d	(2,566)
(97)	Deferred Capital Receipts		(158)
1,904	Accumulated Absences Account		886
493	Available for Sale Financial Instruments		(197)
(442,849)	**Total Unusable Reserves**		**(531,534)**

The material unusable reserves are as follows:

a) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the authority as finance for the costs of acquisition, construction and enhancement.

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

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

2016/17 £'000		2017/18 £'000	2017/18 £'000
(648,221)	**Balance at 1 April**		**(689,940)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
26,119	Charges for depreciation and impairment of non-current assets	50,346	
(45,296)	Revaluation losses on Property, Plant and Equipment	(38,019)	
42	Amortisation of Intangible Assets	382	
4,499	Revenue Expenditure Funded from Capital Under Statute	(0)	
72,659	Amounts on non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	41,446	
58,023			**54,155**
(12,131)	Adjusting amounts written out of the Revaluation Reserve		(10,603)
(602,329)	**Net written out amount of the cost of non-current assets consumed in the year**		**(646,388)**
	Capital financing applied in the year:		
(2,696)	Use of the Capital Reserve to finance new capital expenditure	(4,328)	
(8,792)	Use of the Major Repairs Reserve to finance new capital expenditure	(9,476)	
(33,114)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(26,711)	
(31,342)	Application of grants to capital financing from the Capital Grants Unapplied Account	(13,989)	
(1,959)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(2,095)	
(14,533)	Capital expenditure charged against the General Fund and HRA balance	(22,516)	
(92,436)			**(79,115)**
5,750	Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(5,700)
(925)	HRA Self Financing		(1,477)
(689,940)	**Balance at 31 March**		**(732,680)**

b) Revaluation Reserve

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

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

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

2016/17 £'000	Revaluation Reserve	2017/18 £'000	
(112,611)	**Balance at 1 April**		**(163,849)**
(66,488)	Upward revaluation of assets	(42,647)	
3,119	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	6,309	
(63,369)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(36,338)
2,882	Difference between fair value depreciation and historical cost depreciation	5,172	
9,249	Accumulated gains on assets sold or scrapped	5,431	
12,131	Amount written off to the Capital Adjustment Account		10,603
(163,849)	**Balance at 31 March**		**(189,584)**

c) Pension Reserve

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

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

2016/17 £'000		2017/18 £'000
326,401	**Balance at 1 April**	**410,932**
66,848	Actuarial gains or losses on pensions assets and liabilities	(45,112)
35,250	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	45,318
(17,567)	Employer's pension contributions and direct payments to pensioners payable in the year	(18,629)
410,932	**Balance at 31 March**	**392,509**

d) Collection Fund Adjustment Account

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

Total 2016/17 £'000		Council Tax 2017/18 £'000	NDR 2017/18 £'000	Total 2017/18 £'000
4,065	**Balance at 1 April**	**(3,334)**	**999**	**(2,335)**
(6,400)	Amount by which council tax and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rate income calculated for the year in accordance with statutory requirements	(1,074)	843	(231)
(2,335)	**Balance at 31 March**	**(4,408)**	**1,842**	**(2,566)**

28. CASH AND CASH EQUIVALENTS

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

	Balance 31 Mar 2017 £'000	Balance 31 Mar 2018 £'000	Movement In Year £'000
Cash held by the Authority	3,747	7,806	4,059
Short-term deposits with Financial Institutions	96,645	76,055	(20,590)
Bank Overdraft*	(13,007)	(12,447)	560
Total Cash & Cash Equivalents	**87,385**	**71,414**	**(15,971)**

At the 31 March 2018, the council held £76.055m invested with various financial institutions as short term deposits (£96.645m at the 31 March 2017). 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.

The council has arrangements in place with certain Milton Keynes schools to manage surplus funds on their behalf. The bank overdraft position includes the £12.447m debit balance of a bank account that’s sole purpose is to consolidate these aggregate credit balances for investment purposes. The debit balance held in this account is therefore fully offset by corresponding credit balances held in each participating School’s bank account. Accounting practice means that despite formal set-off arrangements in place with the council’s bankers, this managed debit position is reported as an overdraft as (although the balance fluctuates during the year) it always remains in debit.

29. NET CASH FLOW FROM OPERATING ACTIVITIES

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

2016/17 £'000		2017/18 £'000
25,618	**Net Surplus/(Deficit) on the provision of services**	**36,882**
	Adjustments to net Surplus or deficit on the provision of services for non-cash movements	
(19,126)	Depreciation and Impairment of non-current assets	12,710
5,750	Investment Assets Revaluation Gains & Losses	(5,700)
(52,189)	Capital Grants & Contributions	(53,137)
(3,083)	(Increase) / decrease in Creditors	9,347
3,971	Increase / (decrease) in Debtors	(38,391)
167	Increase / (decrease) in Inventories and Work in Progress	0
3,608	(Increase) / decrease in Provisions	8,174
17,683	Pension Assets / Liabilities	26,689
65,499	Carrying amount of non-current assets sold	28,426
1,009	Housing Capital Receipts Pool	834
(1,959)	Local Government Reorganisation Transferred Debt	(1,959)
(26,790)	Other non-cash items charged to the net surplus or deficit on the Provision of Service	(24,625)
(5,460)	**Total Non-Cash Items in the Provision of Services**	**(37,632)**
24,788	Reversal of operating activity items included in the net surplus or deficit on the Provision of Services that are shown separately	**19,453**
	Cash flow from interest received and paid	
(27,357)	Interest Paid	(22,907)
0	Interest element of Finance Leases	0
2,096	Interest Received	2,075
(25,261)	**Total Cash Flow from Interest Received and Paid**	**(20,832)**
19,685	**Net Cash flow from Operating Activities**	**(2,129)**

30. FINANCIAL INSTRUMENTS

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

a. Financial Instrument Balances

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

Liabilities	Long Term		Short Term	
	31 Mar 2017 £'000	31 Mar 2018 £'000	31 Mar 2017 £'000	31 Mar 2018 £'000
Loans at amortised cost				
Principal sum borrowed	(475,832)	(466,697)	(7,692)	(14,396)
Accrued interest	0	0	(2,185)	(3,333)
EIR adjustments (soft loans received)	(7,462)	(7,647)	0	0
Total Borrowing	**(483,294)**	**(474,344)**	**(9,877)**	**(17,729)**
Loans at amortised cost				
Bank overdraft	0	0	(13,007)	(12,447)
Total Cash Overdraft	**0**	**0**	**(13,007)**	**(12,447)**
Financial Liabilities at Amortised Cost				
Trade Payables	(25,441)	(28,068)	(32,627)	(41,995)
Included in Creditors	**(25,441)**	**(28,068)**	**(32,627)**	**(41,995)**
Total Financial Liabilities	**(508,735)**	**(502,412)**	**(55,511)**	**(72,171)**

The total short-term borrowing includes £2.056m (£2.473m in 2016/17) representing the short-term principal liability of long-term annuity loans.

The short-term creditor’s lines on the Balance Sheet include £56.330m (£48.159m in 2016/17) that does not meet the definition of a financial liability. See note 23 for further information.

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

Assets	Long Term		Short Term	
	31 Mar 2017 £'000	31 Mar 2018 £'000	31 Mar 2017 £'000	31 Mar 2018 £'000
Loans and Receivables				
Principal at amortised cost	27,910	13,009	135,503	52,680
Accrued interest	61	4	222	217
Available-for-sale Financial Assets				
Principal at amortised cost	14,507	15,196	0	0
Accrued interest	0	0	166	170
Total Investments	**42,478**	**28,209**	**135,891**	**53,066**
Loans and Receivables				
Cash (inc bank accounts)	0	0	3,747	7,806
Cash equivalents at amortised cost	0	0	96,630	76,035
Accrued interest	0	0	15	20
Total Cash and Cash Equivalents	**0**	**0**	**100,392**	**83,861**
Loans and Receivables				
Trade receivables	44,636	28,209	17,289	17,362
Included in Debtors	**44,636**	**28,209**	**17,289**	**17,362**
Total Financial Assets	**87,114**	**56,418**	**253,572**	**154,289**

The total short-term investments includes £0.004m (£0.062m in 2016/17) representing the short-term interest accrued due on long-term investments.

The debtors lines on the Balance Sheet include £55.060m (£14.357m in 2016/17) short-term and £8.602m (£0.008m in 2016/17) long-term debtors that do not meet the definition of a financial asset. See note 22 for further information.

b. Material Soft Loans

Soft loans are those advanced at below market rates in support of the council's service priorities. The largest soft loans given to the council are a total of £7.462m from HCA for short term cash flow financing of the Milton Keynes Tariff. The movements on material soft loans balances are:

2016/17 £000		2017/18 £000
(7,104)	**Opening carrying amount of soft loans on 1 April**	**(7,281)**
0	Cash value of new loans made in year	0
0	Fair value adjustment on initial recognition	0
(177)	Increase in discounted amount due to passage of time	(181)
(7,281)	**Closing Carrying Amount of Soft Loans on 31 March**	**(7,462)**

Soft loans have been 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.

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:

2016/17 Total £000		Financial Liabilities Amortised Cost £000	Financial Assets Loans & Receivables £000	Available-for-sale assets £000	2017/18 Total £000
(21,506)	Interest expense	(21,665)	0	0	(21,665)
(21,506)	**Interest payable and similar charges**	**(21,665)**	**0**	**0**	**(21,665)**
1884	Interest income	0	1,458	0	1,458
739	Dividend income	0	0	762	762
2,623	**Interest and investment income**	0	**1,458**	**762**	**2,220**
(230)	(Loss)/Gains on revaluation	0	0	689	689
(230)	**Impact in Other Comprehensive Income**	**0**	**0**	**689**	**689**
(19,113)	**Net Gain/(Loss) for the year**	**(21,665)**	**1,458**	**1,451**	**(18,756)**

h. Fair Values

Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31 March 2018, using the following methods and assumptions:

- Certificates of deposit and forward loan contracts have been discounted at market interest rates for instruments of similar credit quality and remaining term to maturity.

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2018, using the following methods and assumptions:

- Loans to 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 31 March 2018.
- The fair values of financial guarantees have been estimated based on the likelihood of the guarantees being called and the likely payments to be made.

- The fair values of finance lease assets and liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- 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.

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:

31 Mar 2017				31 Mar 2018	
Balance sheet	**Fair Value**		**Fair Value levels**	**Balance Sheet**	**Fair Value**
£'000	**£'000**			**£'000**	**£'000**
		Financial liabilities held at amortised cost:			
470,456	630,996	Long-term Loans from PWLB	**2**	469,170	602,948
15,253	24,840	Long-term LOBO Loans	**2**	15,256	23,649
7,462	7,462	Other long-term loans	**2**	7,647	7,647
493,171	**663,298**	**Total Financial Liabilities**		**492,073**	**634,244**
		Recorded on Balance Sheet as:			
80,786		Short-term creditors		98,325	
9,877		Short-term borrowing		17,729	
483,294		Long-term borrowing		474,344	
573,957		**Total Financial Liabilities**		**590,398**	

The fair value of short-term financial liabilities including trade payables is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's 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:

31 Mar 2017 Balance sheet £'000	31 Mar 2017 Fair Value £'000		Fair Value levels	31 Mar 2018 Balance Sheet £'000	31 Mar 2018 Fair Value £'000
		Financial assets held at fair value:			
74,646	74,646	Money market funds	**1**	76,055	76,055
14,672	14,672	Bond, equity and property funds	**1**	15,366	14,960
14,432	14,432	Corporate, covered and government bonds	**2**	9,239	9,258
		Financial assets held at amortised cost:			
18,500	19,030	Long-term loans to local authorities	**2**	18,500	18,767
0	0	Long-term loans to companies	**2**	510	470
122,250	**122,780**	**Total**		**119,670**	**119,510**
214,561	0	Assets for which fair value is not disclosed		146,894	0
336,811	**122,780**	**Total Financial Assets**		**266,564**	**119,510**
		Recorded on Balance Sheet as:			
31,646		Short-term debtors		72,422	
135,891		Short-term investments		53,067	
39,411		Long-term debtors		36,811	
42,478		Long-term investments		28,209	
87,385		Cash and Cash Equivalents		76,055	
336,811		**Total Financial Assets**		**266,564**	

The fair value of short-term financial assets including trade receivables is assumed to approximate to the carrying amount.

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

During 2017/18, the council strengthened measures to minimise credit risk. This has ranged from further restricting deposit sums and durations to, where appropriate, removing institutions from the counterparty list and withdrawing deposits upon maturity. In February 2017, the council approved the 2017/18 Treasury Management Strategy including changes to methodology applied in setting counterparty limits and durations. The council's investment portfolio was subsequently realigned to this policy during the final months of the year.

The investment criteria outlined above ensured that financial assets held by the Authority at 31 March 2018 were held with institutions that fall into the summarised categories outlined below:

Counterparty Limits:

- UK Central Government – Unlimited
- Other Local Authorities – Unlimited
- Money Market Funds – max. £150m in total
- Any single organisation or group under same ownership – max. £40m each secured, max. £15m each unsecured
- Building Societies – max. £80m sector total (no more than 20% unrated)
- Any group of pooled funds under same management – max. £15m each

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

The table below summaries the credit risk for investments:

	Long Term		**Short Term**	
Credit Rating	**31 Mar 18 £'000**	**31 Mar 17 £'000**	**31 Mar 18 £'000**	**31 Mar 17 £'000**
AAA	4,003	9,420	81,291	79,658
AA+	0	0	0	0
AA	0	0	0	0
AA-	0	0	20,047	23,057
A+	0	0	10,020	0
A	0	0	7,511	14,995
A-	0	0	0	0
Unrated local authorities	8,500	18,550	10,083	114,661
Unrated building societies	0	0	0	0
Unrated Pooled Funds - CCLA Property Fund	15,196	14,508	170	166
Unrated Companies	510	0	0	0
Total Investments	**28,209**	**42,478**	**129,122**	**232,537**

Liquidity Risk

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

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

2016/17 £'000		2017/18 £'000
9,877	Less than one year	17,729
9,104	Between one and two years	13,946
30,550	Between two and five years	26,856
66,710	Between five and ten years.	70,348
127,604	Between ten and twenty years	140,298
78,967	Over 20 years but not over thirty years	52,536
75,000	Over thirty years but not over forty	75,000
95,359	Over forty years	95,360
493,171	**Total**	**492,073**

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 Management Strategy which is approved by council in February each year.

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

2016/17 £'000		2017/18 £'000
0	Increase in interest payable on variable rate borrowings	0
(849)	Increase in interest receivable on variable rate investments	(1,226)
(4,086)	Increase in government grant receivable for financing costs	(3,923)
(4,935)	Impact on Surplus or Deficit on the Provision of Services	(5,149)
1,212	Decrease in fair value of fixed rate investment assets Impact on Other Comprehensive Income and Expenditure	(331)
86,623	Decrease in fair value of fixed rate borrowings liabilities	79,541

Price Risk

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

The council's £15.0m cash investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is contained within an upper limit of £15.0m per fund manager and managed alongside the council's diversification of deposits by sector, country and asset classes. Furthermore where an investment carries a risk of capital fluctuation, the council will divert a proportion of interest returns to a reserve provision which may be called upon to mitigate the impact upon the general fund if realised. A notional 5% rise or fall in the fund's net asset value (NAV) unit price at 31 March 2018 would have resulted in either a £0.760m charge or gain against Other Comprehensive Income & Expenditure – however this is a point in time measure and would only be realised against the general fund if the investment was actually sold. The council considers its investment in property funds with a long term outlook (5 years or greater) and anticipates that although price fluctuation may occur during this period, prices will rebound in line with market cycles so that a loss is never realised.

31. LEASES

Council as a Lessor - Operating Leases

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

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

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

31 Mar 2017 £'000		31 Mar 2018 £'000
2,646	Not later than one year	2,394
7,106	Later than one year and not later than five years	6,795
15,250	Later than five years	14,900
25,002		**24,089**

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 2017/18 £0.040m contingent rents were receivable by the council (£0.098m in 2016/17).

32. RELATED PARTY TRANSACTIONS

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

Central Government

The UK Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework, within which the council must operate, provides the majority of its funding in the forms of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. Council Tax, housing benefits etc.). Grants received from government departments are set out in the Grant Income disclosure at note 18 to the Financial Statements.

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

The council has three pooled budget arrangements with the Milton Keynes Clinical Commissioning Group. Full details of the transactions for each of the pooled arrangements can be found at note 15.

Councillors

Councillors have direct control over the council's financial and operating policies. The total of councillors' allowances paid during 2017/18 is shown in note 12. During 2017/18, works and services to the value of £3.614m were commissioned from organisations in which 19 councillors had an interest. Of this sum, £1.177m was paid to the Milton Keynes City Centre Management for the BID Levy and £0.690m was paid to the Milton Keynes Parks Trust for Whitehouse Park.

In addition, the council paid grants totalling £0.446m to voluntary and charitable organisations in which 12 councillors had positions on the governing bodies. Of this sum £0.267m was paid to MK Gallery for the improvements project. 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 2017/18 totalled £0.030m (£0.012m in 2016/17) from 17 organisations in which 9 councillors had an interest.

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

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

Officers

All staff employed by the council are required to declare any interest or involvement with a third party which could give rise to a related party transaction. No significant interests have been disclosed.

Outstanding Balances

The outstanding amounts owed by related parties at the end of 31 March 2018 totalled £0.001m (£0.006m at 31 March 2017).

The outstanding amount owed to related parties at the end of 31 March 2018 totalled £0.013m (£0.014m at 31 March 2017).

Details of all transactions are included elsewhere in the 2017/18 accounts.

MK Dons Sport and Education Trust

Milton Keynes Council has a 30% representation (three councillors' appointed by the council) on the Board of Directors of MK Dons Sport Education Trust, therefore the potential to exercise significant influence. This organisation is a charitable company, limited by guarantee. The appointments were made because of a common purpose in relation to the council's own diverse activities, and not to oversee any financial investment made by the council.

In 2017/18, the council provided the MK Dons Sport and Education Trust with £0.009m for works & services which includes £0.007m for Strengthening Families, Cultural Workshop and Disability Football.

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

LGSS

LGSS is the shared back office 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.

Members

The Council wholly owns the Milton Keynes Development Partnership (MKDP) LLP. All surpluses and deficits are retained within the Partnership 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

33. GROUP ACCOUNTS

During 2017/18, the council had an interest in two entities:

- Milton Keynes Development Partnership (MKDP) LLP

- YourMK LLP

Milton Keynes Development Partnership

The Milton Keynes Development Partnership LLP (MKDP) was incorporated on 7th 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 purchased from the Homes and Communities Agency by the council, in line with the Corporate Plan and Economic Development Strategy.

Due to the materiality of this entity the council has taken the view that the activity warrants full group accounts disclosures. Details of the group account disclosures can be found from page 114 (Group Accounts).

YourMK LLP

YourMK LLP is a 50:50 partnership of Milton Keynes Council and Mears Group PLC incorporated on 25 February 2016.

The partnership provides a repairs and maintenance service for over 11,500 homes across the city and leads on a regeneration programme which, over the next 15 years, will make long lasting changes to areas in the borough through investment and community engagement.

YourMK turnover was £0.263m; therefore after a full review YourMK are deemed immaterial and should not be treated as group accounts in compliance with the definition in the Code of Practice.

34. TRUST FUNDS

The council acts as trustee for the following Trust Funds:

a. The MK Emergencies Trust Fund

The Trust was established to make payments to people who have suffered extreme hardship as a result of flooding within the Borough. The value of the fund at 31 March 2018 was £10,974 (£10,974 at 31 March 2017).

b. The Norman Hawes Memorial Trust Fund (Charity No 310620)

The Trust was founded in memory of the late Norman Hawes for the purpose of assisting young people to travel overseas for educational purposes. The value of the fund at 31 March 2018 was £112,555 (£112,537 in 2016/17). In 2017/18 dividends and donations received generated an income of £3,840 (£3,840 in 2016/17) and expenditure totalling £5,800 was paid out in grants (£6,800 in 2016/17). The council acts as administrator for the Trust.

35. RETIREMENT BENEFITS

a. Local Government Pension Scheme

Participation in pension schemes

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

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

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 5 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.

Transactions relating to Post-employment Benefits

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

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

2016/17 £'000		2017/18 £'000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
	Service cost comprising:	
25,922	Current Service Cost	36,217
(3,616)	(Gain)/Loss from Settlements	(3,867)
865	Past Service Costs	1,246
379	Administration expenses	533
	Financing and Investment Income and Expenditure	
11,700	Net interest expense	11,189
35,250	**Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services**	**45,318**

2016/17 £'000		2017/18 £'000
	Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability compromising:	
(65,651)	Return on plan assets (excluding the amount included in the net interest expense)	(16,329)
(9,155)	Actuarial gains and losses arising on changes in demographic assumptions	0
183,285	Actuarial gains and losses arising on changes in financial assumptions	(28,783)
(48,368)	Experience gain/ (loss) on defined benefit obligation	0
6,737	Other actuarial gains/ (losses) on assets	0
66,848	Total remeasurement of the net benefit liability (asset)	**(45,112)**
102,098	**Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement**	**206**

2016/17 £'000	**Movement in Reserves Statement**	2017/18 £'000
(35,250)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in accordance with the code.	(45,318)
	Actual Amount Charged Against the General Fund Balance for Pensions in Year:	
17,567	**Employers Contributions Payable to Scheme**	**18,629**

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2016/17 £'000		2017/18 £'000
(961,411)	Present Value of the defined obligations	(977,785)
550,479	Fair Value of plan assets	585,276
(410,932)	**Net liability arising from defined benefit obligation**	**(392,509)**

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

2016/17 £'000		2017/18 £'000
478,775	Opening fair value of scheme assets	**550,479**
17,631	Interest on assets	15,445
	Remeasurement gain/(loss):	
65,651	The return on plan assets, excluding the amount included in the net interest expense	16,329
(6,737)	Other actuarial gains/(losses)	0
17,567	Contribution by employer	18,629
5,932	Contribution by Scheme participants	5,839
(23,939)	Estimated Benefits paid	(17,859)
(4,022)	Settlement prices received/(paid)	(3,053)
(379)	Administration expenses	(533)
550,479	**Closing fair value of scheme assets**	**585,276**

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

2016/17 £'000		2017/18 £'000
805,176	**Opening balance at 1 April**	**961,411**
25,922	Current Service Cost	36,217
29,331	Interest Cost	26,634
5,932	Contribution by scheme participants	5,839
	Measurement gain/(loss):	
(9,155)	Actuarial gains/losses arising from changes in demographic assumptions	0
183,285	Actuarial gains/losses arising from changes in financial assumptions	(28,783)
(48,368)	Experience loss/(gain) on defined benefit obligation	0
865	Past Service cost, including curtailments	1,246
(7,638)	Liabilities assumed / (extinguished) on settlements	(6,920)
(23,350)	Estimated benefits paid net of transfer in	(17,288)
(589)	Unfunded pension payments	(571)
961,411	**Closing balance at 31 March**	**977,785**

Local Government Pension Scheme Assets comprised:

The return on the pension fund for the year to 31 March 2018 is estimated to be 6%. The actual return on Fund assets over the year may be different.

The estimated assets allocation for Milton Keynes Council as at 31 March 2018 is as follows:

31 Mar 2017 £'000	31 Mar 2017 %		31 Mar 2018 £'000	31 Mar 2018 %
64,915	12%	Gilts	53,361	9%
310,308	56%	Equities	329,942	56%
67,356	12%	Other Bonds	76,207	13%
42,004	8%	Property	42,147	7%
18,692	3%	Cash	22,346	4%
6,627	1%	Alternative Assets	6,237	1%
20,058	4%	Hedge Funds	27,733	5%
20,519	4%	Absolute return Portfolio	27,303	5%
550,479	**100%**	**Total Assets**	**585,276**	**100%**

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method. An estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme have been estimated by Waddingham Public Sector Consulting, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March 2018.

The significant assumptions used by the actuary have been:

2016/17 £'000		2017/18 £'000
2.8%	Long term expected rate of return on assets in the scheme:	2.6%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
23.9	Men	24.0
26.0	Women	26.1
	Longevity at 65 for future pensioners	
26.1	Men	26.2
28.3	Women	28.4
3.6%	Rate of inflation (RPI)	3.3%
2.7%	Rate of inflation (CPI)	2.3%
4.2%	Rate of inflation in salaries	3.8%
2.7%	Rate of increase in pensions	2.3%
2.8%	Rate for discounting scheme liabilities	2.6%

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

Sensitivity Analysis		**2017/18**	
	£'000	**£'000**	**£'000**
Adjustment to discount rate	+0.1%	0.00%	-0.10%
Present value of total obligation	£959,056	£977,785	£996,898
Projected service cost	£33,740	£34,568	£35,417
Adjustment to long term salary increase	+0.1%	0.00%	-0.1%
Present value of total obligation	£979,226	£977,785	£976,352
Projected service cost	£34,568	£34,568	£34,568
Adjustment to pension increases and deferred revaluation	+0.1%	0.00%	-0.1%
Present value of total obligation	£995,485	£977,785	£960,425
Projected service cost	£35,418	£34,568	£33,737
Adjustment to mortality age rating assumption	+ 1 year	None	- 1 year
Present value of total obligation	£1,014,644	£977,785	£942,307
Projected service cost	£35,671	£34,568	£33,500

Risks associated with investments

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

- Investment risk - The fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk - The fund’s liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk - All of the benefits under the fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk - In the event that the members live longer than assumed a deficit will emerge in the fund. There are also other demographic risks.

36. 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 2017/18, the council paid £8.046m (£9.123m in 2016/17) to Teachers Pensions in respect of teachers’ retirement benefits. This was equivalent to 16.48% (16.48% in 2016/17) 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.

1. HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

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

2016/17 £'000		2017/18 £'000
	Expenditure	
10,814	Repairs and Maintenance	10,574
7,410	Supervision and Management	6,647
2,791	Special Services	2,825
169	Rent, Rates, Taxes and Other Charges	180
	Depreciation of Non-Current Assets	
9,812	Dwellings	13,848
127	All Other HRA Assets	222
	Impairment of Non-Current Assets	
(40,067)	Dwellings	(12,437)
70	All Other HRA Assets	168
0	Amortisation of Intangible Fixed Assets	0
426	Revenue Expenditure Funded by Capital Under Statute	160
219	Debt Management Costs	198
257	Movement in allowance for bad debts	136
(7,972)	**Total Expenditure**	**22,521**
	Income	
(53,773)	Dwelling Rents	(52,966)
(331)	Non-Dwelling Rents	(319)
	Charges for Services and Facilities	
(979)	Tenants	(1,092)
(1,081)	Leaseholders	(833)
(6)	Contribution towards expenditure	0
(208)	Reimbursement Costs	(205)
(56,378)	**Total Income**	**(55,415)**
(64,350)	**Net Expenditure of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement**	**(32,894)**
267	HRA Share of Corporate and Democratic Core	315
(64,083)	**Net Expenditure of Housing Revenue Account Services**	**(32,579)**
(3,574)	(Gain) / Loss on Sale of HRA Non-Current Assets	(1,336)
9,485	Interest Payable and Similar Charges	8,295
(495)	HRA Interest and Investment Income	(536)
(145)	Net Interest on the Defined Benefit Liability (Asset)	354
(58,812)	**(Surplus) / Deficit for the Year on HRA Services**	**(25,802)**

2. MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

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

2016/17 £'000		2017/18 £'000
(5,478)	**Housing Revenue Account Balance as at 1 April 2016**	**(6,236)**
(58,812)	(Surplus) / Deficit on HRA Income and Expenditure Statement	(25,802)
49,902	Adjustments between Accounting Basis and Funding Basis Under Regulations	20,561
(8,910)	**Net (Increase) / Decrease before Transfers to/from Earmarked Reserves**	**(5,241)**
8,152	Transfer to / (from) Reserves	4,218
(758)	(Increase)/Decrease in year on Housing Revenue Account	(1,023)
(6,236)	**Housing Revenue Account Balance as at 31 March 2017**	**(7,259)**

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

This note details the adjustments that are made the Housing Revenue Account in the year, 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.

2016/17 £'000		2017/18 £'000
30,059	Difference between any other items of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	(1,800)
3,574	Net Gain or Loss on Sale of Non-Current Assets	1,336
(24)	Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	(21)
220	Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	(845)
3,544	Capital Expenditure funded from the Housing Revenue Account	8,540
17	Accumulated Absence Account	50
12,512	Transfer to/(from) the Major Repairs Reserve	13,301
49,902	**Adjustments between accounting basis & funding basis under regulations**	**20,561**

4. TRANSFERS TO/FROM EARMARKED RESERVES

The following Reserves were held at 31 March 2018.

	Balance at 31 March 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance at 31 March 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance at 31 March 2018 £'000
Other Earmarked Reserves	(7,143)	1,036	(1,174)	(7,281)	6,875	(944)	(1,350)
Capital Reserve - HRA	(30,904)	3,971	(11,985)	(38,918)	38,918	(49,067)	(49,067)
Total HRA Earmarked Reserves	**(38,047)**	**5,007**	**(13,159)**	**(46,199)**	**45,793**	**(50,011)**	**(50,417)**

5. HOUSING STOCK

At 1 April 2017 the HRA housing stock was 12,137. During the 2017/18 financial year stock numbers reduced as 80 properties were sold to tenants (this includes part-sales of shared ownership dwellings), 37 dwellings were acquired from the private sector and 22 dwelling were built by the council. Therefore as at 31st March 2018 the council HRA was responsible for managing a housing stock of 12,116 dwellings of which 962 is the council's portion of shared ownership dwellings. The analysis of the remaining 11,154 dwellings is as follows:

2017/18	Houses	Flats	Total	Houses Built	No. of Houses
1 Bedroom	1,473	2,285	3,758	Pre - 1919	43
2 Bedrooms	1,801	830	2,631	1919 - 1944	331
3 or more Bedrooms	4,589	176	4,765	1945 - 1964	1,465
				Post - 1964	6,024
Total	**7,863**	**3,291**	**11,154**		**7,863**

6. ASSET VALUES

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

	31 March 2017 £'000	1 April 2017 £'000	31 March 2018 £'000
Operational Assets			
Council Dwellings	625,302	612,179	637,437
Other Land & Buildings	5,330	4,805	4,805
Equipment	141	110	110
Non Operational Assets			
Surplus Assets	330	330	317
Assets Under Construction	2,723	2,723	3,364
Investment Properties	22	23	23
	633,848	**620,170**	**646,056**

As at 1 April 2017, the vacant possession value of the council's dwellings is estimated at £1,894.430m compared with the Balance Sheet value of £612.179m. This variance reflects the economic cost to the Government of providing council housing at less than open market rents and annual depreciation charged on brought forward balances.

The increase of £25.885m between 1 April 2017 and 31st March 2018 is due to further revaluations in the year along with additions, disposals and reclassifications.

7. MAJOR REPAIRS RESERVE

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

2016/17 £'000		2017/18 £'000
(15,679)	**Balance at 1 April**	**(19,399)**
(12,512)	Amounts transferred to the Major Repairs Reserve from the HRA during the year	(13,301)
8,792	Debits to the Major Repairs Reserve during the financial year in respect of capital expenditure on land, houses, and other properties within the HRA	9,476
(19,399)	**Balance at 31 March**	**(23,224)**

8. CAPITAL EXPENDITURE

Total capital spending within Housing and Other Housing Revenue Account resources and the funding of that expenditure in 2017/18 is shown in the table below.

2016/17 £'000		2017/18 £'000
	Capital Spending	
11,430	- Dwellings	21,531
2,765	- Other HRA Assets	639
426	- Revenue expenditure funded from capital under statute	160
14,621		**22,330**
	Funded By	
(1,817)	- Usable Capital Receipts	(4,039)
(8,792)	- Major Repairs Allowance	(9,476)
(41)	- Government Grant	0
(3,971)	- Revenue Contributions	(8,700)
(14,621)		**(22,330)**

9. CAPITAL RECEIPTS

The following capital receipts were received during 2017/18:

2016/17 £'000		2017/18 £'000
	Sales of Dwellings*:	
5,412	Council Houses	8,054
1,193	Shared Ownership	1,246
0	Land	30
79	Recovered Discount	21
469	Non Right to Buy Sales	0
7,153	**HRA Receipts in Year**	**9,351**
(1,009)	Less: Statutory Pooling	(834)
6,144	**Total HRA Useable Receipts in year**	**8,517**

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

10. DEPRECIATION

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

2016/17 £'000		2017/18 £'000
9,812	Dwellings	13,848
127	Other Assets	222
9,939	**Gross Balance Sheet Value**	**14,070**

The charge for depreciation on dwellings from 1 April 2017 has been calculated on a componentisation basis, ranges of useful lives being:

- Kitchen: 10 or 15 years.
- Bathroom: 10 to 25 years.
- Windows/Doors: 10 to 25 years.
- Heating/Electrics/ Lighting: 10 to 25 years.
- Roof: 10 to 65 years.
- Structure: 10 to 85 years.

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

11. IMPAIRMENT

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

Total Impairment 2016/17 £'000		Impairment Loss Charged to HRA 2017/18 £'000	Reversal of Impairment Loss charged to HRA 2017/18 £'000	Revaluation - on 2017/18 £'000	Reversal of Revaluation-on Loss charged to HRA 2017/18 £'000	Total Impairment 2017/18 £'000
(40,067)	Dwellings	8,239	0	(14,221)	(6,447)	(12,429)
70	Other Assets	20	0	140	0	160
(39,997)	**Total Impairment**	**8,259**	**0**	**(14,081)**	**(6,447)**	**(12,269)**

12. PENSION RESERVE

The transfer to the Pensions Reserve in respect of the Housing Revenue Account is (£0.844m). Details of the background to, and reasons for this adjustment, may be found in note 8 to the Statement of Accounting Policies, and note 35 to the Financial Statements.

13. RENTS ARREARS

The total rent income for the year, after allowance is made for empty properties is known as Gross Rent Income. The loss of income as a result of empty properties & garages in HRA rose by £0.026m from 2016/17 value of £0.460m to £0.486m in 2017/18. The increase in loss was partly due to higher number of empty properties during the year. At 31 March 2018, 0.58% of the housing stock was vacant (0.53% at 31 March 2017).

Rents are expressed in terms of a 50-week year and were decreased from 3 April 2017 by an average of 1%. The average weekly rent at the end of 2017/18 was £87.72 (£88.57 in 2016/17).

The Housing Revenue Account shows rent income and other miscellaneous charges (for example service charges). Arrears of all charges at 31st March 2018 amounted to £3.505m (£3.809m at 31st March 2017). During the year ending 31st March 2018 arrears of £0.244m were written off as irrecoverable, which includes rent debt written off amounting to £0.231m.

The council has made a total provision against all housing-related debts of £1.098m. This figure includes a provision against rent arrears, in the sum of £1.038m.

14. SUBSIDY LIMITATION TRANSFER TO THE GENERAL FUND

Rent Rebates are available under the Housing Benefit scheme for those on low incomes. During 2017-18, 57.82% of the council's tenants received some help with the cost of their rent.

From 1st April 2004, the responsibility for carrying the cost of Housing Benefit passed to the General Fund in accordance with legislative changes. The Housing Revenue Account now only bears the cost of rent rebate subsidy limitation, which is the cost of rent rebates payable on rents above the Government's Limit rent level. In 2017/18 HRA average rents were below the Limit rent value, therefore, the cost to HRA was nil.

15. COLLECTION FUND

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

Business Rates £'000	Council Tax £'000	2016/17 £'000	Collection Fund	Business Rates £'000	Council Tax £'000	2017/18 £'000
			INCOME			
0	(124,168)	(124,168)	Council Tax Receivable	0	(133,704)	(133,704)
(167,044)	0	(167,044)	Business Rates Receivable	(177,503)	0	(177,503)
(167,044)	**(124,168)**	**(291,212)**		**(177,503)**	**(133,704)**	**(311,207)**
			EXPENDITURE			
			Apportionment of Previous Year (Surplus)/ Deficit			
0	0	0	Central Government	0	0	0
0	2,633	2,633	Billing Authority	0	2,208	2,208
0	125	125	Fire Authority	0	103	103
0	351	351	Police Authority	0	288	288
0	**3,109**	**3,109**		**0**	**2,599**	**2,599**
			Apportionment of Previous Year Deficit/ (Surplus)			
(5,778)	0	(5,778)	Central Government	(1,379)	0	(1,379)
(5,662)	0	(5,662)	Billing Authority	(1,352)	0	(1,352)
0	0	0	County Council	0	0	0
(115)	0	(115)	Fire Authority	(28)	0	(28)
(11,555)	**0**	**(11,555)**		**(2,759)**	**0**	**(2,759)**
			Precepts, Demands and Shares			
78,906	0	78,906	Central Government	78,273	0	78,273
77,327	102,735	180,062	Billing Authority	76,708	110,378	187,086
1,578	4,798	6,376	Fire Authority	1,565	4,985	6,550
0	13,417	13,417	Police Authority	0	13,942	13,942
157,811	**120,950**	**278,761**		**156,546**	**129,305**	**285,851**
			Charges to Collection Fund			
692	489	1,181	Less write offs of uncollectable	2,110	333	2,443
(2,410)	(132)	(2,542)	Less: Increase/ Decrease(-) in Bad Debt Provision*	21,847	220	22,067
8,224	0	8,224	Less: Increase/ Decrease(-) in Provision for Appeals	390	0	390
488	0	488	Less: Cost of Collection	160	0	160
329	0	329	Less: Disregarded Amounts	924	0	924
7,323	**357**	**7,680**		**25,431**	**553**	**25,984**
(13,465)	**248**	**(13,217)**	**(Surplus)/Deficit arising during the year**	**1,715**	**(1,247)**	**468**
15,507	(4,169)	11,338	**(Surplus)/Deficit b/fwd 1 April**	2,042	(3,921)	(1,879)
2,042	**(3,921)**	**(1,879)**	**(Surplus)/Deficit c/fwd 31 March**	**3,757**	**(5,168)**	**(1,411)**

16. RATEABLE VALUE

The total rateable value of business property as at the end of 2017/18 was £414.327m (as compared to £375.777m in 2016/17) and the rate multiplier applied was £0.479 (as compared to £0.497 in 2016/17) with a reduced multiplier of £0.466 for those businesses receiving Small Business Relief (as compared to £0.484 in 2016/17).

17. WRITE OFFS

Council Tax debt of £0.333m was written off in 2017/18 (£0.489m in 2016/17). National Non domestic rates debt of £0.810m was written off in 2017/18 (£0.692m in 2016/17).

18. TAX BASE

The Council Tax base for 2017/18, 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	8.35
A	6/9	9,239.17
B	7/9	21,571.86
C	8/9	22,817.56
D	9/9	12,778.50
E	11/9	12,836.36
F	13/9	7,683.00
G	15/9	4,514.17
H	18/9	242.50
		91,691.47
Anticipated changes during the year		1,116.86
Provision for non-collection		(1,111.82)
		91,696.51
Impact of Council Tax Reductions		(9,817.64)
Council Tax Base		**81,878.87**

19. COLLECTION FUND BALANCE APPORTIONMENT

The Collection Fund is a statutory Fund in which the council records transactions for Council Tax, Business Rates and residual Community Charges. In 2017/18 the Fund is in surplus and the proportionate shares are as follows:

2016/17 Total £'000		2017/18 Council Tax £'000	2017/18 NDR £'000	2017/18 Total £'000
(2,335)	Milton Keynes Council	(4,412)	1,840	(2,572)
1,019	Central Government	0	1,879	1,879
(431)	Thames Valley Police Authority	(558)	0	(558)
(132)	Buckinghamshire and Milton Keynes Fire Authority	(198)	38	(160)
(1,879)	**Total**	**(5,168)**	**3,757**	**(1,411)**

The Council Tax element of the Collection Fund had an estimated surplus of (£4m) when the 2017/18 Council Tax was set. The final outturn as above was (£5.165m) surplus, leaving the balance of (£1.165m) to be a contribution to the Collection Fund in 2019/20.

The Business Rates element of the Collection Fund has a final outturn of (£3.2m) which will be contributed in 2019/20.

20. PRECEPTS AND DEMANDS ON THE COLLECTION FUND

2016/17 Total £'000		2017/18 Council Tax Precept / Demand £'000	2017/18 NDR Precept / Demand £'000	2017/18 Total Precept / Demand £'000	Council Tax Share of 2017/18 Surplus £'000	NDR Share of 2017/18 Deficit £'000	Total Share of 2017/18 (Surplus)/ Deficit £'000	2017/18 Total £'000
177,727	Milton Keynes Council	110,378	76,708	187,086	(4,412)	1,840	(2,572)	184,514
79,925	Central Government	0	78,273	78,273	0	1,879	1,879	80,152
12,986	Police & Crime Commissioner for Thames Valley	13,942	0	13,942	(558)	0	(558)	13,384
6,244	Buckinghamshire and Milton Keynes Fire Authority	4,985	1,565	6,550	(198)	38	(160)	6,390
276,882	**Total**	**129,305**	**156,546**	**285,851**	**(5,168)**	**3,757**	**(1,411)**	**284,440**

GROUP ACCOUNTS

INTRODUCTION

The council has an interest in the Milton Keynes Development Partnership LLP, MK Business Excel Ltd 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 2018 was a profit of £1.557m.

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.

YourMK is in the early stages of developing their Business Plan and has yet to grow into their full potential. At December 2017 the forecast turnover was £0.469m with a forecast loss of (£0.209m). This position was expected in the early years of the Business.

The council has determined that we do not consider YourMK LLP to be material to consolidate in Group Account for 2017/18. However, as YourMK grows, it's the council's expectation that YourMK's position will be considered material and group consolidation would be required.

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 3 of the Financial Statements.

Interest in Subsidies

There are no interests in subsidiaries other than those reported in note 32 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.

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

2017/18 Current Year	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	**Total Usable Reserves £'000**	Unusable Reserves £'000	**Total Authority Reserves £'000**
Balance at 31 March 2017	**(106,802)**	**(52,433)**	**(19,399)**	**(33,873)**	**(23,596)**	**(236,103)**	**(448,824)**	**(684,927)**
Total Comprehensive Expenditure and Income	(34,684)	(16,472)	0	0	0	**(51,156)**	(82,204)	**(133,360)**
Adjustments between Accounting Basis & Funding Basis under Regulations	32,826	11,231	(3,825)	(12,437)	(14,382)	**13,413**	(11,455)	**1,958**
Net (Increase) / Decrease in 2017/18	**(1,858)**	**(5,241)**	**(3,825)**	**(12,437)**	**(14,382)**	**(37,743)**	**(93,659)**	**(131,402)**
Balance at 31 March 2018	**(108,660)**	**(57,674)**	**(23,224)**	**(46,310)**	**(37,978)**	**(273,846)**	**(542,483)**	**(816,329)**

2016/17 Comparative year	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	**Total Usable Reserves £'000**	Unusable Reserves £'000	**Total Authority Reserves £'000**
Balance at 31 March 2016	**(105,536)**	**(43,525)**	**(15,679)**	**(46,143)**	**(14,984)**	**(225,867)**	**(434,429)**	**(660,296)**
Total Comprehensive Expenditure and Income	28,323	(58,810)	0	0	0	**(30,487)**	3,895	**(26,592)**
Adjustments between Accounting Basis & Funding Basis under Regulations	(29,589)	49,902	(3,720)	12,270	(8,612)	**20,251**	(18,290)	**1,961**
Net (Increase) / Decrease in 2016/17	**(1,266)**	**(8,908)**	**(3,720)**	**12,270**	**(8,612)**	**(10,236)**	**(14,395)**	**(24,631)**
Balance at 31 March 2017	**(106,802)**	**(52,433)**	**(19,399)**	**(33,873)**	**(23,596)**	**(236,103)**	**(448,824)**	**(684,927)**

Group Income and Expenditure Statement

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

31 March 2017				31 March 2018		
Gross Income £'000	**Gross Exp £'000**	**Net Exp £'000**	**Comprehensive Income and Expenditure**	**Gross Income £'000**	**Gross Exp £'000**	**Net Exp £'000**
(17,026)	76,864	59,838	Adult Social Care and Health	(31,906)	93,717	61,811
(180,007)	241,151	61,144	Children and Families	(170,327)	228,650	58,323
(12,221)	12,361	140	Public Health	(11,958)	12,218	260
(209,254)	**330,376**	**121,122**	**Total People**	**(214,191)**	**334,585**	**120,394**
(11,611)	20,785	9,174	Housing and Community	(8,250)	14,341	6,091
(56,377)	(7,971)	(64,348)	Housing Revenue Account	(55,415)	22,520	(32,895)
(12,676)	11,294	(1,382)	Growth, Economy and Culture	(16,300)	24,492	8,192
(27,297)	56,829	29,532	Public Realm	(23,370)	55,523	32,153
(107,961)	**80,937**	**(27,024)**	**Total Place**	**(103,335)**	**116,876**	**13,541**
(7,726)	8,577	851	Resources delegated to LGSS	(1,416)	10,410	8,994
(105,756)	103,954	(1,802)	Resources retained MKC	(102,529)	93,112	(9,417)
(113,482)	**112,531**	**(951)**	**Total Resources**	**(103,945)**	**103,522**	**(423)**
(1,803)	4,029	2,226	**Total Corporate Core**	(2,405)	5,168	2,763
(2,164)	587	(1,577)	Corporate Items	(22)	334	312
(434,664)	**528,460**	**93,796**	**Cost of Services**	**(423,898)**	**560,485**	**136,587**
			Other Operating Expenditure			
		6,346	Parish Precepts			7,271
		458	Levies			461
		1,009	Payment to the Government Housing Capital Receipt Pool			834
		65,509	(Gain)/Loss on Disposal of Non-Current			28,925
		73,322	**Total Other Operating Expenditure**			**37,491**
			Financing and Investment Income and Expenditure			
		27,385	Interest Payable and Similar Charges			21,622
		(2,598)	Interest Receivable and Similar Income			(2,169)
		(647)	(Surplus)/Deficit on Trading Operations			(431)
		2,613	Income and Expenditure in relation to Investment Properties and Changes in their Fair Value			(20,909)
		11,702	Net Interest on the net defined benefit liability (asset)			11,189
		38,455	**Total Financing and Investment Income and Expenditure**			**9,302**
			Taxation and Non-Specific Grant Income			
		(105,171)	Council Tax Income			(113,661)
		(48,587)	Non-Domestic Rate Income			(48,671)
		(52,186)	Capital Grants & Contributions			(53,137)
		(30,116)	Non-Ringfenced Government Grants			(19,067)
		(236,060)	**Total Taxation and Non-Specific Grant Income**			**(234,536)**
		(30,487)	**(Surplus) or Deficit on Provision of Services**			**(51,156)**
		(63,369)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment			(36,337)
		231	(Surplus) or deficit on revaluation of available-for-sale financial asset.			(689)
		67,033	Remeasurements of the net benefit liability (asset)			(45,178)
		3,895	**Other Comprehensive Income and**			**(82,204)**
		(26,592)	**Total Comprehensive Income and**			**(133,360)**

Group Balance Sheet

The Group 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 Group.

31 March 2017 £'000		Note	31 March 2018 £'000
1,307,143	Property, Plant & Equipment		1,505,051
784	Heritage Assets		853
101,888	Investment Property		103,326
1,165	Intangible Assets		1,065
42,639	Long Term Investments		29,019
7,900	Long Term Debtors		5,889
1,461,519	**Long Term Assets**	2	**1,645,203**
136,033	Short Term Investments	2	74,080
1,845	Assets held for sale	2	11,398
77	Inventories	2	77
31,911	Short Term Debtors	3	65,097
98,874	Cash and Cash Equivalents		71,561
268,740	**Current Assets**		**222,213**
(9,877)	Short Term Borrowing	2	(17,729)
(82,499)	Short Term Creditors	4	(95,277)
(12,191)	Short Term Provisions	5	(14,340)
(7,593)	Short Term Capital Grants & Contributions Receipts in Advance	2	(6,975)
(4,055)	Short Term Revenue Grants & Contributions Receipts in Advance	2	(6,656)
(116,215)	**Current Liabilities**		**(140,977)**
(8,943)	Long Term Provisions	5	(14,968)
(483,294)	Long Term Borrowing	2	(474,344)
(411,250)	Liability Related to Defined Benefit Pension Scheme	2	(392,889)
(2,373)	Long Term Capital Grants & Contributions Receipts in Advance	2	(2,124)
(23,257)	Long Term Revenue Grants & Contributions Receipts in Advance	2	(25,785)
(929,117)	**Long Term Liabilities**		**(910,110)**
684,927	**Net Assets**		**816,329**
(236,103)	Usable reserves	6	(274,222)
(448,824)	Unusable Reserves	6	(542,107)
(684,927)	**Total Reserves**		**(816,329)**

Group Cash Flow Statement

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

2016/17 £'000		2017/18 £'000
30,487	**Net surplus or (deficit) on the provision of services**	**51,156**
(9,368)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(52,545)
(473)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(1,379)
20,646	**Net Cash flow from Operating Activities**	**(2,768)**
	Investing Activities	
(99,450)	Purchase of Property, Plant & Equipment, Investing Properties and Intangible Fixed Assets	(214,202)
(139,958)	Purchase of short-term and long-term investments	(58,833)
(1,009)	Other payments for investing activities	(834)
14,414	Proceeds of Property, Plant & Equipment, Investing Properties and Intangible Fixed Assets	21,835
210,488	Proceeds of short-term and long-term investments	135,891
77,468	Other receipts from investing activities	79,103
61,953	**Net cash flows from investing activities**	**(37,040)**
	Financing Activities	
0	Cash receipts of short and long-term borrowing	0
4,709	Other receipts from financing activities	14,236
(2,473)	Repayment of short and long-term borrowing	(2,384)
485	Other payments for financing activities	644
2,721	**Net cash flows from financing activities**	**12,496**
85,320	**Net increase or (decrease) in cash and cash equivalents**	**(27,312)**
13,553	Cash and cash equivalents at the beginning of the reporting period	98,873
98,873	**Cash and cash equivalents at the end of the reporting period**	**71,561**

Notes to the Group Accounts

1. 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.

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

The Group Balance Sheet contains transactions for both Milton Keynes Business Excel 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):

Group Total 2016/17 £'000		Milton Keynes Council 2017/18 £'000	Milton Keynes Development Partnership 2017/18 £'000	Intra-Company Transactions 2017/18 £'000	Group Total 2017/18 £'000
1,448,548	Long Term Assets	1,641,817	34,308	(30,922)	1,645,203
136,033	Short Term Investments	53,066	21,014	0	74,080
1,845	Assets held for sale	1,840	9,558	0	11,398
77	Inventories	77	0	0	77
32,902	Short Term Debtors	65,463	513	(879)	65,097
98,874	Cash and Cash Equivalents	71,414	147	0	71,561
(9,877)	Short Term Borrowing	(17,729)	0	0	(17,729)
(82,690)	Short Term Creditors	(92,534)	(3,622)	879	(95,277)
(10,087)	Short Term Provisions	(14,340)	0	0	(14,340)
(11,648)	Short Term Grants & Contributions Receipts in Advance	(13,631)	0	0	(13,631)
(8,943)	Long Term Provisions	(14,968)	0	0	(14,968)
(483,294)	Long Term Borrowing	(474,344)	0	0	(474,344)
0	Other Long Term Liabilities	0	(30,922)	30,922	0
(411,250)	Liability Related to Defined Benefit Pension Scheme	(392,509)	(380)	0	(392,889)
(25,630)	Long Term Grants & Contributions Receipts in Advance	(27,909)	0	0	(27,909)
674,860	**Net Assets**	**785,713**	**30,616**	**0**	**816,329**

3. DEBTORS

Short term debtors including payments in advance held by the group at 31 March 2018 are detailed in the table below.

Group Total 2016/17 £'000		Milton Keynes Council 2017/18 £'000	Milton Keynes Development Partnership 2017/18 £'000	Intra-Company Transactions 2017/18 £'000	Group Total 2017/18 £'000
6,589	Central Government Bodies	37,674	0	0	**37,674**
914	Other Local Authorities	530	409	(879)	**60**
2,199	NHS Bodies	2,179	0	0	**2,179**
8,566	Bodies External to Central Government	8,675	48	0	**8,723**
2,966	Council Tax Arrears	3,560	0	0	**3,560**
1,054	NNDR Arrears	885	0	0	**885**
3,380	Housing Rents	4,469	0	0	**4,469**
25,668	**Total Short Term Debtors before Payments in**	**57,972**	**457**	**(879)**	**57,550**
6,243	Payments in Advance	7,491	56	0	**7,547**
31,911	**Total Short Term Debtors**	**65,463**	**513**	**(879)**	**65,097**

4. CREDITORS

Creditors held by the Group at 31 March 2018 are detailed below.

Group Total 2016/17 £'000		Milton Keynes Council 2017/18 £'000	Milton Keynes Development Partnership 2017/18 £'000	Intra-Company Transactions 2017/18 £'000	Group Total 2017/18 £'000
(25,205)	Central Government Bodies	(31,479)	(1,036)	66	**(32,449)**
(5,245)	Other Local Authorities	(4,494)	(1,141)	1,137	**(4,498)**
(3,748)	NHS Bodies	(570)	0	0	**(570)**
(38,605)	Bodies External to Central Government	(46,192)	(304)	(324)	**(46,820)**
(2,803)	Staff Creditors	(4,031)	0	0	**(4,031)**
(2,687)	Housing Rent Prepayments	(1,619)	(1,141)	0	**(2,760)**
(2,464)	Council Tax Prepayments	(2,216)	0	0	**(2,216)**
(1,742)	NDR Prepayments	(1,933)	0	0	**(1,933)**
(82,499)	**Total Short Term Creditors**	**(92,534)**	**(3,622)**	**879**	**(95,277)**

5. PROVISIONS

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

6. RESERVES

The reserves held by the Milton Keynes Council and Milton Keynes Development Partnership at 31 March 2018 are detailed below:

Group Total 31 Mar 2017 £'000		Milton Keynes Council 31 Mar 2018 £'000	Milton Keynes Development Partnership 31 Mar 2018 £'000	Group Total 31 Mar 2018 £'000
(228,707)	Milton Keynes Council's Usable Reserves	(254,179)	0	(254,179)
(10,300)	LLP Retained Earnings	0	(20,043)	(20,043)
(239,007)	**Total Usable Reserves**	**(254,179)**	**(20,043)**	**(274,222)**
(429,878)	Milton Keynes Council's Unusable Reserves	(531,534)	0	(531,534)
(5,975)	LLP Non-Distributed Reserves	0	(10,573)	(10,573)
(435,853)	**Total Unusable Reserves**	**(531,534)**	**(10,573)**	**(542,107)**
(674,860)	**Total Reserves**	**(785,713)**	**(30,616)**	**(816,329)**

7. NET CASH FLOW FROM OPERATING ACTIVITIES

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

Group Total 31 Mar 2017		Milton Keynes Council 31 Mar 2018	Milton Keynes Development Partnership 31 Mar 2018	Intra-Company Transactions 31 Mar 2018	Group Total 31 Mar 2018
30,060	**Net Surplus/(Deficit) on the provision of services**	**36,882**	**14,274**	**0**	**51,156**
	Adjustments to net Surplus or deficit on the provision of services for non-cash movements				
(19,126)	Depreciation and Impairment of non-current assets	12,710	(7,982)	0	4,728
5,493	Investment Assets Revaluation Gains & Losses	(5,700)	0	0	(5,700)
(52,189)	Capital Grants & Contributions	(53,137)	0	0	(53,137)
2,123	(Increase) / decrease in Creditors	9,347	(483)	0	8,864
1,073	Increase / (decrease) in Debtors	(38,391)	1,296	0	(37,095)
167	Increase / (decrease) in Inventories and Work in Progress	0	0	0	0
3,608	(Increase) / decrease in Provisions	8,174	0	0	8,174
17,732	Pension Assets / Liabilities	26,689	128	0	26,817
65,499	Carrying amount of non-current assets sold	28,426	0	0	28,426
1,009	Housing Capital Receipts Pool	834	0	0	834
(1,959)	Local Government Reorganisation Transferred Debt	(1,959)	0	0	(1,959)
(32,798)	Other non-cash items charged to the net surplus or deficit on the Provision of Service	(24,625)	(7,872)	0	(32,497)
(9,368)	**Total Non-Cash Items in the Provision of Services**	**(37,632)**	**(14,913)**	**0**	**(52,545)**
24,788	Reversal of operating activity items included in the net surplus or deficit on the Provision of Services that are shown separately	19,453	0	0	19,453
	Cash flow from interest received and paid				
(27,357)	Interest Paid	(22,907)	0	0	(22,907)
0	Interest element of Finance Leases	0	0	0	0
2,096	Interest Received	2,075	0	0	2,075
(25,261)	**Total Cash Flow from Interest Received and Paid**	**(20,832)**	**0**	**0**	**(20,832)**
20,219	**Net Cash flow from Operating Activities**	**(2,129)**	**(639)**	**0**	**(2,768)**

Glossary

Accruals
The accruals concept requires that the cost or benefit of a transaction is shown in the period to which the goods or services are received or provided, rather than when the cash is paid or received.

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

Actuarial Basis
The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.

Actuarial Valuation
An actuary undertakes valuations by checking what a pension scheme's assets are worth compared to its liabilities. The actuary then works out how much needs to be paid into the scheme by the employer and the members to make sure that there will be enough money to pay the pensions when they are due.

Admitted Bodies
Voluntary and charitable bodies whose staff can become members of the Local Government Pension Scheme subject to certain terms and conditions and other organisations to whom Local Government employees have been transferred under the outsourcing of Local Government services.

Amortisation
The process of reducing the value of an asset or liability over its useful life.

Capital Receipts
Proceeds from the sale of capital assets such as land or buildings. They are available to finance new capital outlay and to repay existing loan debt.

Community Assets
Assets which are held for the benefit of the community where there is no determinable useful life, such as works of art.

Council Tax
Council Tax is a local taxation that is levied on dwellings within the local council area, and funds all council services.

Creditor
Represents the amount that the council owes other parties.

Debtor
Represents the amounts owed to the council.

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

Depreciation
The measure of the wearing out, consumption or other reduction in the useful economic life of a long-term asset.

Dividend
The distribution of profits by a company to its shareholders. The dividend may be passed or cut if profits fall.

Earmarked Reserves
Reserve balances which have been set aside for future spending in a specific area.

Fair Value
Usually the amount that would be paid for an asset in an active market, however where there is no market for a certain type of asset (such as schools) other methods to determine fair value are used.

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

Grants
Payment towards the cost of local authority services. These are either for particular purposes or services (specific grants) or in aid of local services generally (formula grant).

Impairment
Impairment of an asset is caused either by a consumption of economic benefits, deterioration in the service provided by an asset, or by a general fall in prices of that particular asset.

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

Intangible Assets
Non-monetary assets that cannot be seen, touched or physically measured, but can be identified as a separate asset.

International Financial Reporting Standards (IFRS)
Regulations outlining the method of accounting for activities, issued by the International Accounting Standards Board.

Inventory
Fair value of current assets purchased which have not yet been consumed.

LOBO
Lender Option Borrower Option (Loans at market rates).

Minimum Revenue Provision (MRP)
This is the amount we have to set aside out of our revenue to repay loans.

Net Book Value (NBV)
The value of an asset after depreciation.

Non-Distributable Costs
Costs that cannot be specifically applied to a service and are held centrally.

Payment in Advance
A charge taken into account when preparing the financial statements, which are for benefits to be received in a period after the accounting date.

Precept
This is an amount we collect on behalf of Parish and Town Councils on their behalf. This money is collected by MKC and paid to the relevant body.

Provision
Potential costs that the council may incur in the future because of something that happened in the past, which are likely or certain to be incurred and a reliable estimate can be made to the costs.

Provision for Bad and Doubtful Debts
A prudent reduction in the reported level of income owed to the Authority for non-payment of invoices and other debt.

Prudential Borrowing
Borrowing which is financed from the council's own resources and conforms to the Prudential Code.

Public Works Loan Board (PWLB)
A government body set up specifically to lend money to local authorities.

Revaluation Gain
The increase to the fair value of an asset following a valuation.

Revenue Support Grant (RSG)
Government funding which provides general support for council services.

Surplus
The remainder after taking away all expenses from income.

Useful Life
The period with which an asset is expected to be useful to the Authority in its current state.