



milton keynes council



Milton Keynes Council

**Statement of Accounts for the year
2020/21**

Contents

Narrative Report	3
Independent Auditor's Report to the Members of Milton Keynes Council	27
Statement of Responsibilities	33
The Council's Responsibilities.....	33
The Responsibilities of the Chief Finance Officer	33
Accounting Policies	34
Comprehensive Income and Expenditure Statement	65
Movement in Reserves Statement	66
Balance Sheet	68
Cash Flow Statement	69
Note 1 – Disclosure of the Impact of an Error	70
Note 2 – Expenditure and Funding Analysis.....	73
Note 3 – Note to the Expenditure and Funding Analysis	74
Note 4 – Expenditure and Income Analysed by Nature	76
Note 5 – Adjustments between Accounting Basis and Funding Basis under Regulations.....	76
Note 6 – Accounting Standards Issued, Not Adopted	80
Note 7 – Critical Judgements in Applying Accounting Policies	80
Note 8 – Assumptions made about the future and other Major Sources of Estimation Uncertainty	81
Note 9 – Material Items of Income and Expense	83
Note 10 – Events After the Balance Sheet Date.....	83
Note 11 – Transfers to/from Earmarked Reserves	84
Note 12 – Other Operating Expenditure	86
Note 13 – Financing and Investment Income and Expenditure	86
Note 14 – Taxation and Non-Specific Grant Income	87
Note 15 – Trading Operations	87
Note 16 – Agency Services.....	88
Note 17 – Members' Allowances	88
Note 18 – External Audit Costs.....	88
Note 19 – Road Charging Schemes.....	89
Note 20 – Pooled Budgets	89
Note 21 – Officers' Remuneration.....	91
Note 22 – Dedicated Schools Grant	92
Note 23 – Grant Income	93
Note 24.1 – Property, Plant and Equipment	95
Note 24.2 – Assets Held for Sale	102
Note 25 – Investment Properties	102
Note 26 – Capital Expenditure and Capital Financing	103
Note 27 – Debtors.....	104
Note 28 – Creditors.....	105
Note 29 – Borrowing Repayable.....	105
Note 30 – Provisions	105
Note 31 – Contingent Liabilities	107
Note 32.1 – Usable Reserves	108

Note 32.2 – Unusable Reserves.....	109
Note 33 – Cash and Cash Equivalents	112
Note 34.1 – Cash Flow from Operating Activities	112
Note 34.2 – Cash Flow from Investing Activities.....	113
Note 34.3 – Cash Flow from Financing Activities	113
Note 35 – Financial Instruments.....	114
Note 36 – Leases.....	122
Note 37 – Related Parties	123
Note 38 – Defined Benefit Pension Scheme	126
Collection Fund	132
Housing Revenue Account Income and Expenditure Statement	134
Movement on the HRA Statement	135
Notes to the HRA Account.....	136
Group Accounts	139
Group Movement in Reserves Statement.....	142
Group Comprehensive Income and Expenditure Statement	143
Group Balance Sheet	144
Group Cash Flow Statement.....	145
G1 – Accounting Policies.....	145
G2 – Summary of Subsidiaries Transactions included in the Group Balance Sheet	145
G3 – Debtors	146
G4 – Creditors	146
G5 – Provisions	147
G6 – Reserves	147
G7.1 – Cash Flow from Operating Activities.....	147
G7.2 – Cash Flow from Investing Activities	148
G7.3 – Cash Flow from Financing Activities.....	148
Glossary.....	149

Narrative Report

Introduction

This document presents the statutory financial statements for Milton Keynes Council (the council) for the period 1 April 2020 to 31 March 2021 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 2020/21 (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.

Council Plan & Outlook

The Council Plan (The Plan) sets out how Milton Keynes Council will work to achieve its ambitions for Milton Keynes and deliver the Strategy for 2050. Milton Keynes Council operated through 2020/21 in line with the priorities set out in the 2016-2022 Council Plan. The Plan sets out a vision and desired outcomes for Milton Keynes, together with a series of priority actions to provide a shared framework for both the council and its partner organisations.

Milton Keynes Council vision is for a more prosperous, green and fair Milton Keynes, as it recovers and grows following the Covid-19 pandemic and the changes from Brexit.

Milton Keynes is the most successful New Town. We have attracted generations of people and businesses to move to and stay within Milton Keynes, created thousands of jobs and built a city with high quality infrastructure and green space because we have been at the cutting edge of modern thinking.

Milton Keynes Council wants to enable a 21 Century Milton Keynes while preserving what makes us special; an internationally recognised centre of prosperity, economic innovation and cultural creativity, in a high quality green space and built environment.

The Council Plan has three overall aims for Milton Keynes: to be a place of opportunity, an affordable place and a healthy place. Priorities are set out to reflect the most significant outcomes and making the greatest impact. Progress against delivery is reported to councillors and other stakeholders.

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

- A City of Opportunity - Milton Keynes has limitless potential. We want every person to have the chance of a good, well paid job and the skills to do it in a more equal society; a

prosperous Milton Keynes with a strong, diverse economy that has an international reputation for innovation.

- An Affordable City - We want to create communities that can attract, retain and enable people from every background. Milton Keynes has been built on meeting the aspirations of people to live in a good home at a price they can afford to rent or buy, and businesses being able to access high quality, affordable premises that meet their needs.
- A Healthy City - We will ensure lifelong wellbeing for all. We want Milton Keynes to be an active, vibrant place with people living long, healthy and fulfilling lives.

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

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

Milton Keynes Council is governed through a Labour and Liberal Democrat Progressive Alliance which was formally agreed in May 2021. This Progressive Alliance strives to make sure Milton Keynes has a prosperous, green and fair recovery from the pandemic.

Milton Keynes is a Unitary Authority with a growing population of c282,000 and is the landlord for over c12,000 properties of which 948 is the council's portion of shared ownership dwellings, whose income and expenditure is operated through a Housing Revenue Account (HRA).

The Council's 2020/21 Financial Position

Service Expenditure – General Fund

The Council's 2020/21 reported outturn shows an underspend of £0.917m for the year. Whilst there is an underspend of £5.022m of non-Covid-19 related income and expenditure (after taking into account recharges of £4.592m to Contain Outbreak Management Fund (COMF), the outturn also includes additional spending to react to the pandemic, loss of income to the Council for services being shut or lower demand leading to total pressure of £22.622m. In addition, lower collection rates of both Council Tax and Business rates has left a big impact on the Collection Fund which will need to be funded in future years, meaning £10.590m has been contributed to reserves to offset this future pressure. This has been offset by support from the Government through the income support scheme, which allows the Council to recover up to

70% of net fees and charges income losses (£8.795m), and (£20.312m) General Fund Government Support to cover additional expenditure.

In addition to the general Covid-19 Government Grant allocation a number of other grants have been provided by the Government to support the impact of Covid-19 on the Council. The Council received specific Grants to the value of £14.255m in 2020/21 including £6.447m of Contain Outbreak Management Fund, £1.065m Test & Trace Grant. These are detailed in further into the Narrative Statement on pages 15 to 17.

The Government have also allocated funding £88.835m which has been passported on to businesses, schools and others within the community.

The Table on the following page show the General Fund outturn position for the year ending 31 March 2021.

General Fund - Income & Expenditure Summary at 31 March 2021

	2020/21 Full Year Budget	Draft Outturn	Variance	Outturn Position – Covid-19	Outturn position - Non- Covid-19	Remove COMF	Revised Variance
Service	£m's	£m's	£m's	£m's	£m's	£m's	£m's
Adult Social Care	71.237	72.006	0.769	4.551	(3.782)	0.000	0.769
Public Health	11.650	11.650	0.000	0.000	0.000	(0.152)	0.152
Children's Services	49.504	48.268	(1.236)	1.619	(2.855)	(1.637)	0.401
Policy, Insight & Communications	0.704	1.098	0.394	0.787	(0.393)	(0.412)	0.806
Strategy and Futures	0.657	0.635	(0.022)	0.461	(0.483)	(0.009)	(0.013)
Housing and Regeneration	0.892	0.898	0.006	0.000	0.007	0.000	0.006
Planning, Strategic Transport and Placemaking	5.781	7.061	1.280	1.720	(0.440)	(0.013)	1.293
Environment and Property	60.365	71.250	10.885	12.714	(1.829)	(1.852)	12.737
Resources - Retained MKC	(0.212)	0.345	0.557	0.547	0.011	(0.398)	0.955
Resources - LGSS	5.022	5.022	0.000	0.000	0.000	0.000	0.000
Law & Governance	1.921	2.065	0.144	0.223	(0.079)	(0.119)	0.263
Debt financing	4.127	8.407	4.280	0.000	4.281	0.000	4.280
Corporate Codes	21.788	22.412	0.624	0.000	0.620	0.000	0.624
Assets Management	(26.813)	(26.813)	0.000	0.000	0.000	0.000	0.000
Net Cost of Services	206.623	224.304	17.681	22.622	(4.942)	(4.592)	22.273
Covid-19 Funding	0.000	(29.107)	(29.107)	(29.107)	0.000	4.592	(33.699)
General Fund Requirement	206.623	195.197	(11.426)	(6.485)	(4.942)	0.000	(11.426)
Total Financing	(206.623)	(196.114)	10.509	10.590	(0.081)	0.000	10.509
Net Surplus / Deficit	0.000	(0.917)	(0.917)	4.105	(5.023)	0.000	(0.917)

Significant Overall Revenue Variances

Adult Services – £0.769m Overspend

Adult Services shows an overspend of £0.769m including Covid-19 costs and loss of income on Day Care and Continuing Health Care (CHC) of £4.551m and an underlying £3.782m underspend on non Covid-19 budgets.

The Covid-19 pressures of £4.551m are made up of:

- Supported Living care - additional 1:1 cost to cover closure of Day Care, £1.279m
- Care Homes – financial support and easement, £1.38m
- Homecare – escalating cost of home care for service users unwilling to transfer into more cost-effective residential care, £0.268m
- PPE costs, £0.214m
- Day Care – loss of Continuing Healthcare (CHC) and Client contributions, £0.362m
- Homeless and Rough Sleepers – hotel and accommodation costs, £1.047m

The Covid-19 costs mask an underspend on non- Covid-19 forecast of £3.782m made up of:

- Direct Payments (DP), £1.015m - reduction in use of DP due to a lack of demand. We have found in recent years that DPs are not appropriate or practical, particularly for Frail Elderly service users. The reduction in use has not been matched by an increase in costs of greater Homecare, Day Care etc. In 2021/22 we will re-align the Direct Payment Budget and vire £0.262m to cover the cost of establishing the Community Support Team as a permanent service within the Older People and Working Age Adults Assessment teams.
- Part of the underspend has been earmarked to cover a shortfall in committed savings in the MTFP in this year and £0.250m in 2021/22.
- Homelessness Prevention & Access, £0.666m including the Homeless Prevention Fund balance.
- Staff, underlying underspend of £0.686m on Assessment, Review, Reablement, Mental Health, Sheltered and Day Services. This is due to a combination of disruption to the recruitment caused by Covid-19 and availability of the right caliber of staff.
- Additional temporary NHS Hospital Discharge, CHC and Client Contributions - £1.290m
- Commissioned Services underspend due to delay in remodeling services - £0.125m

Children's Services – £0.401m overspend

Children's Services shows an overspend of £0.401m including Covid-19 costs and loss of income of £1.619m and a £2.855m underspend on non- Covid-19 budgets.

- Children's Social Work £0.121m – legal costs for children's services were overspent by £0.304m due to the number of cases and complexity of high cost cases. There was an overspend of £0.078m on supporting the No Recourse to Public Fund families due to the delays in Home Office applications being processed and transferring into permanent accommodation, however this was offset by an underspend of £0.099m in Section 17 support to families in need. The Children's Social Work Teams staffing budgets were underspent by £0.195m as a result of delays in recruitment and vacant posts.
- Corporate Parenting £0.026m– The placements budget has an overall overspend of £0.468m. This includes the Regional Adoption Agency overspend of £0.155m due to the number of children being placed and the cost of inter-agency fees and remand placements overspend of £0.161m is as a result of incidents which took place during 2019, there are currently no young people in remand. The number of LAC has reduced from a peak in December 2019 at 428, reducing in April 2020 to 404 and reduced again in March 21 to 389. Whilst the number of LAC remains stable there have been several high cost placements in addition to secure placements being needed. There has recently been an Ombudsman ruling whereby all special guardianship carers are due a rate revision dating back to May 2018, the cost of this is expected to be £0.623m. The Corporate Parenting Team staffing budgets were underspent by £0.200m as a result of delays in recruitment and vacant posts.
- Education Sufficiency, Access and Attendance £0.001m - Home to School Transport (£0.340m) contract costs overspent in 2019/20, and the higher weekly costs continued into 2020/21. However there have been one-off cost savings in-year due to transport not being delivered as a result of school closures and Covid-19 grant funding from the government. The amount of additional costs as a direct result of Covid-19 was reviewed by Internal Audit as per the grant assurance. Whitehouse 12FE Secondary School £0.300m - School Building Contract has received a Compensation Event claims under the NEC 3 form of contract for the direct and indirect costs related to the impact on the project of the Covid-19 pandemic. An additional contribution of £0.300m, funded by revenue contribution, is required to deliver the project. The offer reduces future risk to any further changes in legislation associated with the pandemic.
- Youth and Community £0.282m – £0.471m pressures across the service due to a loss of income as services cease to be offered or are offered at reduced capacity due to the impact of Covid-19. This has been offset by a restructure within Youth MK and reduced spend across the service.
- Special Educational Needs and Disabilities (£0.133m) – The short breaks scheme has an underspend of (£0.084m), as families have been unable to use their vouchers due to the lockdown measures. Several schools have also not been able to carry out short break activities which they have previously facilitated, and therefore this has increased the underspend. Children with Disabilities direct payments are forecasting an underspend of (£0.031m). During the pandemic, packages remained steady at 170 during the

months of July 2020 and October 2020, whilst several packages were unable to be delivered due to families shielding or providers not having capacity due to Covid-19. Packages increased slowly to 187 by the end of the financial year.

- Education, Attainment and Effectiveness £0.105m – contribution towards the redundancy costs of a sponsored school academy conversion which took place during this year, partially funded from the School Improvement and Brokerage grant.

Policy, Insight & Communications - £0.806m overspend

- A provision has been made for the loss of income from the casino, due to the mandatory closure as a result of government restrictions
- £0.325m Customer Services savings target was deferred due to Covid-19. A business restructure was recently completed but the saving is not going to be realised until next financial year.

Planning, Strategic Transport and Placemaking – Overspend £1.293m

- Planning income is lower than budget by £1.046m and the leisure contract income is down by £0.246m and having to incur additional one-off costs of £0.160m to support the contract for 7 months. The cost of planning appeals has been £0.154m
- Development Management salaries are under by £0.198m due to a delay in filling posts in the restructure or posts being filled internally

Environment & Property - £12.737m Overspend

Environment & Property shows an overspend of £12.737m including Covid-19 costs and loss of income of £12.714m and a £1.829m underspend on non-Covid-19 budgets.

- Covid-19 related loss of income - car parking of £10.308m, new MSCP £0.523m, Sponsorship £0.442m, Registration Services of £0.106m (however, most are re-booking), Taxi licensing of £0.219m.
- The key Covid-19 related costs are - £0.924m additional waste tonnage and contamination costs and £0.316m temporary mortuary, burial costs and statutory enforcement costs (lockdown 1 and 3) along with £0.225m added costs in property for PPE and building related expenses and office conversions to make working spaces Covid-19 compliant.
- There are Covid-19 related savings - £0.635m reduced car parking contract costs due to suspension of enforcement during lockdown and no new technology introduced. There are £0.125m less cost at the household waste recycling centres after the purchase of a new booking system which will result in on going savings. There was reduced NNDR costs at the Elder Gate MSCP in 2020/21, a saving of £0.100m and other borrowing/operational savings of £0.218m. Bereavement income was £0.155m more than budget following increased deaths in January and February.

- Non Covid-19 related pressures relate to £0.440m for Whitehouse Health Centre whereby there was a delay in the premises being occupied this year (although this is an in-year pressure as work has been successful in attracting tenants for all of the building next year). There is also a phasing pressure of £0.188m at Saxon Court due to the early departure of the tenants (netted of by reduced running costs) and £0.269m additional facility management and building repairs costs due to reactive works. In addition, there is £0.207m of income pressures in property relating to rental at Civic and other non-operational buildings that has previously been offset by added income in other areas/reduced costs. As noted as a risk in the latter months of 2020/21, winter maintenance costs were £0.271m in excess of budget due to wet and cold weather conditions.
- There are additional waste tonnage costs and a reduction in energy grants (LECs) that have been incurred since 2018/19 that were under accrued by £0.215m and £0.098m that relate to this year. Insurance costs at the RWTP have increased and the contract states that this, in part, falls to the council; the cost for 2020/21 is £0.170m and will be an on-going new pressure. This is offset to a degree by in year reduced food and garden waste collection and disposal costs and increased income of £0.104m.
- Finally, there are savings of £0.800m as a result of agreeing a revised, reduced payment mechanism for concessionary fares and reduced street lighting costs of £0.260m due to a lower than budgeted electricity inflation cost in October along with reduced usage in the latter half of the year due to better weather and more accurate data readings. Highways insurance cost recovery was £0.202m better than budget although this is not expected to be the pattern going forward as some income was in relation to costs incurred in previous years.

Resources MKC – £0.955m Overspend

- There are Covid-19 related costs of £0.481m for extensions to IT contracts, additional Vodafone call/network costs from increased homeworking and additional IT licenses plus a net loss on court costs income from non-payment of council tax and NNDR totaling £0.334m. External Audit fees are £0.170m above budget due to additional time spent and technical issues of the 2018/19 and 2019/20 audits.
- There is a net cost of £0.180m where funding has been transferred from Revenues and Benefits budget codes to replenish the overpayments reserve which could have been considered low in light of the pandemic and the potential impact of the new central government debt policy known as “breathing space”.
- To offset these pressures, there is a budget of £0.209m in printing that has not been utilised this year but will be required to cover additional IT costs next year.

Law & Governance – Overspend £0.263m

- Subscription costs for external legal advice are overspent by £0.084m which has been the position over the last couple of years. A pressure was included in the 2021/22

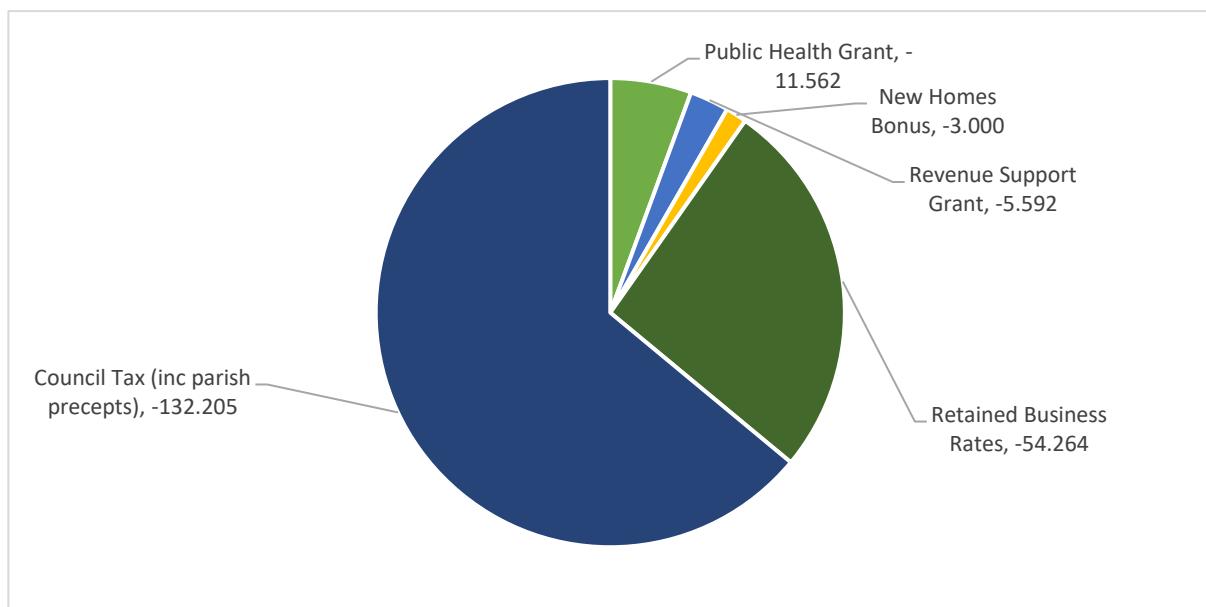
budget to cover this in future years. Income within the legal team has suffered a shortfall of £0.091m essentially due to less housing development activity and the legal fees associated with this. In addition, £0.034m was spent on new devices for councillors to allow online meetings as a result of Covid-19.

Debt Financing & Corporate Codes –£4.904m Overspend

- Temporary Accommodation contingency £1.000m agreed as part of the 2020/21 Budget setting process has not been needed this year.
- Additional Voluntary contribution for MRP within Debt Financing Sources of Finance - Income from Grants, Local Tax Payers and Other Sources

Sources of Financing

Milton Keynes Council’s net cost of service is funded through Council Tax, Business Rates and Grants. The chart below details how the 2020/21 budget requirement of £206.623m 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.

Public Health

Public Health has underspent by £1.156m (overall there is a net nil variance after use of reserves as the funding is ring-fenced). The in-year underspend is as a result of reduced activity and re-prioritising of GP appointments from the impact of Covid-19 in particular Sexual Health £0.238m and Health Check services £0.232m. This has also impacted on staffing vacancies across the shared service model.

Dedicated Schools Grant (DSG)

When the budget was set, it was anticipated that there would be a surplus carry forward of £2.636m from 2019/20, however the actual carry forward was a surplus of £2.185m. The 2020/21 budget was set with a budgeted surplus carry forward of £1.936m, however the surplus carry forward is £3.657m. The reduced carry forward from 2019/20 is partially offset with an in-year underspend on the schools and high needs blocks.

The main areas of risk are in high needs where there have been increases in the number of children requiring support at increasing levels of complexity. High needs funding remains a national issue and although we currently have a high needs surplus, this is one off and the future funding increases remain uncertain on the DSG and have not up until now, kept up with demand. The early years block is very volatile and remains uncertain in terms of the level of take up due to the impact of Covid-19. There is a low level of contingency in the block in which to deal with the pressures should they arise.

Housing Revenue Account (HRA)

The HRA has an underspend of £0.866m which has been transferred to capital reserves to fund future investment in the stock. The key variance include:

- The estimated financial implications of the short-term fire safety issues at Mellish Court and The Gables were not anticipated when setting the 2020/21 budget. Revenue overspends based on the decant plan for the current Financial Year, an HRA overspend of £1.3m. This will be covered by underspends elsewhere within the HRA and by a reduced contribution of HRA surpluses to the Regeneration Reserve.
- The key issue in the HRA is the impact of Covid-19 on rent income. Though the impact was slow to materialise because of delays in Universal Credit payments, the current estimate is for an increase of £0.413m in provisions for arrears and bad debts.
- £0.660m incurred for winding up of YourMK, not anticipated as part of the 2020/21 budget setting process and will be offset by a decrease contribution to capital.
- Following the review of the non-essential budgets and working closely with budget managers, a total of (£0.437m) has been identified, with further (£0.468m) of vacancy savings post pay awards, inflation and agreed pro-rata in year budgets re-allocation for recruitment approved by CLT.
- Reduced debt charges of (£1.337m) offset by significant decrease in investment interest receivable due to very low interest rates £0.550m

Service Expenditure – Cost Reductions and Income in 2020/21

Savings of £3.696m were approved for implementation in 2020/21, £0.631m savings carried forward from 2019/20 and £0.250m savings brought forward from 2021/22 to be delivered in year, resulting in a total of target of £4.577m to deliver. £3.145m (69%) has been delivered in year, and £1.432m (31%) will either not be delivered until next year or are undeliverable.

Where the saving cannot be delivered or not the full amount this has been reflected in the 2021/22 budget.

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

- The Saving target for Temporary Accommodation budget £0.295m has been realigned and carried forward in the 2021/22 MTFP and the budget gap identified from an existing underspend in Adult Services Direct Payments budget. The service is on track to deliver the saving based on the level of underspend on Direct Payments in previous years and the 2020/21 Outturn.
- Organisational efficiency and the review of existing routine expenditure across the organisation £0.250m has not been achieved due to Covid-19 this saving has not been achieved but has been mitigated by non-essential spend savings in year. The budget will need to be rebased in future years.
- Digital Transformation & Customer Services Programme £0.300m to centralise the Council's customer services arrangements for more front line services, improving performance, access and supporting digital channels, increase responsiveness of service and reduce failure demand has been delayed. A detailed plan is yet to be presented to articulate these savings but there are some broad projects being pursued. A revised programme is being developed to be presented to members for this and the next 2 years savings targets.
- The sale of Saxon Court saving £0.100m has been delayed due to Covid-19. Saxon Court will be sold in the summer 2021 now and so the saving needs to be rolled forward a year. The existing tenants have also left in 2020/21 causing a pressure on the Saxon Court cost centre. This change has been reflected in the 2021/22 budgets.

Service Expenditure – Capital

In 2020/21 £105.018m was spent against a budget of £164.285m, a £59.268m underspend, after slippage of £57.438m, this will result in an underspend of £1.830m in year.

The main areas of underspend are:

- CMK Multi Story Car Park £0.743m – Project has completed less than budgeted. The Final Account was agreed, the budget for the project was higher than required as it included a contingency for any unknown potential issues which fortunately was not required.
- Whitehouse Health Facility £0.191m - Project due to complete in May 2021. The Final fees for Gleeds to manage the end of the defect's year are lower than budget as they have not visited the site as much as planned due to Covid-19. The NEC Supervisor fees (also part of the final end of defect's fees) are also slightly less for similar reasons.
- Bracknell House £0.116m - budget was based on a cost estimate, prior to the tenders being received. The Tenders came back lower than originally anticipated

- Schools Capital Maintenance Underspend £0.272m - Covid-19 has minimised programme this year. All unused or unallocated funding to be returned to Capital Maintenance Programme

2020/21 Key Slippage to later Years

- HRA New Build, Acquisition's & Regeneration Housing Programme £34.023m requested slippage to 2021/22 due to changes to the procurement process, delays in planning and building control permission process and revisions to the original Programme specification. Forecast completion dates for the projects have now been identified as March 22.
- HRA Asset Management Programme £5.795m requested to slip to 2021/22 mainly due to Structural upgrades & Fire Safety works. Work is now on site on a number of projects following restart but the spend is subject to party wall matters, ongoing issues with Contractors and Leaseholder consultation.
- A421 £1.485m slippage to 2021/22. This is a Joint project between MKC & Central Bedfordshire Council (CBC). CBC being the lead authority. The Project is now finished, and defect works and final accounts still to be agreed. A total £3m contribution from MKC towards this project is still expected, part of which has already been paid with the remaining spend to be accrued and dependent on the ongoing resolution of outstanding contract claims due in 2021/22.
- Housing Infrastructure Fund £0.797m slippage to 2021/22. Progress to date has been focused on planning application which was submitted on 31 March. Elements of technical design work and associated costs incurred by developer and Council have therefore slipped into April and beyond. Target completion date March 2024.
- Bletchley to Blue Lagoon Redway links £0.538m slippage to 2021/22. The work is being planned and split into 3 sections but will straddle year end. Forecast completion is early next year and due to complete within budget.
- Passenger Transport £0.709m slippage to 2021/22. Programme delayed due to Highways resource issues that are being resolved. Forecast completion date remains at the March 2022.
- Whitehouse Community Facility £1.370m slippage to 2021/22. The existing contractor of school unable to deliver project within current resources. A review of procurement options to deliver project is required.
- Hanslope Primary School and associated Nursery 1FE Expansion slippage of £1.828m. Planning permission withdrawal due to issues with Strictly Education has meant delays to start build process, now due by end March 2022.

A review of all projects in the 2021/22 Capital Programme has been undertaken to confirm deliverability and spend approval for the capital programme in year and over the medium term. The Capital Programme has been rebased to reflect current expected deliverability taking into

account the impact Of Covid-19 with revised 2021/22 year Programme of £169.992m and £476.770m agreed programme over the medium term.

The main capital schemes in 2021/22 are:

- Glebe Meadows Primary & Secondary School £25.370m
- HRA New Build & Regeneration programme £29.660m
- Hanslope Primary School Expansion£4.407m
- HRA Asset Management £47.530m

Covid-19 Pandemic

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

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

Local Government has received funding from government to help meet the costs of dealing with the emergency and to recognise the wider financial impact that this is having in terms of lost fees and charges, taxation revenues and delays to planned savings.

Covid-19 Grants

Funding for General Purposes

The Government has provided a total of £29.107m of funding to offset the impact of Covid-19 on the General Fund budget, together with, support for loss of income on fees and charges, including loss of parking income, and mitigating the impact on our council tax and business rates collection fund, increased expenditure in social care support, PPE, rough sleeping, increased waste tonnages and so on.

The following grants have been received which are charged to the Taxation and Non Specific Grant Income line of the Comprehensive Income and Expenditure Statement.

Grant	Taxation and Non Specific Grant Income £m	Reserves £m	Total Allocation £m
Local Authority Support Grant	(14.648)	(5.663)	(20.311)
Income Support Scheme Grant	(8.795)	0.000	(8.795)
Business Rates Retail Relief (MKC share 49%)	(73.656)	0.000	(73.656)
Next Steps Accommodation Programme (NSAP) - Capital Grant	(0.689)	0.000	(0.689)
Emergency Active Travel Fund - Tranche 1 - 2 - Capital Grant	(0.776)	0.000	(0.776)
Total	(98.564)	(5.663)	(104.227)

Funding for Specific Purposes

In addition to the general Government Grant allocation, the council has been managing and accessing various other Government support funds. The table below shows a list of these grants received, and how much has been spent and carried forward in 2021/22.

Grant	Cost Of Services £m	Carry Forward to 21/22 £m	Total Allocation £m
Rough Sleeping Contingency Fund	(0.026)	0.000	(0.026)
Rough Sleeping - Cold Weather Fund	(0.090)	0.000	(0.090)
Emergency Active Travel Fund - Tranche 1 - 2 - Revenue Grant	0.000	(0.137)	(0.137)
Test, track and trace funding	0.000	(1.065)	(1.065)
Reopening High Streets Safely Fund	(0.191)	0.000	(0.191)
Food & Other Essentials (£63m national)	(0.206)	(0.061)	(0.268)
Support for Home to School Transport	(0.332)	(0.286)	(0.618)
Local authority compliance and enforcement grant	(0.066)	(0.069)	(0.135)
Contain Outbreak Management Fund	(5.145)	(1.303)	(6.448)
Clinically Extremely Vulnerable	(0.285)	(0.236)	(0.521)
Community Testing Funding	(0.046)	0.000	(0.046)
Wellbeing For Education Funding	(0.013)	(0.029)	(0.043)
Travel Demand Management	(0.045)	(0.055)	(0.100)
Protect Plus fund	(0.067)	0.000	(0.067)
Next Steps Accommodation Programme (NSAP) - Revenue Grant	(0.496)	(0.138)	(0.634)
NHS Discharge Funding	(2.397)	0.000	(2.397)
Total	(9.407)	(3.379)	(12.786)

Passported Funding

The Government have also allocated funding which has been passported on to businesses, schools and others within the community. The table below shows a list of these grants received and whether they have been accounted for as the Council being:

- Agent - Where an authority is acting as a distribution point for grant monies to other bodies and has no control over the amount of grant allocated to a recipient, then the authority is likely to be acting as agent.
- Principal - Where an authority is able to conclude that it has control over the distribution or amounts of the grant it would be deemed to be acting a principal.

Grant	Total Allocation £m	Agent	Principal
Covid-19 Hardship Fund	(2.322)	0.000	(2.322)
Business Support Grant (incl LADGF/ARG)	(9.627)	0.000	(9.627)
Bus Services Support Grant	(0.873)	0.000	(0.873)
Business Support Grant (LRSG)	(67.970)	(67.970)	0.000
Infection Control Fund - round 1 -2	(4.147)	0.000	(4.147)
Test & Trace Support Grant (Isolation Payments)	(0.615)	(0.615)	0.000
Schools Covid-19 catch up payments	(0.982)	(0.982)	0.000
Schools Covid-19 exceptional costs	(0.310)	(0.310)	0.000
Digital Platform	(0.014)	(0.014)	0.000
Workforce Capacity Fund	(0.454)	(0.454)	0.000
Lateral Flow Device testing Fund (Rapid Testing)	(0.497)	0.000	(0.497)
Covid-19 Winter Grant Scheme (Holiday help)	(0.973)	(0.973)	0.000
Funding for BIDs	(0.051)	(0.051)	0.000
Total	(88.835)	(71.369)	(17.466)

Financial Outlook & Covid-19 Impact

The Council Medium Term Financial Plan 2021/22 set out how the Council would address its financial challenges, prioritise the resources it has and support the delivery of the Council Plan. Unlike previous plans this was done against an unprecedented backdrop of a global pandemic which has and will continue to change all aspects of what the Council delivers. There continues to be no long term funding strategy from government and the financial impact of the pandemic on public finances, together with the wider economy has created a very fluid and unpredictable backdrop.

The Council responded effectively to the initial challenges presented by the pandemic both in terms of making critical service decisions and strengthening its financial and risk management approach. The Council will need to continue to evolve and respond to the rapid changes taking place within our communities, business sector and wider economy to ensure that the Council continues to provide support and leadership whilst remaining financially resilient.

Responding to Covid-19

During 2020 we implemented a number of additional measures in response to the financial impact of the Pandemic. These included additional restrictions on non-essential spending (£3m in year savings delivered), on-going review of all non-essential spending by an independent panel reporting through to CLT and the implementation of structural budget changes to improve reporting and accountability of budget managers.

All services produced Flexible Operating Plans in the spring in response to the challenges presented by Covid-19 and this was further supported by a comprehensive programme of Rapid Service Reviews which was completed in November 2020.

All significant supplier contracts were reviewed with Contract Managers to ensure that the Council was managing the increased risks presented by Covid-19 effectively and a new Contract Management System was procured and went live from April 2021.

All of this was achieved whilst managing the additional demands of Covid-19, and a high percentage of savings agreed in the 2020/21 budget achieved.

Milton Keynes has responded rapidly in terms of its Covid-19 response. See attached a link of the work done by the council with Stakeholders to support members of the public in line with the council plan.

https://content.govdelivery.com/attachments/UKMK/2020/05/29/file_attachments/1461946/MKC%20COVID%2019%20Progress.pdf

Responding to Covid-19 Uncertainty through the Budget

The Council set out its approach to developing a budget for 2021/22 in the face of unprecedented uncertainty caused by Covid-19. The principles / framework was based on:

- Covid-19 to remain in general circulation.
- General government measures remain in place.
- No new national or local lockdown.
- Customer behavior will change and move towards a new norm of reduced social interaction and suppressed demand for discretionary spending.
- Schools will remain open.
- 2022/23 – 2024/25 – assume will be the same and model changes in inflation, demand and other known issues.

We worked closely with budget managers to rebase service budgets to take account of the impact of Covid-19 on changes to demand and agreed key assumptions on how this was likely to change in 2021/22 using some key principles as a consistent reference point. In total we added in £14.1m in additional demand pressures, of which £12.5m related specifically to Covid-19. We

recognise that particularly on some of key front-line services there is likely to be lag impact on demand (e.g. mental health interventions, homelessness (eviction restrictions in place) etc. We have used the savings from 2020/21 on non-essential spending and the resources released through the review of reserves to strengthen our GF working balance, reflecting the increased risk exposure the Council now faces.

Future Challenges

Increases in demand for services and uncertainty over Government funding are creating an ongoing need to generate cost reductions and increased income. In total we need to address £25m of financial pressures over the next four years.

The table below, shows the financial pressures we must address over the next four years. So far, we have identified specific proposals and one off funding which could address up to £12.48m of these financial pressures but there is still significant work for the Council to do to close the gap and to ensure that it remains financially sustainable.

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	Total £m
Government Funding Adjustments	(7.255)	5.126	1.077	(2.116)	(3.168)
Other Funding Sources	(10.962)	(4.861)	(7.345)	(7.079)	(30.247)
Pay, Contract & Other Inflation	10.189	6.761	6.902	6.945	30.797
Budget Service Pressures	7.947	6.223	2.870	2.790	19.830
Budget Delivery	(7.286)	4.371	0.000	0.000	(2.915)
Corporate Measures	13.873	(11.134)	1.000	0.000	3.739
Capital Financing Costs	1.188	(0.473)	0.503	0.000	1.218
One-off Pressures	3.026	1.645	0.822	0.000	5.493
Total Pressures	10.720	7.658	5.829	0.540	24.747
Budget Reductions & Income Proposals	(5.256)	(1.879)	(1.065)	(1.510)	(9.710)
Less Reserves applied to one-off pressures	(3.026)	(1.645)	(0.822)	0.000	(5.493)
Budget Gap	2.438	4.134	3.942	(0.970)	9.544
Use Of Reserves	(2.438)	5.374	0.000	0.000	2.936
Net Ongoing Position	0.000	9.508	3.942	(0.970)	12.480

Further details of the Council 2022/23 Budget and Medium Term Financial Plan can be found on the Council's Website here <https://milton-keynes.cmis.uk.com/milton-keynes/Calendar/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/6835/Committee/1399/Default.aspx>

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

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

The Council had a working balance of £30.412m for 2020/21 which was above the minimum recommended level for 2020/21. A commitment was made that up to £2m of general fund working balance reserve was to be set aside as a contingency to respond to Covid-19 in line with the 2021/22 Budget.

The council's overall reserves have increased in 2020/21 from £204.9m to £267.6m, however £44.4m relates to Covid-19 business grants, £5.2m is financing the collection fund deficit, £5.8m relates to unspent Covid-19 grants to MKC and £8.3m a net increase in the Political Priority reserve. These amounts aside, the reserves have dropped by £1m. Details of the council's earmarked reserves can be found in note 11 to the Financial Statement.

The table below present the total reserves available to meet known and unknown risks.

Reserve Summary	Forecast Balance 31/3/21 £m	Forecast Balance 31/3/22 £m
GF Working Balance	30.412	29.253
% Net Revenue Budget	14.49%	13.86%
GF Risk Reserves	37.818	39.762
Total: Reserves Available to meet known and unknown risks	68.230	69.015
% Net Revenue Budget	32.51%	32.70%

Risks and opportunities

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

All risks are monitored, and the Audit Committee receives updates on risks and their management actions on a quarterly basis. The latest corporate risks register went to Audit Committee on the 30 June, details of which can be found on the Council's Internet page:

<https://milton-keynes.cmis.uk.com/milton-keynes/Calendar/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/6818/Committee/1396/Default.aspx>

Annual Investment Strategy

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

The Treasury Management Strategy Statement (TMSS) for 2020/21- 2024/25, which included the Annual Investment Strategy was approved by Council on 4 February 2020. It set out the investment priorities as being:

- Security of Capital;
- Liquidity; and then
- Yield

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

Given the significant impact lockdown restrictions had upon the economy and continued low returns from short-term investments, the Council will continue to hold large sums with the UK Government deposit facility and liquid instruments like money market funds and bank call/notice accounts. For longer-term investments then higher yielding asset classes and/or more secure (collateralised/asset-backed) options may be considered.

At the 31 March 2021, the council held £316.285m invested with various financial institutions (including total accrued interest of £0.471m); of this amount £116.511m has been classified as cash equivalents in accordance with Accounting Policy note F.

Expenditure – Borrowing

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

During 2020/21, principal repayments on annuity loans £2.873m were made to the Public Works Loan Board (PWLB) in line with loan agreements, and further £4.154m of loans were repaid in year. No new loans to fund expenditure on capital projects were undertaken.

At the end of the financial year the council had outstanding external borrowing totalling £460.302m. This full amount (including accrued interest of £1.930m) represents funding of capital projects. Further details of the composition of this sum can be found in the note 29 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 2021.

Partnerships

Milton Keynes Development Partnership

Milton Keynes Council wholly owns Milton Keynes Development Partnership (MKDP), a body set up to facilitate growth and economic success in line with the corporate plan. MKDP is a Limited Liability Partnership created to manage and exploit the commercial assets purchased from the Homes and Communities Agency.

In 2012/13, the council funded the purchase of the assets and the debt was passed on to MKDP along with the assets. The loan was refinanced during the 2019/20 and is reflected in the balance sheet under short-term investments. MKDP plan to repay the loan to the council through proceeds from the strategic sale of assets.

MKDP estate comprises around 265 developable acres which are used to develop Milton Keynes in line with the Council Plan. Further information on MKDP and its up and coming projects can be found at www.mkdp.org.uk

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

YourMK

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

Local Government Shared Service (LGSS)

Milton Keynes Council was a partner of Local Government Shared Services (LGSS) with Northamptonshire County Council (NCC) and Cambridgeshire County Council (CCC) until the end of November 2020. LGSS are reporting an underspend of £0.789m. The Milton Keynes Council share of the underspend is £0.265m

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

	CCC	MKC	NCC	Total
	£'000	£'000	£'000	£'000
(Under)/overspend position by Council	(273)	(265)	(251)	(789)

LGSS provided a wide range of strategic, professional, operational and internal transactional services including finance, procurement, internal audit, HR, IT and transactional financial

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

In December 2020, services were either repatriated or any shared services remaining were transferred into a Lead Authority Model.

Shared Public Health Collaboration

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

OPUS (East)

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

Workforce

In order to meet the above aims, Milton Keynes Council had a total establishment of 2,106 FTE at 31 March 2021. This workforce reflects the diversity of the residents of the City.

Non-Current asset Disposals

Major non-current asset disposals during the year included:

- Western Expansion Area - Disposal of part of Two Mile Ash Farm £12.600m
- Bletchham Way, Fenny Lock £0.326m
- Land off Grafton Gate (Santander) £0.040m
- Conversion of Holne Chase Primary School to Academy Status £1.660m

Other non-current asset disposals include the sale of council dwellings main stock of 32 properties for £1.528m and council dwellings shared ownership stock of 3.5 properties for £0.354m.

Contingencies, Provisions and Material Write-offs

During 2020/21 Milton Keynes Council raised general debts (including adult social care, rents and traded services) totalling £99.554m. The in-year collection rate is 91.59% based on the value of invoices raised and cleared by year end. The total debt written off in 2020/21 is £0.450m.

The council has 7 Contingent Assets and Liabilities which are detailed in note 31 to the accounts.

There were no new significant provisions required in 2020/21. The total provisions in the Balance Sheet at 31 March 2021 were £18.047m, of which £11.292m relates to the appeals provisions, £3.841m Insurance Provisions and the Term Time Only Provisions £1.714m. Further details can be found in note 30 to the Account.

The 2020/21 Accounts

The council is required to present a complete set of financial statements (including comparative information). The core financial statements are set out on pages 63 to 67 and are presented as follows (The Expenditure & Funding Analysis (EFA) is not a core financial statement but is detailed below to aid users of the accounts):

Comprehensive Income and Expenditure Statement (CIES)

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

Balance Sheet

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

The headline figures and messages from this statement are:

- The pension liability calculated by the actuary has increased by £165m in 2020/21. Liabilities have been assessed on an actuarial basis using the projected unit credit method which is an accrued benefits funding method in which the Actuarial Liability makes allowance for projected earnings providing an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liability is therefore outside of the control or influence of the council and is reported in accordance with International Accounting Standard 19 – Employee Benefits.

Movement in Reserves Statement (MIRS)

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

Cash Flow Statement

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

Expenditure & Funding Analysis (EFA)

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

Supplementary Financial Statements:

Housing Revenue Account (HRA)

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

Collection Fund

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

Group Accounts

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

document consolidate the accounts of the Milton Keynes Development Partnership with Milton Keynes Council.

Further Information

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

Our accounts are audited by Ernst & Young LLP.

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

Qualified Opinion

We have audited the financial statements of Milton Keynes Council for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

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

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the financial position of Milton Keynes Council and Group as at 31 March 2021 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 2020/21.

Basis for qualified opinion

As set out in Note 24.1 – Property Plant and Equipment, to the Milton Keynes Council financial statements, Infrastructure Assets have a gross book value of £324 million, with a net book value of £247 million as at 31 March 2021. This note also provides management's explanations as to why it is not possible to provide evidence to support the carrying value of these assets.

We were unable to obtain sufficient appropriate audit evidence to support a net book value of £247 million as Milton Keynes Council does not maintain the records to support the derecognition of the gross cost and accumulated depreciation on infrastructure assets when a major part / component of that asset has been replaced or decommissioned, as required by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. This applies from 2010/11 when the Authority transitioned to IFRS. Therefore, there are eleven financial year periods (2010/11 to 2020/21) where the Authority cannot demonstrate that it applied the applicable financial reporting framework to Infrastructure Assets.

Our opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the comparatives for the year ended 31 March 2020. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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 qualified opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance and Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance and Resources with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts for the year 2020/21, other than the financial statements and our auditor's report thereon. The Director of Finance and Resources is responsible for the other information.

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

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 course of 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 themselves. 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.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the carrying value of infrastructure assets of £247m held at 31 March 2021. We have concluded that where other information refers to the infrastructure asset balance or related balances such as the depreciation charge included within the Cost of Services part of the Comprehensive Income & Expenditure Statement, it may be materially misstated for the same reason.

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;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

Responsibility of the Director of Finance and Resources

As explained more fully in the Statement of the Responsibilities of the Chief Finance Officer set out on pages 33, the Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below, subject to the limitation set out in the basis for qualified opinion section. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant are:
 - Local Government Act 1972,
 - School Standards and Framework Act 1998 ,
 - Local Government and Housing Act 1989 (England and Wales) ,
 - Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
 - Education Act 2002 and school Standards and Framework Act 1998 (England)
 - Local Government Act 2003,
 - The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
 - National Health Service Act 2006
 - The Local Government Finance Act 2012
 - The Local Audit and Accountability Act 2014, and
 - The Accounts and Audit Regulations 2015.

In addition, the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health & safety.

- We understood how Milton Keynes Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit, those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Authority's committee minutes, through enquiry of employees to confirm Authority policies. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

- To address our fraud risk of inappropriate capitalisation of revenue expenditure, we tested the Authority's capitalised expenditure and revenue expenditure funded from capital under statute (REFCUS) to ensure the capitalisation criteria were properly met and the expenditure was genuine.
- To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately. We evaluated significant transactions and estimates for evidence of management bias.

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 reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether Milton Keynes Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those 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 2021.

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.

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 are required under the Code of Audit Practice to complete a return on the Authority's submission for Whole of Government Accounts. The NAO have issued the group instruction and we have submitted the assurance return; however, we cannot formally conclude the audit and issue an audit certificate until the NAO have confirmed that no further assurances are required from us to complete their work as group auditor. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

In addition, we cannot formally conclude the audit and issue an audit certificate until we have issued our Auditor's Annual Report for the year ended 31 March 2021. We have completed our work on the value for money arrangements and will report the outcome of our work in our commentary on those arrangements within the Auditor's Annual Report.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

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

Neil Harris (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton
Date:

Statement of Responsibilities

The Council's Responsibilities

The council is required:

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

Chair of the Audit Committee

Date: 8 September 2022

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 2021.

Steve Richardson

Director of Finance and Resources

Date: 8 September 2022

Accounting Policies

a) General Principles

The Statement of Accounts summarises the council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. 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 2020/21, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12, of the 2003 Act.

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

Going Concern

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

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

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

Covid-19

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

The Council's 2020/21 reported outturn shows an underspend of £0.917m for the year.

The impact of Covid-19 has meant additional spending to react to the pandemic, loss of income to the Council for services being shut or lower demand leading to total pressure of £22.622m on the services. In addition, lower collection rates of both Council Tax and Business rates has left a big impact on the Collection Fund which will be financed in future years, meaning £10.590m has been contributed to reserves to offset this future pressure. This has been offset by support from the Government by the income support scheme, which allows the Council to recover up to 70% of net fees and charges income losses, of £8.795m, and £20.312m General Fund Government Support.

In addition to the general Covid-19 Government Grant allocation a number of other grants have been provided by the Government to support the impact of Covid-19 on the Council. The Council received specific Grants to the value of £12.971m in 2020/21, and a further £88.835m which has been passported on to businesses, schools and others within the community. These are detailed in Narrative report on page 17.

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

2020/21 Financial Year

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

- Additional Spend Control Measures – the introduction of a Non Essential Spend Panel, including all recruitment decisions. This delivered in year over £3m in additional one off savings and £0.600m base budget savings.
- Review of Council Contracts – to ensure that we met the new PPN Guidance, had a grip on service delivery risks as well as appropriate financial controls. No contract failures have arisen.
- Developed financial scenarios to inform decision makers on the potential financial impacts of Covid-19 and the need to ensure a tight grip over financial management decisions.
- Reviewed all earmarked reserves releasing over £4m into the General Fund working balance, which together with non-essential in year savings means that the Councils total General Fund working balance is now over £30m.
- The Councils outturn was a £0.917m underspend at the 31 March 2021, despite significant financial challenges.
- In total the Council will receive one-off support of £29m (s31 grant + estimated Sales, Fees and Charges compensation) to mitigate the impact on the General Fund.

- The Council has also managed to fund the in year projected £10m gap in the Collection Fund and will hold this funding over to manage the 3 year spread of 2020/21 deficits to ensure that this will not impact future years budgets.2021/22 Budget
- The Council's 2021/22 budget and Medium Term Financial Plan 2021/22 – 2024/25 was approved by Council on the 24 February 2021. Details of which can be found here.

2021/22 Budget

The Council's 2021/22 budget and Medium Term Financial Plan 2021/22 – 2024/25 was approved by Council on the 24 February 2021. Details of which can be found here.

<https://milton-keynes.cmis.uk.com/milton-keynes/Calendar/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/6559/Committee/1350/Default.aspx>

The draft reported position for 2021/22 is an underspend of £1.192m.

2022/23 Budget

The approach to setting a budget for 2022/23 and over the medium term, was based on the following principles,

- Any budget deficit in 2022/23 will be addressed through a combination of demand management, improved organisational efficiency and corporate measures.
- All key demand budgets will be reviewed and rebased using the latest available data and insights
- Fees and charges budget will be rebased using the latest available data and service insights.
- Inflation assumptions are updated using the most and up to date indices

COVID-19 has and continues to materially impact the Councils delivery of services and cause significant turbulence to our financial position. The budget for 2021/22 and for 2022/23 have been based on providing as stable a base as possible to ensure that we can continue key front line services, whilst restricting the impact of Council Tax increases for local residents. The Council will need to make difficult choices from 2023/24 onwards to ensure that we continue to remain financially secure. The 2022/23 budget has in effect rephased savings into 2023/24 onwards.

Over the Medium Term the Council has a projected budget gap of £12.480m, with £9.508m falling in 2023/24.

A key part of the budget is the review of key financial risks. We have reassessed the budgetary risks and where possible looked to mitigate these. It should be noted however that most of the significant risks are not within the direct control the Council and it is therefore critical in setting a robust and legal budget that we make sufficient provision within service budgets using

available evidence to manage reasonable variations. The base budget for 2022/23 has been rebased as per the targeted budget approach set out in the September Cabinet report.

The key external risks are summarised below:

- **COVID-19** – This created the biggest uncertainty for all organisations in planning, managing and responding to the pandemic. The budget has been developed to reflect the recovery as far as is possible but there is a significant risk with assumptions relating to changed behaviours and longer term economic impacts. We have not anticipated any further government support in 2022/23 in line with DLUHC advice.
- **Inflationary Pressures** – A combination of significant factors have led to a sharp and sustained increase to inflationary pressures in the middle to latter half of 2021. This includes a higher than anticipated increase in National Living Wage which impacts the annual uplifts awarded to some care providers. This has had a significant impact on the 2022/23 budget and will as we move into 2022, pose a significant risk for the Council on our whole cost base (contracts, energy and staffing). It is not yet clear whether this will be transitional and start to subside in the latter half of 2022 or will continue. The budget has factored in higher inflation in 2022/23 only and then assumed inflation falls back to previous levels thereafter. We have increased the budget contingency since the draft budget was produced to provide an additional risk buffer in part to manage concerns over the current trajectory of inflation.
- **Commissioning Risks** – The Council is engaged in a number of significant procurements on major services. The current economic volatility and supply side issues poses a greater level of risk on the outcome and cost of future service provision. To help manage this risk we will need to review and potentially adjust our approach as we go through this activity to contain cost escalation. This may require changes to future service provision and or revisions to the risk profile on some of our major contracts. The final budget proposals now include a separate reserve for the market price risk of paper recycle that the Council will be exposed to from 2023/24.
- **Contract Sustainability** – The Council holds a number of significant service contracts which deliver key services to residents. Whilst the nature and complexity of these contracts vary, there are contingent risks within these that in the event of contract viability / contractor failure would impact materially on the Council's Medium Term Financial Plan.
- **Wider Government Funding** – The three year CSR has given some indications on medium term local government funding. However, major reforms were expected prior to COVID-19 which would have provided greater long term certainty and a reset of local government funding distribution. A key part of this was an increasing reliance on the use of Business Rates income to fund local services. Following the publication of the LGFS there remains no further indication over the timing, nature or impact of funding reforms.

- Social Care funding** - Social care reforms have been announced as part of the Autumn Budget, but there remains uncertainty about how this will work and whether the grant funding provided will be sufficient to cover the costs of the reforms on Local Authorities, which include the additional NI levy, caps and means testing on client contributions and the removal of differential rates for private and local authority clients for care home placements. The social care white paper (People at the Heart of Care) outlines some funding streams which may be available to local authorities, but funding allocations per authority have yet to be determined, and the mechanism for accessing such funding (e.g. formula allocation or bid funding) has yet to be confirmed. We are also awaiting the release of an additional white paper, which is expected to refocus on the integration of health and social care. In the short-term, Councils with responsibility for Social Care will continue to rely on a complex mix of different funding streams to support these services including the Better Care Fund, Improved Better Care Fund and Public Health Grant. For 2022/23, these funding streams will continue but the long term future of all of these funding streams is unclear.
- Rising Demand on key front line services across Adults and Children’s Social Care and Homelessness** – The Council is continuing to experience rising demand, both in terms of volume and complexity, across Adults and Children’s Social Care. This is driven by a combination of factors including demographics, rising population, family resilience and breakdown and pressures on other public services. This has been exacerbated by COVID-19. The Budget reflects our current view on expected levels of demand for these services, but these are both volatile and difficult by nature to forecast.

Summarised below our current view on the MTFP position which shows that by 2026/27 we have a projected gap of £12.480m.

Medium Term Financial Plan Forecasted Gap

2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
0.000	9.508	3.942	(0.970)	12.480

Reserves

The Council continues to hold a strong level of financial reserves and has increased further its General Fund Working Balance. In addition to this the Council also holds separate risk reserves for a number of other key business areas providing a further risk buffer. Full details of the Councils Reserves were reported to Cabinet as part of the budget report on 1 February 2022.

Reserve	Balance at 31/3/2021 £m	Forecast Balance at 31/3/2022 £m	Forecast Balance at 31/3/2023 £m
GF Working Balance	30.412	29.253	29.753
% Net Revenue Budget	14.49%	13.86%	13.04%
Specific Risk Reserves	37.818	39.762	17.352
Total Reserves Available to meet known and unknown budget risks	68.230	69.015	47.105
% Net Revenue Budget	32.51%	32.70%	20.65%

Commercial Activity

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

The Council owns MKDP to which it has provided a commercial loan of £30m. As well as the interest and repayment of the capital sum the Council has budgeted (2021/22 onwards) for a dividend of £1.043m. Although MKDP has been impacted by Covid-19 there are no concerns about their ability to service the loan commitment or dividend payment.

Cashflow

At 21 June 2022 the Council held £447.6m of investments, of which £69.8m was held in liquid cash instruments and £250.2m in investments with less than three months to maturity. Investment balances are projected to fall to c. £286.0m by 30 September 2023 as the short-term cashflow impact from various government grants received upfront reduces and programmed capital spending is financed (subject to slippage). External Borrowing at 21 June 2022 stood at £448.6m, of which £19.7m is due for repayment up to 30 September 2023. No new external borrowing is anticipated in the next 15 months meaning the balance outstanding at 30 September 2023 is expected to be £428.9m. The Council continues to have a very strong cashflow position and is able to repay its external debt & liabilities as they fall due. Further information can be found in the Council's Treasury Management Strategy and Capital Strategy.

The Council remains in a stable financial position and is continuing to work on addressing the medium term financial pressures to ensure that it continues to remain financially strong. The Council therefore remains a going concern.

b) Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the authority;
- Revenue from the provision of services is recognised when the authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the authority;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet;
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet;
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected;
- Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year;
- Annual leave and flexi-time that has not been taken at 31 March is accrued and full details can be found in Accounting Policy note H – Employee Benefits.

c) Fair Value Measurement

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

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

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

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

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

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

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

d) Acquired and Discontinued Operations

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

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

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

e) Capital Receipts

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

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

f) Cash and Cash Equivalents

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

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

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

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

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

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

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

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

h) Employee Benefits

Benefits Payable during Employment

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

Untaken leave is accrued on the basis of actual leave untaken at 31 March 2021 for non-school staff and a calculation of the accrued benefit for schools staff based on the number of days in each term.

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

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

On 1 April 2013 the statutory responsibility for Public Health activities transferred to the council from the NHS primary care trusts. There were 14 members of staff who transferred along with their pensions in the NHS pension's scheme to the council, of which there are no members remaining. 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 38 to the Financial Statements.

Local Government Pension Scheme

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

Liabilities are discounted to their value at current prices using a discount rate of 2%. The discount rate for pension's liabilities is calculated using the AA Corporate Bond Rate.

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

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

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

Service cost comprising:

- Current Service Cost – the increase in liabilities as a result of years of service earned this year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- Past Service Cost – the increase or decrease in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier

years, charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement;

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

Re-measurements comprising:

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

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

Contributions paid to the Buckinghamshire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities 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 38 to the Financial Statements.

Discretionary Benefits

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

i) Material Events After The Balance Sheet Date

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

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

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

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

The council discloses details of any such events at note 10 to the Financial Statements.

j) Exceptional Items and Prior Period Adjustments

Exceptional items are included in the cost of the service to which they relate or on the face of the Comprehensive Income and Expenditure Statement if such a degree of prominence is required for a fair view of the accounts. A disclosure note is provided where the authority has any exceptional items in the Accounts (there were none in 2020/21).

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.

k) Financial Instruments

Financial Liabilities:

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

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

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

Soft Loan:

A soft loan is a loan which carries a favourable rate of interest compared to market rates. The council held historic soft loans received from the Homes and Community Agency (which carried a nil interest rate) pursuant to the council taking on management of the Milton Keynes Tariff, which were repaid in full during 2020/21. 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 (PWL) 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.

Debt Restructuring:

The council did not undertake any debt restructuring activity during 2020/21.

Financial Assets:

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

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

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

Amortised cost:

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

Fair Value through Profit or Loss:

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

The fair value measurements are based on the following techniques:

- Instruments with quoted market prices, or;

- Discounted cashflow analysis based on fixed and determinable payments.

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

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

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

Fair Value through Other Comprehensive Income:

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

The Council does not hold any investments classified as FVOCI. Future investments that meet the criteria may be elected to FVOCI upon initial recognition, subject to review.

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

Expected Credit Loss Model:

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

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

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

initial measurement or remains low, losses are assessed on the basis of 12-month expected losses. Where the risk has increased significantly since initial measurement, losses are assessed on a lifetime basis.

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

I) 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.

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

Covid Grants

As part of the Covid-19 response, the government has announced a range of grant schemes to support businesses, schools and others within the community to be administered by Local Authorities. Milton Keynes Council as a billing authority were responsible for paying over the

grants to the businesses and then being reimbursed by government through a grant under Section 31 of the Local Government Act 2003 (S31). Some of the other grant schemes that have been paid to other organisations, schools or the community are either fully reimbursed or set allocation. The eligibility criteria for these schemes were set out in government guidance.

Principal or agent

In accounting for these Grants and their distribution to eligible businesses and organisations Milton Keynes Council assessed whether they should be accounted for as either principal or agent.

- Agent: The Code specifies that the authority is deemed to be an agent where it is acting as an intermediary. Where an authority is acting as a distribution point for grant monies to other bodies and has no control over the amount of grant allocated to a recipient, then the authority is likely to be acting as agent.
- Principal: The Code sets out that the authority is principal where it is acting on its own behalf. Where an authority is able to conclude that it has control over the distribution or amounts of the grant it would be deemed to be acting a principal.

Where the authority is acting as principal, the transactions have been included in the comprehensive income and expenditure statement (CIES) in accordance with the relevant section of the Code.

The Code requires that where an authority acts as an agent, transactions will not be reflected in an authority's financial statements. Exceptions to this are in respect of cash collected or expenditure incurred by the agent on behalf of the principal, in which case there is a debtor or creditor position and the net cash position included in financing activities in the Cash Flow Statement.

Capital Grants

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.

m) Housing Revenue Account Self-Financing

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

n) Insurance

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

Internal funds are maintained to cover those claims that fall below the policy excess or are not catered for within the council's insurance arrangements. These funds are based on an actuarial review of the total potential liability that the council could incur up to the 31 March 2021. 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.

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

o) Interest in Companies

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

The council is invited to appoint councillors to 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 37 to the Financial Statements.

The council has an interest in two entities, Milton Keynes Development Partnership LLP (MKDP) and YourMK. In July 2020, a decision was made to dissolve YourMK. The control of regeneration functions and management of Council owned housing stock that would have been delivered by YourMK was passed on to the Council. The Partnership is in the process of being wound up. On this basis and after a full review YourMK is deemed immaterial and should not be treated as group accounts in compliance with the definition in the Code of Practice.

Group Accounts have been prepared to reflect the council's ownership in MKDP.

p) Investment Property

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

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

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

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

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

q) Leases

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

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

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

The Authority as Lessor

Finance Leases

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

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

Operating Leases

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

r) Non Domestic Rates

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

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

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

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

s) Overheads

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

t) Property, Plant and Equipment

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

Recognition:

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

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

Measurement:

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

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

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

Estimation Techniques:

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

Disposals:

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

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

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

Impairment:

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

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

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

Impairment Losses and Revaluation Losses:

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

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

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

Depreciation:

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

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

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

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.

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

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

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.

Infrastructure Assets

As set out in Note 24.1 – Property Plant and Equipment, to the financial statements, Infrastructure Assets have a gross book value of £324 million (£297m in 2019/20), with a net book value of £247 million (£227m in 2019/20) as at 31 March 2021. The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 requires authorities to derecognise the gross cost and accumulated depreciation on infrastructure assets when a major part / component of that asset has been replaced or decommissioned.

Milton Keynes Council (the Council) does not hold sufficient evidence to support the carrying value of assets that have been replaced or decommissioned. The Council has not been componentising their infrastructure assets and therefore processing derecognition when replaced. The Council does not componentise instead splits assets by year and type, generally this has been by Roads & Junctions, Footways & Redways, Signage, Bridges, Street lighting, Passenger Transport, Parking, Open Space & Play Areas. With some significant projects, these are split out separately, for example on new roads and major improvements.

Whilst the Council does have limited information to understand the breakdown of costs, it does not cover all capital expenditure in sufficient detail to accurately derecognise the gross cost and accumulated depreciation at the point of replacement or decommission. The system used to capture information has been in place since 1999 and the Council has not assessed how easily this limited data can be extracted. Further, the Council have not been derecognising the components, as identifying the amounts to be written off is problematic. The Council also has no basis to do so for the £42million transfer from Buckinghamshire County Council when the Council became a Unitary Authority in 1997. This figure was the NBV and was used to add the assets to the Balance Sheet and used as the GBV which the Council have been depreciating over 40 Years since recognition. Since transfer, the 40 Year life has been used to date as an expected life for depreciation for highways infrastructure with 20 Years for Open Space & Play Area Infrastructure.

The following table show the breakdown of the Infrastructure Assets Gross Book Value as at 31 March 2021 over the main categories:

Infrastructure Assets Breakdown	Useful Economic Life	Gross Book Value £'000
1997 Transfer on Unitary Status	40	42,460
Roads & Junctions	40	158,784
Footways & Redways	40	25,209
Signage	40	3,011
Bridges	40	29,525
Street Lighting	40	38,392
Passenger Transport	40	16,270
Parking	20	1,394
Open Space	40	253
Open Space & Play Areas	20	4,129
5G Infrastructure	10	5,140
Total		324,567

Consequently, between the years 2009/10 when International Financial Reporting Standards (IFRS) was adopted to 2020/21, the Council did not maintain sufficiently detailed records in order to support the application of the applicable financial reporting framework. The Council is unable to practicably calculate a prior period adjustment for this period due to the lack of detailed records held. Consequently, the external auditor's report for the year ended 31 March 2021 has been modified to reflect this.

Housing Componentisation

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

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

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

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

Type of Component	% of total cost	Component Useful Life
Land	35	Nil
Kitchen	7	10 – 15 years
Bathroom	5	10 – 25 years
Windows/Doors	6	10 – 25 years
Heating/Lighting/Electrics	10	10 – 25 years
Roof	8	10 – 65 years
Structure	29	10 – 85 years

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.

u) Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes

less probable that a transfer of economic benefit will now be required, the provision is reversed and credited back to the relevant service.

Contingent Liabilities

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

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

Contingent Assets

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

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

v) Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets (Revaluation Reserve, Capital Adjustment Account, financial instruments, retirement and employee benefits do not represent usable resources for the council – these reserves are explained in the relevant policies and note 32 to the Financial Statements.

w) Revenue Expenditure Funded from Capital Under Statute

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

x) VAT

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

y) Accounting for Schools

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

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

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

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

- Maintained school non-current assets are reported as such on the council's Balance Sheet, however:
 - Voluntary schools are reported at nil value on the Balance Sheet, except for some pieces of land used as playing fields.
 - Foundation schools are reported at nil value on the Balance Sheet.
 - Information is reviewed from both voluntary and foundation schools on an ongoing basis to establish if assets should be recognised on the Balance Sheet.

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

z) Better Care Fund

In 2015/16 a single pooled budget known as the Better Care Fund (BCF) was created by Milton Keynes Council (MKC) in partnership with Milton Keynes Clinical Commissioning Group (MKCCG). The fund is comprised of revenue and capital. The purpose of the BCF is to improve the lives of some of the most vulnerable people in our society, placing them at the centre of their care and support, and providing them with 'wraparound' fully integrated health and social care, resulting in an improved experience and better quality of life. In 2020/21 the fund received £24.978m to spend across various Adult Social Care and Health projects which were evaluated and monitored by the partners throughout the year to ensure their desired objectives were achieved and to agree the reallocation of funds if required.

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

Comprehensive Income and Expenditure Statement

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

2019/20 Restated*			Note	2020/21		
Expenditure £'000	Income £'000	Net £'000		Expenditure £'000	Income £'000	Net £'000
117,976	(50,602)	67,374		132,864	(58,319)	74,545
11,455	(11,611)	(156)		11,141	(12,223)	(1,082)
251,486	(171,082)	80,404		241,365	(176,562)	64,803
3,442	(1,811)	1,631		3,429	(2,221)	1,208
5,946	(4,656)	1,290		1,061	(382)	679
3,919	(833)	3,086		1,836	(761)	1,075
35,757	(54,933)	(19,176)		(11,364)	(57,350)	(68,714)
9,311	(11,991)	(2,680)		10,646	(10,941)	(295)
77,927	(28,968)	48,959		84,407	(18,227)	66,180
83,267	(81,715)	1,552		80,201	(79,698)	503
11,460	(3,028)	8,432		9,444	(3,103)	6,341
3,564	(1,128)	2,436		2,817	(413)	2,404
2,755	(199)	2,556		8,108	(9,177)	(1,069)
618,265	(422,557)	195,708		575,955	(429,377)	146,578
		39,280	12			23,141
		23,372	13			18,484
		(229,126)	14			(272,726)
		29,234				(84,523)
		(19,864)	32.2			(20,656)
		9,503	32.2			2,583
		0	32.2			0
		(113,013)	32.2			131,698
		(123,374)				113,625
		(94,140)				29,102

*The 2019/20 Covid-19 Local Authority Support Grant prior period adjustment impact & the revision of the NDR Appeals Provision has been reflected in the 2019/20 restated position, see Note 1

^The total HRA expenditure for 2020/21 was £28.120m, however the HRA credit expenditure is due to the capital charges credited to the cost of service totalling (£40.266m), the council dwelling assets account for the majority of this, the 31 March 2021 council dwelling valuations resulted in a significant overall gain of (£54.266m), off-set by Depreciation of £13.830m.

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments. Detailed movements to usable reserves are set out at note 32.

	Total General Fund Balance	Total HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Un-applied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020 Restated*	(118,005)	(64,884)	(22,683)	(16,280)	(66,665)	(288,517)	(648,534)	(937,051)
Movement in reserves during 2020/21								
Surplus or deficit on the provision of services	(25,639)	(58,884)	0	0	0	(84,523)	0	(84,523)
Other Comprehensive Income / Expenditure	0	0	0	0	0		113,625	113,625
Total Comprehensive Income and Expenditure	(25,639)	(58,884)	0	0	0	(84,523)	113,625	29,102
Adjustments between accounting basis and funding basis under regulations	(36,080)	49,321	(1,433)	8,070	15,437	35,315	(35,315)	0
Net Increase or Decrease before Transfers to Earmarked Reserves	(61,719)	(9,563)	(1,433)	8,070	15,437	(49,208)	78,310	29,102
Transfers to / from Earmarked Reserves	0	0	0	0	0	0	0	0
Increase or Decrease in 2020/21	(61,719)	(9,563)	(1,433)	8,070	15,437	(49,208)	78,310	29,102
Balance at 31 March 2021	(179,724)	(74,447)	(24,116)	(8,210)	(51,228)	(337,725)	(570,224)	(907,949)

	Total General Fund Balance	Total HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Un- applied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019	(121,703)	(64,755)	(20,902)	(23,716)	(82,174)	(313,250)	(529,661)	(842,911)
Movement in reserves during 2019/20						0		
Surplus or deficit on the provision of services	32,553	(3,319)	0	0	0	29,234	0	29,234
Other Comprehensive Income / Expenditure	0	0	0	0	0	0	(123,374)	(123,374)
Total Comprehensive Income and Expenditure	32,553	(3,319)	0	0	0	29,234	(123,374)	(94,140)
Adjustments between accounting basis and funding basis under regulations	(28,855)	3,190	(1,781)	7,436	15,509	(4,501)	4,501	0
Net Increase or Decrease before Transfers to Earmarked Reserves	3,698	(129)	(1,781)	7,436	15,509	24,733	(118,873)	(94,140)
Transfers to / from Earmarked Reserves	0	0	0	0	0	0	0	0
Increase or Decrease in 2019/20	3,698	(129)	(1,781)	7,436	15,509	24,733	(118,873)	(94,140)
Balance at 31 March 2020 Restated*	(118,005)	(64,884)	(22,683)	(16,280)	(66,665)	(288,517)	(648,534)	(937,051)

* The MKDP Loan Refinancing prior period adjustment impact & the revision of the NDR Appeals Provision has been reflected in the 2019/20 restated position, see Note 1

Balance Sheet

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

2019/20 Restated*	Note		2020/21
£'000			£'000
1,526,007	24.1	Property, Plant and Equipment	1,641,891
844		Heritage Assets	839
100,493	25	Investment Property	86,182
301		Intangible Assets	727
20,431	35a	Long-Term Investments	14,774
1,969	27a	Long-Term Debtors	3,699
1,650,045		Long Term Assets	1,748,112
211,918	35a	Short-Term Investments	185,470
9,341	24.2	Assets Held for Sale	7,774
63		Inventories	51
53,068	27b	Short-Term Debtors	66,191
42,330	33	Cash and Cash Equivalents	114,871
316,720		Current Assets	374,357
(13,970)	29	Short-Term Borrowing	(16,663)
(112,336)	27	Short-Term Creditors	(136,996)
(9,042)	30a	Provisions	(6,755)
(49,505)	23	Grants Receipts in Advance - Revenue	(56,949)
(8,458)	23	Grants Receipts in Advance - Capital	(5,983)
(193,311)		Current Liabilities	(223,346)
(23,512)	30b	Provisions	(11,292)
(453,372)	29	Long-Term Borrowing	(443,639)
(4,046)	36	Other Long-Term Liabilities - Finance Lease	(4,033)
(323,552)	38	Other Long-Term Liabilities - Pensions Liability	(488,506)
(29,221)	23	Grants Receipts in Advance - Revenue	(41,122)
(2,700)	23	Grants Receipts in Advance - Capital	(2,582)
(836,403)		Long Term Liabilities	(991,174)
937,051		Net Assets	907,949
(288,517)	32.1	Usable Reserves	(337,725)
(648,534)	32.2	Unusable Reserves	(570,224)
(937,051)		Total Reserves	(907,949)

* The MKDP Loan Refinancing prior period adjustment impact & the revision of the NDR Appeals Provision has been reflected in the 2019/20 restated position, see Note 1

Steve Richardson
Director of Finance and Resources

Cash Flow Statement

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

2019/20 restated*	Note		2020/21
£'000			£'000
29,234		Net (surplus) or deficit on the provision of services	(84,523)
(172,369)	34.1	Adjustment to surplus or deficit on the provision of services for noncash movements	(104,271)
32,715	34.1	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	61,844
(110,420)		Net cash flows from operating activities	(126,950)
169,234	34.2	Net cash flows from investing activities	12,973
(897)	34.3	Net cash flows from financing activities	41,435
57,917		Net (increase) or decrease in cash and cash equivalents	(72,542)
100,247		Cash and cash equivalents at the beginning of the reporting period	42,330
42,330	33	Cash and cash equivalents at the end of the reporting period	114,872

* The MKDP Loan Refinancing prior period adjustment impact & the revision of the NDR Appeals Provision has been reflected in the 2019/20 restated position, see Note 1

Note 1 – Disclosure of the Impact of an Error

- a) In 2019/20 the Loan to the Councils Subsidiary, Milton Keynes Development Partnership LLP (MKDP), was refinanced to treat as a Treasury Cashflow Loan. The accounting entries made at the time should have also adjusted the Capital Financing Requirement and Deferred Capital Receipts balance by £1.439m. This is a technical net nil adjustment on the Council Balance Sheet and does not impact on the overall financial position of the Council.
- b) In 2019/20 the Council accounted for the Covid-19 Local Authority Support Grant Income within the cost of service, as this is a non-ringfenced general grant we have restated 2019/20 to include under the Taxation and Non-Specific Grant Income £6.077m. This is a technical net nil adjustment on the Council Comprehensive Income & Expenditure Statement and does not impact on the overall financial position of the Council.
- c) The Council over-estimated the business rates appeals provision in 2019/20 as a result of an error which was identified following a detailed review. This provision covers the cumulative estimate of future rating appeal losses for both the 2010 and 2017 (April 2010 to March 2020) rating lists. The adjustment impacts a number of different statements within the accounts, including the Balance Sheet where we have reduced the previously reported level of provision by £16.075m. This has been offset by an increase in the Collection Fund Adjustment Account.

The Council is required to pay a Levy on its share of surplus business rates income and therefore the creditors owed to the Government has increased by £6.075m offset by an increase in the S31 grant £0.310m. This sum will be adjusted in 2023/24 through the Collection Fund. The Levy has been temporarily funded from the NDR Cashflow Reserve. The net gain to Milton Keynes Council will be £10.277m.

Error on reports of the Balance Sheet for the financial year 2019/20

	2019/20		
	As Originally Stated	Restated	Amount of restatement
	£'000	£'000	£'000
Current Liabilities - Creditor	(106,571)	(112,336)	(5,765)
Long Term Liabilities - Long Term Provision	(39,587)	(23,512)	16,075
Total Net Assets	926,741	937,051	10,310
Usable Reserves - Capital Receipts Reserve	(21,244)	(22,683)	(1,439)
Usable Reserves - Earmarked General Fund Reserves	(94,159)	(88,394)	5,765
Unusable Reserves - Collection Fund Adjustment Account	(8,630)	(24,705)	(16,075)
Unusable Reserves - Capital Adjustment Account	(755,513)	(754,074)	1,439
Total Reserves	(926,741)	(937,051)	(10,310)

Error on reports of the Comprehensive Income & Expenditure Statement for the financial year 2019/20

	2019/20		
	As Originally Stated	Restated	Amount of restatement
	£'000	£'000	£'000
Corporate Items	(3,521)	2,556	6,077
Cost of Services	189,631	195,708	6,077
Taxation and Non Specific Grant Income			
- Council tax income	(125,259)	(128,386)	(3,127)
- Non-domestic rates income and expenditure	(56,148)	(63,331)	(7,183)
- Non-ringfenced government grants	(5,502)	(11,579)	(6,077)
- Capital grants and contributions	(25,830)	(25,830)	0
Surplus or Deficit on Provision of Services	39,544	29,234	(10,310)
Other Comprehensive Income and Expenditure	(123,374)	(123,374)	0
Total Comprehensive Income and Expenditure	(83,830)	(94,140)	(10,310)

Error on reports of the Capital Receipts Reserve for the financial year 2019/20

	2019/20		
	As Originally Stated	Restated	Amount of restatement
	£'000	£'000	£'000
Capital Receipts in year	(7,764)	(38,686)	(30,922)
Capital Receipts used for financing	5,109	34,592	29,483
Total Reserves	(21,244)	(22,683)	(1,439)

Error on reports of the Capital Adjustment Account for the financial year 2019/20

	2019/20		
	As Originally Stated	Restated	Amount of restatement
	£'000	£'000	£'000
Write down of capital loan	0	30,922	30,922
Use of Capital Receipts Reserve to finance new capital expenditure	(5,109)	(34,592)	(29,483)
Total Reserves	(755,513)	(754,074)	1,439

Error on reports of adjustments between accounting basis and funding basis for the financial year 2019/20

	2019/20		
	As Originally Stated	Restated	Amount of restatement
	£'000	£'000	£'000
Capital Loan repayment	0	(30,922)	(30,922)
Use of capital receipts reserve to finance new capital expenditure and repay	5,109	34,592	29,483
Total Capital Receipts Reserve adjustment	(342)	(1,781)	(1,439)

Effect on line items in the Capital Financing Requirements

	2019/20		
	As Originally Stated	Restated	Amount of restatement
	£'000	£'000	£'000
Opening Capital Financing Requirement	698,963	700,776	1,813
Capital Receipts	(5,109)	(34,592)	(29,483)
Closing Capital Financing Requirement	715,750	688,080	(27,670)
Increase in underlying need to borrow (unsupported by government financial assistance)	13,414	(16,069)	(29,483)
Increase/Decrease in Capital Financing Requirement	16,787	(12,696)	(29,483)

Note 2 – Expenditure and Funding Analysis

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

2019/20 Restated*			2020/21						
Net Expenditure Chargeable to the General Fund and HRA Balance	Adjustments (Note 3)	Net Expenditure in the Comprehensive Income and Expenditure Statement		Outturn Reported to Cabinet	Contribution to/from reserves	Net Expenditure Chargeable to the General Fund and HRA Balance	Adjustments between services^	Adjustments (Note 3)	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000				£'000		£'000	£'000
64,535	2,839	67,374	Adult Social Care	72,006	489	72,495	(520)	2,570	74,545
10,878	(11,034)	(156)	Public Health	11,650	(1,156)	10,494	(11,644)	68	(1,082)
56,660	23,744	80,404	Children Services	48,270	(1,783)	46,487	231	18,085	64,803
1,161	470	1,631	Policy, Insight & Communications	1,145	0	1,145	(1)	64	1,208
224	1,066	1,290	Strategy & Futures	635	0	635	0	44	679
1,182	1,904	3,086	Housing and Regeneration	898	0	898	0	177	1,075
(184)	(18,992)	(19,176)	Housing Revenue Account	0	(9,563)	(9,563)	(6,697)	(52,454)	(68,714)
(543)	(2,137)	(2,680)	Planning, Strategic Transport & Placemaking	7,061	(6,247)	814	(17)	(1,092)	(295)
59,948	(10,989)	48,959	Environment & Property	71,200	2,839	74,039	(15,186)	7,327	66,180
1,523	29	1,552	Finance & Resources	345	181	526	129	(152)	503
6,933	1,499	8,432	Resources - LGSS	5,022	0	5,022	1	1,318	6,341
2,129	307	2,436	Law & Governance	2,065	0	2,065	1	338	2,404
(17,821)	20,377	2,556	Corporate Items	4,006	(32,305)	(28,299)	13,032	14,198	(1,069)
186,625	9,083	195,708	Net Cost of Services	224,303	(47,545)	176,758	(20,671)	(9,509)	146,578
(183,056)	16,582	(166,474)	Other Income and Expenditure	(225,221)	(22,819)	(248,040)	20,671	(3,732)	(231,101)
3,569	25,665	29,234	Surplus or Deficit on Provision of Services	(918)	(70,364)	(71,282)	0	(13,241)	(84,523)
(186,458)			Opening Combined General Fund and HRA Balance			(182,889)			
3,569			Plus / less Surplus or Deficit on the General Fund and HRA Balance for the Year (Statutory basis)			(71,282)			
(182,889)			Closing Combined General Fund and HRA Balance			(254,171)			

*The 2019/20 Covid-19 Local Authority Support Grant prior period adjustment impact has been reflected in the 2019/20 restated position, see Note 1

^ Adjustments between services represent amounts debited/credited to service segments which need to be adjusted against the 'Other income and expenditure from the Expenditure and Funding Analysis' line to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement in line with the CIPFA code of Practice.

Note 3 – Note to the Expenditure and Funding Analysis

	2020/21			
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Adult Social Care	(189)	2,751	8	2,570
Public Health	0	73	(5)	68
Children Services	(361)	18,354	92	18,085
Policy, Insight & Communications	28	0	36	64
Strategy & Futures	0	38	6	44
Housing and Regeneration	154	27	(4)	177
Housing Revenue Account	(53,104)	632	18	(52,454)
Planning, Strategic Transport & Placemaking	(1,492)	398	2	(1,092)
Environment & Property	5,974	1,267	86	7,327
Finance & Resources	(231)	28	51	(152)
Resources - LGSS	0	1,318	0	1,318
Law & Governance	0	296	42	338
Corporate Items	14,133	2	63	14,198
Net Cost of Services	(35,088)	25,184	395	(9,509)
Other Income and Expenditure	(36,693)	8,072	24,889	(3,732)
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	(71,781)	33,256	25,284	(13,241)

	2019/20 restated*			
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Adult Social Care	(50)	3,104	(215)	2,839
Public Health	0	81	(11,115)	(11,034)
Children Services	641	19,219	3,884	23,744
Policy, Insight & Communications	0	655	(185)	470
Strategy & Futures	1,037	29	0	1,066
Housing and Regeneration	1,802	113	(11)	1,904
Housing Revenue Account	(13,386)	833	(6,439)	(18,992)
Planning, Strategic Transport & Placemaking	(3,043)	481	425	(2,137)
Environment & Property	(273)	1,423	(12,139)	(10,989)
Finance & Resources	(1,338)	477	890	29
Resources - LGSS	0	1,461	38	1,499
Law & Governance	0	307	0	307
Corporate Items	20,203	9,358	(9,184)	20,377
Net Cost of Services	5,593	37,541	(34,051)	9,083
Other Income and Expenditure	39	100	16,443	16,582
Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement	5,632	37,641	(17,608)	25,665

* The MKDP Loan Refinancing prior period adjustment impact & the revision of the NDR Appeals Provision has been reflected in the 2019/20 restated position, see Note 1

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

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

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

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

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

Includes the adjustment for the accrued employee leave and flexi leave which are 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 and flexi leave are reflected in revenue in the financial year in which the holiday/absence occurs. Further details can be located in accounting policy H.

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

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

Note 4 – Expenditure and Income Analysed by Nature

2019/20 restated*	Note		2020/21
£'000		Nature of Expenditure or Income	£'000
(116,092)		Fees, charges and other service income	(97,865)
(7,101)	13	Interest and investment income	(10,121)
(191,717)	14	Income from local taxation	(202,061)
(338,932)	14 & 23	Government grants and contributions	(399,685)
(4,942)		Other income	(2,611)
243,512		Employee benefits expenses	240,363
36,749		Depreciation, amortisation and impairment	(12,171)
30,473	13	Interest payments	28,499
8,996	12	Precepts and levies	9,432
1,761	12	Payments to Housing Capital Receipts Pool	836
28,523	12	Gain or loss on disposal of non-current assets	12,873
338,004		Other expenditure	347,988
29,234		Surplus or Deficit for Year	(84,523)

*The 2019/20 Covid-19 Local Authority Support Grant prior period adjustment impact, The MKDP Loan Refinancing prior period adjustment impact & the revision of the NDR Appeals Provision has been reflected in the 2019/20 restated position, see Note 1

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

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

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

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

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

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

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

2020/21

	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Usable Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	£'000
Reversal of items Impacting the Usable Capital Reserves						
Charges for depreciation, impairment and Revaluation Losses of non-current assets	(27,577)	39,913	0	0	0	(12,336)
Movements in the market value of Investment Properties	8,773	0	0	0	0	(8,773)
Amortisation of intangible fixed assets	(173)	0	0	0	0	173
Capital grants and contributions applied	0	0	0	0	57,066	(57,066)
Revenue Expenditure Funded from Capital Under Statute	(8,996)	(1,386)	0	0	0	10,382
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(26,128)	(7,090)	0	0	0	33,218
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	22,088	0	(22,088)
HRA Self Financing	0	0	398	0	0	(398)
Statutory provision for the financing of capital investment	12,649	0	0	0	0	(12,649)
Capital expenditure charged against the General Fund and HRA balance	6,082	558	0	0	0	(6,640)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	41,629	0	0	0	(41,629)	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	4,268	4,161	(8,429)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	5,763	0	0	(5,763)
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	(836)	0	836	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	11,916	0	(1)	0	0	(11,915)
Other Capital receipts in year	0	0				0
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Notional Major Repairs Allowance credited to the HRA	0	14,018	0	(14,018)	0	0
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(56,741)	(1,461)	0	0	0	58,202
Employers pensions contributions and direct payments to pensioners payable in year	24,320	626	0	0	0	(24,946)
Adjustments impacting Other Reserves						
Reversal of Accrued Employee benefits	(314)	(18)	0	0	0	332
Council's share of Movement in Collection Fund Surplus/(Deficit)	(24,889)	0	0	0	0	24,889
Financial Instruments	(63)	0	0	0	0	63
Total Adjustments	(36,080)	49,321	(1,433)	8,070	15,437	(35,315)

2019/20 Restated*	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Usable Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	£'000
Reversal of items Impacting the Usable Capital Reserves						
Charges for depreciation, impairment and Revaluation	(24,992)	(11,326)	0	0	0	36,318
Losses of non-current assets						
Movements in the market value of Investment Properties	4,008	0	0	0	0	(4,008)
Amortisation of intangible fixed assets	(440)	0	0	0	0	440
Capital grants and contributions applied	0	0	0	0	41,339	(41,339)
Revenue Expenditure Funded from Capital Under Statute	(7,742)	(1,114)	0	0	0	8,856
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(21,074)	(14,886)	0	0	0	35,960
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	21,237	0	(21,237)
HRA Self Financing	0	0	553	0	0	(553)
Statutory provision for the financing of capital investment	7,165	0	0	0	0	(7,165)
Capital expenditure charged against the General Fund and HRA balance	7,088	12,047	0	0	0	(19,135)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	25,830	0	0	0	(25,830)	0
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,962	5,475	(7,437)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure (and repay borrowing)	0	0	34,592	0	0	(34,592)
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	(1,761)	0	1,761	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(1)	0	0	1
Capital Loan repayment	0	0	(30,922)	0	0	30,922
Other Capital receipts in year	295	32	(327)	0	0	0
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Notional Major Repairs Allowance credited to the HRA	0	13,801	0	(13,801)	0	0
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(56,189)	(1,272)	0	0	0	57,461
Employers pensions contributions and direct payments to pensioners payable in year	19,381	439	0	0	0	(19,820)
Adjustments impacting Other Reserves						
Reversal of Accrued Employee benefits	32	(4)	0	0	0	(28)
Council's share of Movement in Collection Fund Surplus/(Deficit)	18,259	0	0	0	0	(18,259)
Financial Instruments	(677)	(2)	0	0	0	679
Total Adjustments	(28,855)	3,190	(1,781)	7,436	15,509	4,501

* The MKDP Loan Refinancing prior period adjustment impact & the revision of the NDR Appeals Provision has been reflected in the 2019/20 restated position, see Note 1

Note 6 – Accounting Standards Issued, Not Adopted

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

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

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

Note 7 – Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Land & Buildings are valued on a 5 year rolling programme each year as at the 1 April. A full property review was also carried out as at the 31 March 2021 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 24 and Accounting Policy T - Property, Plant & Equipment.
- Properties are classed as Investment Properties when they are held solely to earn rental income or for capital appreciation. The value of the properties is calculated based on the fair value of the asset on a yearly basis, i.e. the price received to sell the asset or transfer the liability.
- Maintained schools are reported on the council's Balance Sheet and the total Foundation schools' assets are reported at nil value. However, capital expenditure incurred on academies, foundation and faith schools is treated as 'revenue expenditure funded from capital under statute' through the Comprehensive Income and Expenditure Account. In addition, judgments are applied to transactions and balances when schools change status eg change from maintained to academy school. Details of the schools accounting treatment can be found in Accounting Policy Y.

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

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

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Defined Benefit Pension Scheme – Pension Liability	Pensions disclosures provided within the Statement of Accounts are taken from the annual Actuary report, provided by Barnett Waddingham. Key assumptions made are on RPI, CPI and salary increases.	The value of the liability may increase/decrease if the assumptions change. The present value of the total obligation is £1,268.984m. An adjustment to the long-term salary assumption by +0.1% would result in the present value of the total obligation increasing by £1.728m. Sensitivity to some of the key assumptions is provided in note 38. The carrying amount of the liability is £488.506m.
Provisions	The most significant provision the council has disclosed is a provision of £11.292m 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 30 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 £20.882m.	The council evaluates each debt or category of debt by considering any significant financial difficulty for the debtor, any breach of contract or default, any concessions granted by the authority based on difficulty for the debtor, the likelihood of the debtor entering bankruptcy and the impact on Customers of Covid-19. The value of the allowance is calculated based on a review of all debts and a judgement of the probability of collection for each.

<p>Property, Plant and Equipment – Depreciation</p>	<p>Depreciation is charged on a Useful Economic Life basis ranging from 3-60 years depending on the asset. In 2020/21 the charge is shown as £40.614m.</p>	<p>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 2020/21 would decrease to £5.930m, currently shown as £7.460m in the Financial Statements. Other Property, Plant and Equipment have varying useful lives depending on the type of asset.</p> <p>Full details on Depreciation for each asset type can be found in Accounting Policy T, and non-current asset values are provided in note 24 to the Financial Statements.</p>
<p>Valuation of operational property</p>	<p>Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets.</p> <p>The pandemic and the measures taken to tackle Covid-19 continue to affect economies and real estate markets globally. Nevertheless, as at the reporting date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate level of market evidence exists upon which to base opinions of value.</p> <p>Accordingly, the valuations as a whole are not reported as being subject to ‘material valuation uncertainty’ as per the RICS Red Book Global, except as identified below.</p> <p>In respect of Retail and specific trading related assets/sectors such as Car Parks, as at the reporting date we continue to be faced with an unprecedented set of circumstances caused by Covid-19 and an absence of relevant/sufficient market evidence on which to base a judgement.</p> <p>The Valuations at 31 March 2021 were:</p> <ul style="list-style-type: none"> • Assets Held for Sale £7.8m • Surplus Assets £4.0m • Heritage Assets £0.7m • Investment Properties £96.9m (see below) 	<p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's operational properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately £52m.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p>

<p>Council Dwellings</p>	<p>The HRA residential portfolio is valued based on a beacon methodology. In order to value the whole portfolio, it was necessary to research a number of information sources. These include sales of directly comparable property, changes of income flow for non-residential property, information available at a local level showing house price movement plus regional and National Indices.</p> <p>Given current restrictions associated with the Covid-19 pandemic, the full five yearly valuation incorporating inspections of every Beacon property which was originally due in 2021 will be delayed until 2022.</p>	<p>A reduction in the estimate value of HRA dwellings would be a reduction in the revaluation reserve or a loss in the CIES. If the value of dwellings were to reduce by 10% this would lead to a reduction in value of about £72m.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p>
<p>Fair value measurement of investment property</p>	<p>The Council's external valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available.</p>	<p>Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.</p>

Note 9 – Material Items of Income and Expense

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

Note 10 – Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance & Resources on 8 September 2022. 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 2021, the figures in the Financial Statements and notes have been adjusted in all material respects to reflect the impact of this information.

Calverton

The Council entered into a development agreement with L&Q Housing Association in 2019 to sell various parcels of land that it owned as part of a much wider package of development known as the Western Expansion Area. In entering into this agreement, the Council provided certain undertakings about the land, including that it held legal title and that it was free from trespass. At the time of transfer, Romany Gypsies were using a significant portion of the Land surrounding the traveller site at Calverton Lane (Title: BM331988) for livestock, mainly horses

who stated meaningful occupation goes back as far as the late 90's. Following unsuccessful negotiations to secure vacant possession, the Council entered into legal proceedings.

The Council took the case to the High Court to obtain vacant possession of the land, for which the defendant was claiming adverse possession. The Court hearing took place from 8 to 10 February 2022. The judgement was handed down on the 23 March 2022, which allowed the defendant's claim seeking a declaration that he had title to the Land by adverse possession and instructed that the land registration was amended accordingly.

Following this judgement, the accounts have been amended to remove the value of the land based on the value as at 31 March 2021 £10.333m as an adjustment event.

Academy Conversions

Since 31 March 2021 information has been received that one school has converted to Academy status. As a result, it is currently estimated that property assets to the value of £4.430m is to transfer from the Council's Balance Sheet in 2021/22. However, these values are subject to further academy conversions that may arise during 2021/22.

The Financial Statements and notes have not been adjusted for this event which took place after 31 March 2021 as it provides information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date.

Note 11 – Transfers to/from Earmarked Reserves

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

	Balance at 31 March 2019	Transfers In 2019/20	Transfers Out 2019/20	Balance at 31 March 2020*	Transfers In 2020/21	Transfers Out 2020/21	Balance at 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Reserves:							
Bereavement reserve	0	(2,254)	0	(2,254)	(1,000)	104	(3,150)
Capital Reserve - General Fund	(19,479)	(3,586)	7,088	(15,977)	(3,226)	6,743	(12,460)
Council Plan 2021/22 Reserve	0	0	0	0	(5,863)	0	(5,863)
Corporate Property Reserve	(4,215)	(27)	1,038	(3,204)	(24)	156	(3,072)
Covid-19 Expanded Retail Relief Reserve	0	0	0	0	(44,404)	0	(44,404)
Covid-19 Reserves	0	(5,663)	0	(5,663)	0	5,663	0
HR Manpower Planning Reserve	(2,753)	0	568	(2,185)	(500)	592	(2,093)
Infrastructure Reserve	(19,087)	0	738	(18,349)	0	875	(17,474)
Internal Insurance Fund	(3,396)	(1,175)	2,961	(1,610)	(1,306)	659	(2,257)
Local Government	(4,058)	0	1,959	(2,099)	0	0	(2,099)
Reorganisation Debt Reserve							
NDR Funding Volatility Reserve	(5,170)	(4,344)	5,804	(3,710)	(15,996)	18,753	(953)
New Homes Bonus Reserve	(6,198)	(5,966)	5,695	(6,469)	(6,673)	9,254	(3,888)
Other Earmarked Reserves	(13,913)	(4,906)	1,916	(16,903)	(8,786)	5,045	(20,644)
Political Priorities 2020/21 Reserve	0	0	0	0	(10,254)	2,154	(8,100)
Tariff & HCA Risk Reserve	(5,625)	0	1	(5,624)	(420)	0	(6,044)
Social Care grant reserve (earmarked in MTFP)	0	0	0	0	(3,489)	0	(3,489)

Strategic Service Investment Fund	(3,434)	0	1,730	(1,704)	0	174	(1,530)
Waste Cashflow Reserve	(3,467)	0	824	(2,643)	0	858	(1,785)
Schools Balances	(10,219)	0	1,763	(8,456)	(1,551)	0	(10,007)
Total General Fund	(101,014)	(27,921)	32,085	(96,850)	(103,492)	51,030	(149,312)
Housing Revenue Account Reserves:							
Capital Reserve - HRA	(55,942)	(12,176)	12,047	(56,071)	(11,548)	558	(67,061)
Other Earmarked Reserves	(1,554)	0	0	(1,554)	(27)	1,454	(127)
Total Housing Revenue Account	(57,496)	(12,176)	12,047	(57,625)	(11,575)	2,012	(67,188)
Total Earmarked Reserves	(158,510)	(40,097)	44,132	(154,475)	(115,067)	53,042	(216,500)

* The revision to the NDR Appeals Provision has been reflected in the 2019/20 restated position, see Note 1

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

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.

Council Plan 2021/22 Reserve - This reserve will fund the projects that have been identified to meet the most recent Council Plan priorities.

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

Covid-19 Expanded Retail Relief Reserve – This is a temporary reserve for Funding received under Section 31 of the Local Government Act 2003 to mitigate the impact of the business rates expanded retail discount scheme on the Collection Fund in 2020/21.

Covid-19 Reserve - Earmarked to offset the impact of Covid-19.

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

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

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

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

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.

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.

Political Priority Reserve - This reserve will fund the Political Priorities of the Council agreed as part of the 2020/21 budget process.

Tariff & HCA Risk Reserve - This reserve was created to mitigate the Council's liability under the risk sharing agreement on the Tariff and any financing risks.

Social Care grant reserve (earmarked in MTFP) – this reserve has been created to cover pressures within the MTFP and one-off specific budget pressures across Children's Service.

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

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

Note 12 – Other Operating Expenditure

2019/20		2020/21
£'000		£'000
8,519	Precepts	8,951
477	Levies	481
1761	Payments to the Government Housing Capital Receipts Pool	836
28,523	(Gains)/losses on the Disposal of Non-Current Assets	12,873
39,280	Total Other Operating Expenditure	23,141

Note 13 – Financing and Investment Income and Expenditure

2019/20	Note	2020/21
£'000		£'000
20,903	Interest payable and similar charges	20,427
552	(Gain)/Loss on Pooled Investment Funds	106
9,570	Net interest on the net defined benefit liability (asset)	8,072
(3,799)	Interest receivable and similar income	(1,422)
(4,062)	Income and expenditure in relation to investment properties and changes in their fair value	(8,828)
208	15 Trading operations	129
23,372	Total	18,484

Note 14 – Taxation and Non-Specific Grant Income

2019/20 Restated*	Note		2020/21
£'000			£'000
(128,386)		Council tax income	(134,100)
(63,331)		Non-domestic rates income and expenditure	(67,961)
(11,579)	23	Non-ringfenced government grants	(29,036)
(25,830)		Capital grants and contributions	(41,629)
(229,126)		Total	(272,726)

*The 2019/20 Covid-19 Local Authority Support Grant prior period adjustment impact and the revision of the NDR Appeals Provision has been reflected in the 2019/20 restated position, see Note 1

The 2019/20 Comparators have also been adjusted between Council tax income and Non-domestic rates income and expenditure; this has a net nil impact.

Note 15 – Trading Operations

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

2019/20	Emberton Park	2020/21
£'000		£'000
(289)	Income	(172)
267	Expenditure	270
(22)	Net Surplus/Deficit for year	98

2019/20	IT Service Desk and Technical Support Services	2020/21
£'000		£'000
(534)	Income	(315)
508	Expenditure	225
(26)	Net Surplus/Deficit for year	(90)

2019/20	Building Control	2020/21
£'000		£'000
(407)	Income	(374)
618	Expenditure	483
211	Net Surplus/Deficit for year	109

2019/20	HR Advisory and Payroll Services	2020/21
£'000		£'000
(110)	Income	(82)
155	Expenditure	94
45	Net Surplus/Deficit for year	12

2019/20	Trading Operations Total Income and Expenditure	2020/21
£'000		£'000
(1,340)	Income	(943)
1,548	Expenditure	1,072
208	Net Surplus/Deficit for year	129

2019/20	Analysis of Inclusion in The Comprehensive Income and Expenditure Statement	2020/21
£'000		£'000
208	Net Surplus on Trading Operations	129
208	Net surplus/deficit included in Financing and Investment Income and Expenditure	129

Note 16 – Agency Services

The council acts as an agent for the Clinical Commissioning Group in relation to the provision of the Child and Adolescent Mental Health Services. The cost of the service is £0m (£0.032m in 2019/20).

Note 17 – Members' Allowances

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

2019/20		2020/21
£'000		£'000
611	Salaries	620
207	Allowances	202
1	Expenses	0
819	Total Members' Allowances	822

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

Note 18 – External Audit Costs

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

2019/20		2020/21
£'000		£'000
119	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year*	322
49	Fees payable to external auditors for the certification of grant claims and returns for the year	98
168	Total	420

*The fees payable for external audit services includes £0.135m 2020/21 Fees, £0.089m additional overrun charges of the 2018/19 audit and £0.097m additional fees for 2019/20 outlined in the 2019/20 Audit report and to be agreed by the PSAA.

Note 19 – Road Charging Schemes

The council was designated a Permitted and Special Parking Area from 25 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.

2019/20		2020/21
£'000		£'000
	Expenditure	
1,476	Contractors Management Fee	820
166	Pay and Display Installation Costs	82
195	Staffing Cost	218
15	Supplies and Services	47
131	Support Costs	124
12	Surveys and Fees	0
20	Decriminalised Costs	10
35	Signing Costs	43
2,050	Total Expenditure	1,344
	Income	
(860)	Excess Charge/Penalty Charge Notices	(340)
(5,008)	Permits	(611)
(149)	Suspensions	(409)
(7,301)	Pay and Display Income	(2,181)
(13,318)	Total Income	(3,541)
(11,268)	Surplus achieved in year	(2,197)
84	Transfer to/from Capital Programme	0
(11,184)	Surplus for the year	(2,197)

The surplus of (£2.197m) is significantly lower than the budgeted (£11.596m) due to the impact of Covid-19 on parking income. The surplus this year will be allocated towards the off street parking costs, lighting and cleansing costs of the parking areas.

Note 20 – Pooled Budgets

Integrated Community Equipment

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

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

2019/20	Integrated Community Equipment Service (ICES)	2020/21
£'000		£'000
	Gross Funding	
(551)	Milton Keynes Council	(551)
(1,030)	Milton Keynes Clinical Commissioning Group (CCG)	(1,030)
(1,581)	Total Funding	(1,581)
1,619	Expenditure	1,481
1,619	Total Expenditure	1,481

38	Net (Surplus)/Deficit	(100)
(20)	MKC share of underspend/ (overspend)	53
(18)	CCG share of underspend/ (overspend)	47
0	Net (Surplus) / Deficit Carried Forward	0

Learning Disability

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

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

2019/20 £'000	Learning Disability	2020/21 £'000
	Gross Funding	
(20,807)	Milton Keynes Council	(21,614)
(1,485)	Milton Keynes Clinical Commissioning Group (CCG)	(1,504)
(22,292)	Total Funding	(23,118)
	Expenditure	
21,569	Pooled Expenditure	24,037
21,569	Total Expenditure	24,037
(723)	Net (Surplus)/Deficit*	919
675	MKC share of underspend/ (overspend)	0
48	CCG share of underspend/ (overspend)	0
0	Net (surplus) / Deficit Carried Forward	919

*Milton Keynes Council and MK CCG have agreed as a one-off for 2020/21 not to apply the risk share to the deficit as it is wholly due to the impact of the exceptional financial pressure placed on both partner services by the Covid-19 pandemic. The Partners have agreed to cover the deficit out of the Covid-19 Contingency of £0.354m provided within the Better Care Fund Plan.

Better Care Fund

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

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

2019/20 £'000	Better Care Fund	2020/21 £'000
	Gross Funding	
(1,117)	Milton Keynes Council - Capital Funding	(1,117)
(7,874)	Improved Better Care Funding	(7,241)
(15,698)	Milton Keynes Clinical Commissioning Group (CCG)	(16,619)
(24,689)	Total Funding	(24,977)

24,517	Expenditure Expenditure	24,977
24,517	Total Expenditure	24,977
(172)	Net (Surplus)/Deficit	0
72	MKC share of underspend/ (overspend)	0
100	CCG share of underspend/ (overspend)	0
0	Net (surplus) / Deficit Carried Forward	0

Note 21 – Officers’ Remuneration

Officer Remuneration

The remuneration paid to the council’s senior employees during 2020/21 whose salary was above £50,000 is as follows:

2019/20		Note	Salary	Expenses Allowance	Pension Contribution	2020/21
£			£	£	£	£
214,885	Chief Executive - Michael Bracey		184,457	0	39,424	223,881
59,888	Deputy Chief Executive (old)	1	0	0	0	0
85,340	Deputy Chief Executive (new)		133,664	289	28,575	162,529
133,779	Director - Finance & Resources		115,080	91	24,601	139,772
96,468	Director of Strategy and Futures	2	91,601	0	4,946	96,548
145,071	Director - Children’s Services		124,666	0	26,645	151,311
114,010	Director Policy, Insight & Comms		97,612	0	20,863	118,475
136,707	Director Adult Services		124,145	57	26,542	150,744
119,725	Director Housing & Regeneration	3	102,594	0	18,266	120,859
119,943	Director Growth, Economy and Culture	4	84,098	0	17,932	102,029
0	Interim Director Planning, Strategic Transport & Placemaking	5	34,957	0	7,551	42,508
135,055	Director Environment and Property		117,190	6	25,016	142,212
127,167	Director Law & Governance		109,022	0	23,301	132,324

Notes

- Kept for comparison reasons only. Current deputy chief executive was in place during 2019/20
- Leaver 31/03/2021
- Leaver 31/01/2021
- Leaver 03/01/2021
- Starter 23/11/2021

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

	Number of Employees	
	2019/20	2020/21
£50,001 to £55,000	97	129
£55,001 to £60,000	76	78
£60,001 to £65,000	22	48
£65,001 to £70,000	26	31
£70,001 to £75,000	29	27
£75,001 to £80,000	15	14
£80,001 to £85,000	12	13
£85,001 to £90,000	5	7
£90,001 to £95,000	5	8
£95,001 to £100,000	4	8
£100,001 to £105,000	3	3

£105,001 to £110,000	3	2
£110,001 to £115,000	3	0
£115,001 to £120,000	1	2
£120,001 to £125,000	1	2
£125,001 to £130,000	0	1
£130,001 to £135,000	1	1
£135,001 to £140,000	0	1
£140,001 to £145,000	0	0
£145,001 to £150,000	0	0
£150,001 to £155,000	0	0
£155,001 to £160,000	0	0
£160,001 to £165,000	0	0
£165,001 to £170,000	0	0
£170,001 to £175,000	0	0
£175,001 to £180,000	1	0
£180,001 to £185,000	0	1
Total	304	376

Exit Packages

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

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band (£'000)	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£0-£20,000	29	18	4	1	33	19	195	98
£20,001 - £40,000	3	8	1	3	4	11	89	297
£40,001 - £60,000	4	2	0	0	4	2	220	112
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	1	0	0	0	1	0	149
Total	36	29	5	4	41	33	504	656

The total cost of £0.656m in the table above includes exit packages that have been agreed, accrued for and charged to the authority's Comprehensive Income and Expenditure Statement in the current year.

Note 22 – Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) (No 2) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2020/21 are as follows:

2019/20 Total		Central Expenditure	2020/21 ISB	Total
£'000		£'000	£'000	£'000
252,396	Final DSG for 2020/21 before academy recoupment			271,236
110,704	Less: Academy figure recouped for 2020/21			122,892
141,692	Total DSG after academy recoupment for 2020/21			148,344
3,053	Plus: Brought forward from 2019/20			2,179
3,082	Less: Carry forward to 2021/22 agreed in advance			(1,218)
141,662	Final Allocation in 2020/21	0	0	149,305
141,664	Agreed initial budgeted distribution in 2020/21	49,253	99,793	149,305
(265)	In year adjustments	0	50	50
141,399	Final budgeted distribution for 2020/21	49,253	99,843	149,355
31,684	Less: Actual central expenditure	34,348		34,348
110,617	Less: Actual ISB deployed to schools		112,430	112,430
0	Plus: Local Authority contributions for 2020/21	0	0	0
2,179	Carry forward to 2021/22	14,905	(11,369)	3,794

Note 23 – Grant Income

The council has been credited with the following grants and contributions in the Comprehensive Income and Expenditure Statements during 2020/21.

Credited to Taxation and Non-Specific Grant Income:

2019/20 Restated*		2020/21
£'000		£'000
(5,502)	Revenue Support Grant	(5,593)
(6,077)	Local Authority Support Grant	(14,648)
0	Income Support Scheme Grant	(8,795)
(11,579)	14 Total Non-Ringfenced Government Grants	(29,036)

Credited to service:

2019/20 Restated*		2020/21
£'000		£'000
(142,231)	Dedicated Schools Grant	(146,770)
(52,548)	Mandatory Rent Allowance: Subsidy	(49,070)
(22,941)	Mandatory Rent Rebates	(20,776)
0	NHS Discharge Funding	(2,397)
(5,966)	New Homes Bonus	(6,673)
(11,098)	Public Health Grant	(11,642)
(5,751)	Pupil Premium Grant	(5,193)
0	Infection Control Fund	(4,116)
0	Lateral Flow Device testing Fund (Rapid Testing)	(440)
0	Business Support Grant (Covid-19) - Discretionary element	(5,960)
0	Contain Outbreak Management Fund - Covid-19	(5,145)
0	Covid-19 Hardship Fund	(2,322)
(3,358)	Young People's Learning Agency	(3,061)
(2,449)	Universal Infant Free School Meals	(2,373)
(1,501)	Social Care Grant	(4,663)
(18,047)	Other Grants	(18,879)
0	Other Grants - Covid-19 Related	(2,404)

(841)	Benefits Administration Grant	(818)
(15,698)	Better Care Fund Contributions	(16,619)
(8,128)	Social Care Client Contributions	(8,163)
(6,210)	Milton Keynes Hospital NHS Foundation Trust and Clinical Commissioning	(6,521)
(3,344)	Other Contributions	(3,856)
(1,412)	Community Learning (16-19+)	(1,158)
(301,523)	Total	(329,020)

*For 2020/21 the Covid-19 - Local Authority Support Grant has been credited to the Taxation and Non-Specific Grant Income within the Comprehensive Income and Expenditure Statement as it has been awarded as a general non ringfenced grant.

*The 2019/20 Covid-19 Local Authority Support Grant prior period adjustment impact has been reflected in the 2019/20 restated position, see Note 1

Details of the total Covid-19 Grants allocated to the Council in 2020/21 can be found in the Narrative Statement on pages 15-17.

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 2021 are £62.914m. This includes:

- Revenue receipts in advance of £56.949m, of which is mainly £37.433m Developer Tariff contributions; £2.326m is Developer S106 contributions, £3.921m Discretionary Covid-19 Business Support Grant, £3.838m Dedicated Schools Grant, £1.302m Contain Outbreak Management Fund and £1.065m Test & Trace grant carry forward.
- Capital receipts in advance of £5.983m including the Special Education Needs £1.208m and Go Ultra Low Grants of £0.905m.

The long-term Grants and Contributions receipts in advance at the 31 March 2021 are £43.704m. This includes Revenue receipts in advance of £41.122m which is mainly from Developer S106 Contributions £39.401m, Developer Tariff contributions £1.470m and Capital receipts in advance of £2.582m.

Note 24.1 – Property, Plant and Equipment

The tables on the following pages show the movements in year for PPE in 2020/21 and the 2019/20 comparative movement.

Movements to 31 March 2021	Council Dwellings	Land and Building	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
at 1 April 2020	675,497	551,384	121,104	296,511	6,770	1,862	54,482	1,707,610
Additions	31,536	1,388	1,785	13,337	0	0	45,743	93,789
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(705)	10,936	(11,822)	0	0	1,037	0	(554)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	54,012	1,223	(8,202)	0	0	(2,071)	0	44,962
Derecognition – disposals	(1,918)	(2,584)	(359)	0	0	0	0	(4,861)
Derecognition – other	(5,489)	(948)	(583)	0	0	(130)	0	(7,150)
Reclassifications and transfer	2,865	7,509	(594)	14,719	0	5,143	(29,642)	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0
at 31 March 2021	755,798	568,908	101,329	324,567	6,770	5,841	70,583	1,833,796
Accumulated Depreciation and Impairment								
at 1 April 2020	(21,973)	(50,183)	(38,781)	(69,834)	(798)	(34)	0	(181,603)
Depreciation charge	(13,830)	(13,020)	(6,133)	(7,460)	(166)	0	0	(40,609)
Depreciation written out to the Revaluation Reserve	134	5,470	6,023	0	0	27	0	11,654
Depreciation written out to the Surplus/Deficit on the Provision of Services	13,530	(822)	3,127	0	0	299	0	16,134
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	1,492	5,990	0	0	(40)	0	7,442
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(13,629)	(383)	5,427	0	0	1,537	0	(7,048)
Derecognition – disposals	36	276	358	0	0	0	0	670
Derecognition – other	281	595	579	0	0	0	0	1,455
Reclassifications and transfer	(99)	3,358	546	(90)	0	(3,715)	0	0
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	0	0
at 31 March 2021	(35,550)	(53,217)	(22,864)	(77,384)	(964)	(1,926)	0	(191,905)
Net Book Value								
at 31 March 2021	720,248	515,691	78,465	247,183	5,806	3,915	70,583	1,641,891
at 31 March 2020	653,524	501,201	82,323	226,677	5,972	1,828	54,482	1,526,007

Movements to 31 March 2020

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

Infrastructure Assets

As set out in Note 24.1 – Property Plant and Equipment, to the financial statements, Infrastructure Assets have a gross book value of £324 million (£297m in 2019/20), with a net book value of £247 million (£227m in 2019/20) as at 31 March 2021. The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 requires authorities to derecognise the gross cost and accumulated depreciation on infrastructure assets when a major part / component of that asset has been replaced or decommissioned.

Milton Keynes Council (the Council) does not hold sufficient evidence to support the carrying value of assets that have been replaced or decommissioned. The Council has not been componentising their infrastructure assets and therefore processing derecognition when replaced. The Council does not componentise instead splits assets by year and type, generally this has been by Roads & Junctions, Footways & Redways, Signage, Bridges, Street lighting, Passenger Transport, Parking, Open Space & Play Areas. With some significant projects, these are split out separately, for example on new roads and major improvements.

Whilst the Council does have limited information to understand the breakdown of costs, it does not cover all capital expenditure in sufficient detail to accurately derecognise the gross cost and accumulated depreciation at the point of replacement or decommission. The system used to capture information has been in place since 1999 and the Council has not assessed how easily this limited data can be extracted. Further, the Council have not been derecognising the components, as identifying the amounts to be written off is problematic. The Council also has no basis to do so for the £42million transfer from Buckinghamshire County Council when the Council became a Unitary Authority in 1997. This figure was the NBV and was used to add the assets to the Balance Sheet and used as the GBV which the Council have been depreciating over 40 Years since recognition. Since transfer, the 40 Year life has been used to date as an expected life for depreciation for highways infrastructure with 20 Years for Open Space & Play Area Infrastructure.

The following table show the breakdown of the Infrastructure Assets Gross Book Value as at 31 March 2021 over the main categories:

Infrastructure Assets Breakdown	Useful Economic Life	Gross Book Value
		£'000
1997 Transfer on Unitary Status	40	42,460
Roads & Junctions	40	158,784
Footways & Redways	40	25,209
Signage	40	3,011
Bridges	40	29,525
Street Lighting	40	38,392
Passenger Transport	40	16,270
Parking	20	1,394
Open Space	40	253
Open Space & Play Areas	20	4,129
5G Infrastructure	10	5,140
Total		324,567

Consequently, between the years 2009/10 when International Financial Reporting Standards (IFRS) was adopted to 2020/21, the Council did not maintain sufficiently detailed records in order to support the application of the applicable financial reporting framework. The Council is unable to practicably calculate a prior period adjustment for this period due to the lack of detailed records held. Consequently, the external auditor's report for the year ended 31 March 2021 has been modified to reflect this.

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.

2019/20 Depreciation Charge		Potential Useful Life of Asset Years	Actual Useful Life of Asset Years	2020/21 Depreciation Charge
£'000				£'000
13,608	Council Dwellings	10 - 85 *	10 - 85 *	13,830
13,617	Other Properties	20 - 60 **	20 - 60 **	13,186
6,382	Vehicles, Plant and Equipment	3 - 40 ***	3 - 40 ***	6,133
0	Leased VPE	3 - 40 ***	3 - 40 ***	0
7,077	Infrastructure	40	40	7,460
	Infrastructure – Other	20	20	
40,684	Total PPE Depreciation			40,609
5	Heritage Assets	20 - 60 **	20 - 60 **	5
40,689	Total Depreciation			40,614

* 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 T 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 2021, including those with a commitment of less than £2.0m totalled £52.169m.

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 2021 with a commitment of £2.0m or more are shown in the table.

Segment: Scheme Name	Scheme Description	2020/21	Period of Investments
		£'000	Years
MK East	Infrastructure work for Housing Development	5,653	3
MK5G	Broadband Connectivity Infrastructure	2,324	1
Coltsfoot	Construction of New Council Housing	2,312	1
Fishermead	Modular Housing	6,395	1
Glebe Farm School	Construction of New School	28,572	2
Total		45,257	

Valuation of Non-Current Assets

General Fund

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

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

All 2020/21 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 2020/21 valuations was carried out by Guy Harbord MRICS Registered Valuer of WHE. It refers to three aspects namely; Material changes that have occurred before the year end, Market review of assets valued during the financial year, Market review on those assets not revalued in the financial year. There were no material changes.

Land values applied in 2020/21 are £2.25m per ha, compared to £2.25m in 2019/20 no movement.

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

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

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

Council Dwellings

Council Dwellings have been valued as at 1 April 2020 based on a desk top review and a full property review has been undertaken as at 31 March 2021. Council dwellings were valued by Nicholas G Worman BSc DipSurv MRICS Registered Valuer and Peter O'Brien BSc (Hons) MRICS RICS Registered Valuer both of Avison Young (UK) Limited in line with DCLG 2010 Guidance on Stock Valuation and the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards.

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

- Depreciation c£13.8m.
- Derecognition of Components £5.2m.

The year-end valuation created a total £13.255m Impairments

These impairments resulted from:

- Capital expenditure of £12.313m purchasing of 61 dwelling properties, the change in valuation basis has resulted in impairment of £8.687m.
- £4.445m Impairment was recognised for the Mellish Court and the Gables tower blocks following the delegated decision on 9 March 2021 to demolish these building.
- There were some other items that were impaired that amount to £0.123m – These relate to properties were previously revalued, however the assets are impaired awaiting capital expenditure to reinstate.

Property, Plant and Equipment Revaluations

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	0	0	7,495	5,806	0	13,301
Valued at current value as at:						
31/03/2021	720,248	133,496	70,970	0	3,915	928,629
31/03/2020	0	64,898	0	0	0	64,898
31/03/2019	0	228,207	0	0	0	228,207
31/03/2018	0	43,046	0	0	0	43,046
31/03/2017	0	46,044	0	0	0	46,044
Total Cost or Valuation	720,248	515,691	78,465	5,806	3,915	1,324,125

The 2020/21 Waste Valuation is pending and will be updated in due course, as we had a specialist valuation completed in 2019/20, we do not consider this to have a material impact on the 2020/21 position.

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 2020/21 there were no schools that transferred to foundation status. There was however one community schools that converted to academy status - Holne Chase Primary School.

Impairment

The following table shows the impairment charges for non-current assets in 2020/21:

	Impairment Loss			Reversal of Impairment Loss			Total to Revaluation Reserve	Service Total
	Taken to Revaluation Reserve	Charged to Services		Taken to Revaluation Reserve	Previously Charged to Service			
		General Fund	HRA		General Fund	HRA		
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Property Plant and Equipment								
Council Dwellings	0	0	14,297	0	0	(668)	0	13,629
Other Land & Buildings	21	3,237	0	(1,513)	(2,854)	0	(1,492)	383
Vehicles, Plant, Furniture and Equipment	0	0	0	(5,990)	(5,427)	0	(5,990)	(5,427)
Surplus Assets	0	580	0	40	(2,117)	0	40	(1,537)
Total Property Plant and Equipment	21	3,817	14,297	(7,463)	(10,398)	(668)	(7,442)	7,048
Total Impairment	21	3,817	14,297	(7,463)	(10,398)	(668)	(7,442)	7,048

Material impairment losses

During 2020/21, the council has recognised material impairment losses totalling £13.629m in relation to Council Dwellings. The council reversed material impairment losses of £11.417m on the Waste Treatment Facility - Plant in 2020/21. Further details can be found in the table below:

Assets	Material Impairment Loss - Recognised in year	£'000
Housing Revenue Account	Council Dwellings	13,629
Environment & Property	Whitehouse Health Facility	1,745
	Brooklands Medical Centre	1,491
	Waste Treatment Facility - Plant	(11,417)
Various	Various Properties	(5,842)
Total		(394)

Note 24.2 – Assets Held for Sale

Current 2019/20		Current 2020/21
£'000		£'000
10,405	Balance outstanding at start of year	9,341
	Assets newly classified as held for sale:	
0	- Property Plant and Equipment	0
(214)	Revaluation losses	(1,567)
(850)	Assets Sold	0
9,341	Balance Outstanding year end	7,774

The most significant Assets held for sale at the 31 March 2021 includes Saxon Court the Councils offices valued at £7.260m. The asset has exchanged contracts and due to complete in June 2022.

Note 25 – Investment Properties

In 2020/21 the annual rental income from investment properties is £0.055m (£0.061m in 2019/20).

The movement in the fair value of investment properties during 2020/21 comprised of:

Current 2019/20		Current 2020/21
£'000		£'000
95,794	Balance at start of year	100,493
	Additions:	
1	- Subsequent Expenditure	249
(23)	Disposals	(23,333)
4,008	Net gain/losses from fair value adjustment	8,773
	Transfers to/from:	
713	- Property Plant and Equipment	0
100,493	Balance Outstanding year end	86,182

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

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

Highest & Best Use of Investment Properties

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

Valuation Techniques

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

Effects of Changes in Estimates

The outbreak of Covid-19, declared by the World Health Organisation as a 'Global Pandemic' on the 11 March 2020, has and continues to impact many aspects of daily life and the global economy –with some real estate markets having experienced lower levels of transactional activity and liquidity.

The pandemic and the measures taken to tackle Covid-19 continue to affect economies and real estate markets globally. Nevertheless, as at the reporting date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.

Accordingly, and for the avoidance of doubt, the valuations as a whole are not being reported as subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards, except as identified below.

In respect of Retail and specific trading related assets/sectors such as Car Parks, as at the commentary date, we continue to be faced with an unprecedented set of circumstances caused by Covid-19 and an absence of relevant/sufficient market evidence on which to base a judgement.

Consequently, in respect of any outlined movements less certainty – and a higher degree of caution – should be attached to the valuation of these assets than would normally be the case.

For the avoidance of doubt this explanatory note, including the 'material valuation uncertainty' declaration, does not mean that the commentary cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the commentary opinion was prepared.

Further details can be found in Note 8 Assumptions made about the future and other Major Sources of Estimation Uncertainty.

Note 26 – Capital Expenditure and Capital Financing

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

The CFR is analysed in the second part of this note.

2019/20 Restated* £'000	Note		2020/21 £'000
700,776		Opening Capital Financing Requirement	688,080
		Capital Investment:	
102,469		Assets	94,636
8,856	32.2c	Revenue Expenditure Funded from Capital under Statute	10,382
111,325		Total Capital Spending	105,018
Sources of Finance:			
(34,592)	32.1a	Capital Receipts	(5,763)
(41,339)	32.1c	Other Government Grants & Contributions	(57,066)
(21,237)	32.1b	Major Repairs Reserves	(22,088)
Sums set aside from revenue:			
(19,135)	32.2c	Revenue Contributions	(6,640)
(553)	32.1a	HRA Additional Voluntary Payment of Debt	(398)
0		GF Additional Voluntary Provision	(5,117)
(7,165)		Minimum Revenue Provision	(7,519)
(124,021)		Total Sources of Finance	(104,591)
688,080		Closing Capital Financing Requirement	688,507
Explanation of movements in year:			
(686)	32.1a	Decrease in underlying need to borrow (supported by government financial assistance)	(398)
(16,069)		Increase in underlying need to borrow (unsupported by government financial assistance)	825
4,059		Assets acquired under finance leases	0
(12,696)		Increase/Decrease in Capital Financing Requirement	427

* The MKDP Loan Refinancing prior period adjustment impact has been reflected in the 2019/20 restated position, see Note 1

Note 27 – Debtors

a) Long Term Debtors

2019/20 £'000		2020/21 £'000
10	Bodies External to Central Government	10
1,959	Payments in advance	0
0	Other Long Term Debtor	3,689
1,969	Total	3,699

b) Short Term Debtors

2019/20 £'000		2020/21 £'000
13,500	Trade Receivables	20,433
39,568	Other Receivable Amounts	45,758
53,068	Total	66,191

Note 28 – Creditors

2019/20 restated*		2020/21
£'000		£'000
(7,561)	Trade payables	(10,643)
(104,775)	Other payables	(126,353)
(112,336)	Total Creditors	(136,996)

* The revision to the Appeals Provision has been reflected in the 2019/20 restated position, see Note 1

Note 29 – Borrowing Repayable

Analysis of Loans by type:

2019/20		Range of Interest	2020/21
£'000		Rates - 31 March 2021	£'000
	Source of Loan		
(452,084)	Public Works Loan Board	Lowest: 3.37% / Highest: 10.875%	(445,043)
(15,258)	Market Loans	Lowest: 3.75% / Highest: 6.62%	(15,259)
(467,342)	Total		(460,302)

Analysis of Loans by maturity:

2019/20		2020/21
£'000		£'000
	Borrowing repayable on demand or within 12 months	
(12,155)	Borrowing repayable on demand or within 12 months	(14,869)
(1,815)	Accrued interest on borrowing repayable within a period in excess of 12 months	(1,794)
(13,970)	Total Borrowing repayable on demand or within 12 months	(16,663)
	Borrowing repayable within a period in excess of 12 months	
(9,733)	Maturing in 1 to 2 years	(10,097)
(39,649)	Maturing in 2 to 5 years	(43,517)
(64,697)	Maturing in 5 to 10 years	(59,910)
(141,933)	Maturing in 10 to 20 years	(149,755)
(27,000)	Maturing in 20 to 30 years	(20,000)
(109,000)	Maturing in 30 to 40 years	(116,000)
(61,360)	Maturing in 40 to 50 years	(44,360)
(453,372)	Total Borrowing repayable within a period in excess of 12 months	(443,639)
(467,342)	Total	(460,302)

Note 30 – Provisions

Current Provisions

2020/21	Appeals Provision	Other Provisions	Total
	£'000	£'000	£'000
Opening Balance	0	(9,042)	(9,042)
(Increase)/decrease in provision during year	0	(684)	(684)
Utilised during year	0	2,462	2,462
Unused Amounts Reversed	0	509	509
Closing Balance	0	(6,755)	(6,755)

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

Long Term Provisions

2020/21	Appeals Provision £'000	Other Provisions £'000	Total £'000
Opening Balance	(22,929)	(583)	(23,512)
(Increase)/decrease in provision during year	9,075	0	9,075
Utilised during year	2,562	0	2,562
Unused Amounts Reversed	0	583	583
Closing Balance	(11,292)	0	(11,292)

2019/20 restated*	Appeals Provision £'000	Other Provisions £'000	Total £'000
Opening Balance	(30,919)	(672)	(31,591)
(Increase)/decrease in provision during year	5,972	0	5,972
Utilised during year	2,018	0	2,018
Unused Amounts Reversed	0	89	89
Closing Balance	(22,929)	(583)	(23,512)

Total Provisions

2019/20 restated*	Total Provisions	2020/21
£'000		£'000
(34,934) Opening Balance		(32,554)
(672) (Increase)/decrease in provision during year		8,391
2,018 Utilised during year		5,024
1,034 Unused Amounts Reversed		1,092
(32,554) Closing Balance		(18,047)

* The change in the Appeals Provision has been reflected in the 2019/20 restated position, see Note 1

a) Appeals Provision

Under business rates retention, Milton Keynes Council has a percentage share of all business rates income net of any backdated reductions. Rate payers can appeal a valuation; there is currently no time limit in the regulations. This provision has been calculated using expert rating advice on potential losses for both existing and future appeals.

b) Other Provisions

Insurance Provision

At the 31 March 2021 the council has outstanding insurance liabilities (estimated claims for which liability was accepted) totalling £3.841m. A provision has been charged to the Comprehensive Income & Expenditure Account to fund this and recognises this liability with funding met through reserves.

Term Time Only Settlement Provision

The calculation of holiday pay entitlement for term time only staff (school staff and staff that are centrally employed) was specifically outlined in the Green Book for the first time in February 2019. The new calculation resulted in an increase in holiday pay for these staff and the new calculation was implemented from 1 April 2019. During 2019/20 we discussed with the unions about a backdated settlement as a result of the change in calculation – Councilors signed off the agreed settlement by delegated decision in February 2020. There were a number of settlements made during the year totaling £2.462m and an estimation of £1.464m for further settlements has been included in the 2020/21 accounts.

Note 31 – Contingent Liabilities

The most significant contingent gains and losses disclosed in the council's accounts for the year ending 31 March 2021 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 £6.044m.
- 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 2021 the value of receipts that were not allocated to a specific project was £4.559m.
- 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 was unsuccessful in High Court proceedings and with a subsequent request for an appeal to secure land it had legal title to in Calverton Lane. This land formed part of a development agreement with Redlawn Ltd which the Council entered into in 2019. It is not possible at this stage to assess the financial impact of this decision as this will be dependant upon a number of different factors and possible outcomes. Therefore, the potential liability to the council and the loss of share in capital receipts cannot be estimated at this time.
- f) The Council received a claim for historical costs in May 2022 in relation to landfill costs which the Councils contractor has incurred since 2018 in respect of the processing and disposal of bulky waste. The claim is also being made in respect of future costs. The Council has taken external legal advice about the merits of the claim and based on the strength of this advice a financial provision has not been needed.

Note 32.1 – Usable Reserves

Movements in the authority’s usable reserves are detailed in the Movement in Reserves Statement:

2019/20 Restated*	Note		2020/21
£'000			£'000
(21,155)		General Fund Balance	(30,412)
(88,394)	11	Earmarked General Fund Reserves	(139,305)
(8,456)	11	Schools Balance Reserve	(10,007)
(7,259)		Housing Revenue Account	(7,259)
(57,625)	11	Earmarked HRA Reserves	(67,188)
(22,683)	32.1a	Capital Receipts Reserve	(24,116)
(16,280)	32.1b	Major Repairs Reserve	(8,210)
(66,665)	32.1c	Capital Grants Unapplied	(51,228)
(288,517)	Total		(337,725)

* The MKDP Loan Refinancing prior period adjustment impact & the revision of the NDR Appeals Provision has been reflected in the 2019/20 restated position, see Note 1

Capital Receipts Reserve

2019/20 Restated*		2020/21
£'000		£'000
(20,902)	Balance 1 April	(22,683)
(38,686)	Capital Receipts in year	(8,429)
(1)	Deferred Receipts realised	(1)
1,761	Capital Receipts Pooled	836
553	Capital Receipts transferred to Capital Adjustment Account to repay debt	398
34,592	Capital Receipts used for financing	5,763
(22,683)	Balance 31 March	(24,116)

* The MKDP Loan Refinancing prior period adjustment impact has been reflected in the 2019/20 restated position, see Note 1

a) Major Repairs Reserve

2019/20		2020/21
£'000		£'000
(23,716)	Balance 1 April	(16,280)
(13,801)	Depreciation and Amortisation	(14,018)
21,237	Application to finance capital expenditure	22,088
(16,280)	Balance 31 March	(8,210)

Capital Grants Unapplied

2019/20		2020/21
£'000		£'000
(82,174)	Balance 1 April	(66,665)
(25,830)	Capital grants recognised in year	(41,629)
41,339	Capital grants and contributions applied	57,066
(66,665)	Balance 31 March	(51,228)

Note 32.2 – Unusable Reserves

2019/20 Restated*	Note		2020/21
£'000			£'000
(194,807)	32.2a	Revaluation Reserve	(206,320)
120	32.2b	Pooled Investment Funds Adjustment Account	226
(754,074)	32.2c	Capital Adjustment Account	(842,574)
584	32.2d	Financial Instruments Adjustment Account	541
323,552	32.2e	Pension Reserve	488,506
(157)	32.2f	Deferred Capital Receipts Reserve	(12,072)
(24,705)	32.2g	Collection Fund Adjustment Account	184
953	32.2h	Accumulated Absences Account	1,285
(648,534)	Total		(570,224)

* The MKDP Loan Refinancing prior period adjustment impact & the revision of the NDR Appeals Provision has been reflected in the 2019/20 restated position, see Note 1

a) Revaluation Reserve

2019/20		2020/21
£'000		£'000
(193,339)	Balance 1 April	(194,807)
(19,864)	Upward revaluation of assets	(20,656)
9,503	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	2,583
(10,361)	Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services	(18,073)
5,508	Difference between fair value depreciation and historical cost depreciation	5,384
3,385	Accumulated gains on assets sold or scrapped	1,176
8,893	Amount written off to the Capital Adjustment Account	6,560
(194,807)	Balance 31 March	(206,320)

b) Pooled Investment Funds Adjustment Account

2019/20		2020/21
£'000		£'000
(432)	Balance 1 April	120
0	Opening balance adjustments on adoption of IFRS9	0
(432)	Revised Opening Balance	120
552	Upward (downward) revaluation of investments	106
552	Total Changes in revaluation and impairment	106
120	Balance 31 March	226

c) Capital Adjustment Account

2019/20	Note		2020/21
Restated*			£'000
£'000			£'000
(729,648)		Balance 1 April	(754,074)
45,960		Charges for depreciation and impairment of non-current assets	53,806
(9,642)		Revaluation losses on non-current assets	(66,142)
440		Amortisation of intangible assets	173
8,856	26	Revenue expenditure funded from capital under statute	10,382
35,960		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	33,218
81,574		Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	31,437
(8,893)		Adjusting Amounts written out of the Revaluation Reserve	(6,560)
72,681		Net written out amount of the cost of non-current assets consumed in the year	24,877
(34,592)	32.1a	Use of Capital Receipts Reserve to finance new capital expenditure	(5,763)
(21,237)	32.1b	Use of Major Repairs Reserve to finance new capital expenditure	(22,088)
(41,339)	32.1c	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(57,066)
(7,165)		Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(12,649)
(19,135)	26	Capital expenditure charged against the General Fund and HRA balances	(6,640)
(123,468)		Capital financing applied in year:	(104,206)
(553)	32.1a	Borrowing or liabilities met from the UCRR	(398)
(4,008)	25	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(8,773)
30,922		Write down of capital loans	0
0		Other movements	0
(754,074)		Balance 31 March	(842,574)

* The MKDP Loan Refinancing prior period adjustment impact has been reflected in the 2019/20 restated position, see Note 1

d) Financial Instruments Adjustment Account

2019/20		2020/21
£'000		£'000
457	Balance 1 April	584
(43)	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(43)
170	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	0
127	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(43)
0	Other movements	0
584	Balance 31 March	541

e) Pension Reserve

2019/20		2020/21
£'000		£'000
398,924	Balance 1 April	323,552
(113,013)	Remeasurements of the net defined benefit (liability)/asset	131,698
57,461	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	58,202
(19,820)	Employer's pensions contributions and direct payments to pensioners payable in the year	(24,946)
323,552	Balance 31 March	488,506

f) Deferred Capital Receipts Reserve

2019/20		2020/21
£'000		£'000
(158)	Balance 1 April	(157)
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(11,916)
1	Transfer to the Capital Receipts Reserve upon receipt of cash	1
(157)	Balance 31 March	(12,072)

g) Collection Fund Adjustment Account

2019/20 restated*		2020/21
£'000		£'000
(6,446)	Balance 1 April	(24,705)
(18,259)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	24,889
(24,705)	Balance 31 March	184

* The MKDP Loan Refinancing prior period adjustment impact & the revision of the NDR Appeals Provision has been reflected in the 2019/20 restated position, see Note 1

h) Accumulated Absences Account

2019/20		2020/21
£'000		£'000
981	Balance 1 April	953
(981)	Settlement or cancellation of accrual made at the end of the preceding year	(953)
953	Amounts accrued at the end of the current year	1,285
(28)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements	332
953	Balance 31 March	1,285

Note 33 – Cash and Cash Equivalents

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

2019/20		2020/21
£'000		£'000
(4,406)	Cash and Bank balances	(1,640)
46,736	Short Term Deposits	116,511
42,330	Total Cash and Cash Equivalents	114,871

At the 31 March 2021, the council held £116.511m invested with various financial institutions as short term deposits (£46.736m at the 31 March 2020). The deposits are investments held for cash flow purposes that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Due to the nature of these investments, the balance will vary year on year.

Note 34.1 – Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

2019/20		2020/21
£'000		£'000
(4,036)	Interest received	(3,420)
19,261	Interest paid	20,745
15,225	Total	17,325

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

2019/20 restated*		2020/21
£'000		£'000
(32,310)	Depreciation & Impairment and downward valuations	21,109
(440)	Amortisation	(173)
612	(Increase)/decrease in impairment for bad debts	(4,406)
(16,070)	(Increase)/decrease in creditors	(53,424)
(49,092)	Increase/(decrease) in debtors	(77)
(35)	Increase/(decrease) in inventories	(12)
(37,641)	Movement in pension liability	(33,256)
(35,960)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(33,088)
(1,433)	Other non-cash movements charged to the surplus or deficit on provision of services	(944)
(172,369)	Total	(104,271)

* The revision of the NDR Appeals Provision has been reflected in the 2019/20 restated position, see Note 1

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

2019/20		2020/21
£'000		£'000
7,437	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	20,215
25,278	Any other items for which the cash effects are investing or financing cash flows	41,629
32,715	Total	61,844

Note 34.2 – Cash Flow from Investing Activities

2019/20		2020/21
£'000		£'000
98,099	Purchase of property, plant and equipment, investment property and intangible assets	92,596
873,641	Purchase of short-term and long-term investments	2,004,492
(8,353)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(8,429)
(770,050)	Proceeds from short-term and long-term investments	(2,036,112)
(24,103)	Other receipts from investing activities	(39,574)
169,234	Net cash flows from investing activities	12,973

Note 34.3 – Cash Flow from Financing Activities

2019/20		2020/21
£'000		£'000
(14,507)	Other receipts from financing activities	29,825
14,268	Repayments of short-term and long-term borrowing	7,027
(658)	Other payments for financing activities	4,583
(897)	Net cash flows from financing activities	41,435

Note 35 – Financial Instruments

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

Financial Assets

Financial assets are now classified into one of three categories:

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

a) Financial Instrument Balances

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

	Non-Current Financial Assets				Current Financial Assets					
	Investments		Debtors		Investments		Debtors		Cash	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
Amortised cost	5,551	0	0	0	211,756	185,306	25,639	44,014	42,330	114,871
Fair Value through Profit or Loss	14,880	14,774	0	0	162	164	0	0	0	0
Total financial assets	20,431	14,774	0	0	211,918	185,470	25,639	44,014	42,330	114,871
Non-financial assets	0	0	0	0	0	0	0	0	0	0
Total	20,431	14,774	0	0	211,918	185,470	25,639	44,014	42,330	114,871

The debtor's lines on the Balance Sheet include £22.131m (£27.429m in 19/20) short-term and £3.699m (£1.970m in 2019/20) long-term debtors that do not meet the definition of a financial asset. See note 27 for further information.

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

	Non-Current Financial Liabilities				Current Financial Liabilities			
	Borrowings		Creditors		Borrowings		Creditors	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
Amortised cost	(453,372)	(443,639)	0	0	(13,970)	(16,663)	(30,267)	(47,633)
Total financial liabilities	(453,372)	(443,639)	0	0	(13,970)	(16,663)	(30,267)	(47,633)
Non-financial liabilities	0	0	0	0	0	0	0	0
Total	(453,372)	(443,639)	0	0	(13,970)	(16,663)	(30,267)	(47,633)

The short-term creditor's lines on the Balance Sheet include £75.209m (£76.304m in 2019/20) that does not meet the definition of a financial liability. See note 28 for further information.

b) Material Soft Loans Made by the Authority

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

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

	2019/20	2020/21
	£'000	£'000
Opening Balance	(6,337)	0
Loans Repaid	6,500	0
Increase in discounted amount	(163)	0
Closing balance at end of year	0	0

c) Reclassifications of financial instruments

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

d) De-recognition of financial instruments

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

e) Allowance account for credit losses

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

f) Defaults and Breaches

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

g) Financial Instruments Income, Expenses, Gains and Losses

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

2019/20		Financial Liabilities	Financial Assets		2020/21
Total		Amortised Cost	Amortised Cost	Fair Value through Profit or Loss	Total
£'000		£'000	£'000	£'000	£'000
(20,718)	Interest expense	(20,156)	0	0	(20,156)
(20,718)	Interest payable and similar charges	(20,156)	0	0	(20,156)
3,046	Interest income	0	682	0	682
752	Dividend income	0	0	741	741
3,798	Interest and investment income	0	682	741	1,423
(552)	Gains/(Loss) on revaluation	0	0	(106)	(106)
(552)	Impact in Other Comprehensive Income	0	0	(106)	(106)
(17,472)	Net Interest or Gain/(Loss) for the year.	(20,156)	682	635	(18,839)

Fair Values

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

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

For financial instruments carried at their amortised cost, their fair values disclosed below have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2021, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.

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

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

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

Fair Values of financial liabilities:

2019/20			2020/21		
Balance Sheet	Fair Value		Fair Value levels	Balance Sheet	Fair Value
£'000	£'000			£'000	£'000
Financial liabilities held at amortised cost:					
452,084	588,283	Loans from PWLB	2	445,043	576,047
15,258	23,926	Market Loans	2	15,259	23,843
467,342	612,209	Total Financial Liabilities		460,302	599,890
30,268		Liabilities for which fair value is not disclosed		47,633	
497,610	612,209	Total Financial Liabilities		507,935	599,890
Recorded on Balance Sheet as:					
30,268		Short-term creditors		47,633	
13,970		Short-term borrowing		16,663	
453,372		Long-term borrowing		443,639	
497,610		Total Financial Liabilities		507,935	

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

Fair Values of Financial Assets:

2019/20			2020/21		
Balance Sheet	Fair Value		Fair Value levels	Balance Sheet	Fair Value
£'000	£'000			£'000	£'000
<i>Financial assets held at fair value:</i>					
46,735	46,736	Liquid Instruments (Money market funds & bank call accounts)	1	66,511	66,511
90,264	90,264	Certificates of Deposit	1	0	0
52,066	52,066	Deposits with UK Government	1	200,004	200,004
15,042	15,042	Property funds	1	14,938	14,938
9,098	9,098	Corporate, covered and government bonds	2	0	0
<i>Financial assets held at amortised cost:</i>					
30,008	30,008	Short-term loans to local authorities	2	5,000	5,000
5,000	5,054	Long-term loans to local authorities	2	0	0
30,872	30,937	Long-term loans to companies	2	30,303	30,303
279,085	279,205	Total		316,756	316,756
21,233		Assets for which fair value is not disclosed		42,373	
300,318	279,205	Total Financial Assets		359,129	316,756
Recorded on Balance Sheet as:					
25,639		Short-term debtors		44,014	
211,918		Short-term investments		185,470	
20,431		Long-term investments		14,774	
42,330		Cash and Cash Equivalents		114,871	
300,318		Total Financial Assets		359,129	

Holdings in the CCLA Local Authority Property Fund have been moved from fair value level 2 for 2019/20 to level 1 for 2020/21 reflecting the resumption of an active market in this instruments due to the end of a temporary suspension of redemptions as a result of market conditions for underlying properties caused by the economic consequences of the coronavirus pandemic.

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 investments were originally made.

h) Nature and Extent of Risks Arising from Financial Instruments

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

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

The council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a treasury team, under policies approved by the

council in the annual Treasury Management Strategy. The council provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy.

Recognising that credit ratings are imperfect predictors of default; the Council has regard to other measures of credit risk including credit default swaps (a traded market of insurance against defaults) and equity prices when selecting counterparties to invest with.

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

Credit Risk Rating	Long Term Assets		Short Term Assets	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
12-Month expected credit losses:				
AAA	0	0	36,720	49,470
AA+	0	0	0	0
AA	0	0	0	10,007
AA-	0	0	49,223	0
A+	0	0	50,140	7,034
A	0	0	0	0
A-	0	0	10,015	0
UK Government	0	0	52,066	200,004
Unrated Local Authorities	5,000	0	30,008	5,000
Unrated Building Societies	0	0	0	0
Unrated Companies	551	0	30,321	30,303
Unrated Pooled Fund*	14,880	14,774	161	164
Total Investments	20,431	14,774	258,654	301,982

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

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

At 31 March 2021, the Council assessed its credit loss exposure as £0.247m (£0.247m at 31 March 2020) related to treasury investments. The Council has set aside an earmarked reserve provision of £0.400m to protect against the risk of adverse movements in investments, including credit risk.

Exposure to Risk

Unimpaired Past Due Amount Analysed by Age:

2019/20		2020/21
£'000		£'000
1,799	Less than three months	3,524
96	Three to six months	360
88	Six months to one year	127
599	More than one year	545
2,582	Total	4,556

Impaired Past Due Amount Analysed by Age:

2019/20		2020/21
£'000		£'000
1,841	Less than three months	1,335
580	Three to six months	1,041
875	Six months to one year	1,084
2,272	More than one year	3,101
5,568	Total	6,561

Liquidity Risk

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

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

2019/20		2020/21
£'000		£'000
13,970	Less than one year	16,663
9,733	Between one and two years	10,097
39,649	Between two and five years	43,517
64,697	Between five and ten years	59,911
141,933	Between ten and twenty years	149,755
27,000	Between twenty years and thirty years	20,000
109,000	Between thirty years and forty years	116,000
61,360	Over forty years	44,360
467,342	Total	460,302

Associated loan interest charges are budgeted for as part of the legal requirement of the Council to set an annual balanced revenue budget and so these sums do not require refinancing when the fall due.

These contractual interest commitments are shown below:

2019/20		2020/21
£'000		£'000
19,851	Less than one year	19,537
19,497	Between one and two years	18,962
54,125	Between two and five years	51,807
75,208	Between five and ten years	71,428
102,639	Between ten and twenty years	96,598
66,505	Between twenty years and thirty years	66,079
42,551	Between thirty years and forty years	37,736
3,960	Over forty years	2,379
384,337	Total	364,526

Market Risk

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

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

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

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

As stated above, the Council has a number of strategies set out in the annual Treasury Strategy for managing interest rate risk. The treasury management team has an active strategy for

assessing interest rate exposure that feeds into the annual budget and medium term planning cycle.

The table below sets out the financial impact if interest rates had been 1% higher at 31 March 2021, with all other variables held constant:

2019/20		2020/21
£'000		£'000
0	Increase in interest payable on variable rate borrowings	0
(326)	Increase in interest receivable on variable rate investments	(415)
(1,826)	Increase in government grant receivable for financing costs	(1,753)
(2,152)	Impact on Surplus or Deficit on the Provision of Services	(2,168)
(109)	Notional share of overall impact on HRA	(104)
(713)	Increase/Decrease in fair value of investments held at Fair Value through Profit or Loss	(713)
(700)	Increase/Decrease in fair value of financial assets	(700)
(80,371)	Increase/Decrease in fair value of financial liabilities	(77,369)
(81,071)	Decrease in fair value of fixed rate borrowings liabilities	(78,069)

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

Price Risk

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

Foreign Exchange Risk

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

Note 36 – Leases

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

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

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

Authority as Lessor - Operating Leases

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

2019/20		2020/21	
£'000		£'000	
2,167	Not later than one year	2,083	
6,581	Later than one year and not later than five years	6,417	
14,521	Later than five years	13,759	
23,269	Total	22,259	

The minimum lease payments receivable does not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2020/21 £0.084m contingent rents were receivable by the council (£0.146m in 2019/20).

Authority as Lessee - Operating Leases

2019/20		2020/21	
£'000		£'000	
28	Not later than one year	17	
69	Later than one year and not later than five years	69	
1,216	Later than five years	1,199	
1,313	Total	1,285	

Authority as Lessee - Finance Lease

2019/20			2020/21		
Minimum Lease Payment	Finance Charges	Present Value	Minimum Lease Payment	Finance Charges	Present Value
£'000	£'000	£'000	£'000	£'000	£'000
206	193	13	206	192	14
822	764	58	822	761	61
11,097	7,109	3,988	10,891	6,919	3,972
12,125	8,066	4,059	11,919	7,872	4,047

Note 37 – Related Parties

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

a) Central Government

The UK Government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework, within which the council must operate, provides the majority of its funding in the forms of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. Council Tax, housing benefits etc.). Grants received from government departments are set out in the Grant Income disclosure at note 23 to the Financial Statements.

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

The council has three pooled budget arrangements with the Milton Keynes Clinical Commissioning Group. Full details of the transactions for each of the pooled arrangements can be found at note 20.

c) Councillors

Councillors have direct control over the council's financial and operating policies. The total of councillors' allowances paid during 2020/21 is shown in note 17. During 2020/21, works and services to the value of £4.427m were commissioned from organisations in which 16 councillors had an interest.

In addition, the council paid grants totalling £0.329m to voluntary and charitable organisations in which 10 councillors had positions on the governing bodies. In all cases, grants were made with proper consideration of declarations of interest. The relevant councillors did not take part in any discussion or decision relating to the grants.

Income received during 2020/21 totalled £0.011m (£0.033m in 2019/20) from 4 organisations in which 10 councillors had an interest.

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

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

d) Officers

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

e) Outstanding Balances

The outstanding amounts owed by related parties at the end of 31 March 2021 totalled £0m (£0.001m at 31 March 2020).

The outstanding amount owed to related parties at the end of 31 March 2021 totalled £0.001m (£0.069m at 31 March 2020).

Details of all transactions are included elsewhere in the 2020/21 accounts.

f) LGSS

LGSS was 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 provided a wide range of strategic, professional, operational and transactional services including finance, procurement, audit, HR, IT and transactional financial services.

It was 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 were shared based on complicated model based on various arrangements depending on the element in each Authority.

In December 2020, services were either repatriated or any shared services remaining were transferred into a Lead Authority Model.

g) Council Owned Companies

The Council wholly owns the Milton Keynes Development Partnership (MKDP) LLP and part owner of Your MK a Joint Venture with Mears Group PLC. All surpluses and deficits are retained within the companies as retained earnings, either to re-invest or held to pay back the liability owed to the Council. Further details can be found in the Group Accounts note. In July 2020, a decision was made to dissolve YourMK. The Partnership is in the process of being wound up.

h) Public Health service

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

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

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

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

Note 38 – Defined Benefit Pension Scheme

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

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

On 1 April 2013 the statutory responsibility for Public Health activities transferred to the council from the NHS Primary Care Trusts. There were 14 members of staff who transferred along with their pensions in the NHS Pensions Scheme to the council, of which there are no members remaining. This scheme is not available to other current Milton Keynes Council staff. The pension contributions are included within the Comprehensive Income and Expenditure Statement, but full disclosure is not considered to be material for inclusion in this note.

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

2019/20		General Fund Transactions	2020/21	
LGPS £'000	Total £'000		LGPS £'000	Total £'000
Comprehensive Income and Expenditure Statement				
Cost of Services				
		Service cost comprising:		
38,351	38,351	Current service cost	50,221	50,221
349	349	Past service cost	273	273
8,613	8,613	(Gain) / loss from settlements and / or transfers	(945)	(945)
578	578	Administration expenses	581	581
		Other Operating Expenditure:		
9,570	9,570	Net interest expense	8,072	8,072
57,461	57,461	Total charged to Surplus and Deficit on Provision of Services	58,202	58,202

2019/20		Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	2020/21	
LGPS £'000	Total £'000		LGPS £'000	Total £'000
(39,494)	(39,494)	Return on plan assets (excluding the amount included in the net interest expense)	138,821	138,821
15,085	15,085	Actuarial gains and losses arising on changes in demographic assumptions	10,286	10,286
111,235	111,235	Actuarial gains and losses arising on changes in financial assumptions	(293,332)	(293,332)
3,393	3,393	Other actuarial gains/(losses) on assets	0	0
22,794	22,794	Experience gain/ (loss) on defined benefit obligation	12,527	12,527
113,013	113,013	Total charged to Other Comprehensive Income and Expenditure Statement	(131,698)	(131,698)
(55,552)	(55,552)	Total charged to the Comprehensive Income and Expenditure Statement	189,900	189,900

2019/20		Movement in Reserves Statement	2020/21	
LGPS £'000	Total £'000		LGPS £'000	Total £'000
(57,461)	(57,461)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(58,202)	(58,202)
19,820	19,820	Employers' contributions payable to scheme	24,946	24,946

Pensions Assets and Liabilities Recognised in the Balance Sheet

2019/20			2020/21	
LGPS £'000	Total £'000		LGPS £'000	Total £'000
(945,030)	(945,030)	Present value of the defined obligation	(1,268,984)	(1,268,984)
621,478	621,478	Fair value of plan assets	780,478	780,478
(323,552)	(323,552)	Value of Assets / (Liabilities)	(488,506)	(488,506)
(323,552)	(323,552)	Net (liability) / asset arising from the defined benefit obligation	(488,506)	(488,506)

Movement in the Value of Scheme Assets

2019/20			2020/21	
LGPS	Total		LGPS	Total
£'000	£'000		£'000	£'000
618,243	618,243	Opening fair value of scheme assets	621,478	621,478
15,432	15,432	Interest income	10,575	10,575
(39,494)	(39,494)	The return on plan assets, excluding the amount included in the net interest expense	138,821	138,821
19,820	19,820	Contributions from employer	24,946	24,946
6,491	6,491	Contributions from employees into the scheme	6,737	6,737
3,393	3,393	Other actuarial gains/(losses)	0	0
(25,682)	(25,682)	Benefits / transfers paid	(20,556)	(20,556)
(578)	(578)	Administration expenses	(581)	(581)
23,853	23,853	Assets Extinguished on Settlement	(942)	(942)
621,478	621,478	Closing value of scheme assets	780,478	780,478

Movements in the Fair Value of Scheme Liabilities

2019/20			2020/21	
LGPS	Total		LGPS	Total
£'000	£'000		£'000	£'000
(1,017,167)	(1,017,167)	Opening balance at 1 April	(945,030)	(945,030)
(38,351)	(38,351)	Current service cost	(50,221)	(50,221)
(25,002)	(25,002)	Interest cost	(18,647)	(18,647)
(6,491)	(6,491)	Contributions from scheme participants	(6,737)	(6,737)
15,085	15,085	- Actuarial gains / (losses) from changes in demographic assumptions	10,286	10,286
111,235	111,235	- Actuarial gains / (losses) from changes in financial assumptions	(293,332)	(293,332)
(349)	(349)	Past service cost	(273)	(273)
0	0	Liabilities assumed on entity combinations	0	0
22,794	22,794	Experience loss/(gain) on defined benefit obligation	12,527	12,527
25,682	25,682	Benefits / transfers paid	20,556	20,556
(32,466)	(32,466)	Liabilities extinguished on settlements	1,887	1,887
(945,030)	(945,030)	Balance as at 31 March	(1,268,984)	(1,268,984)

The significant assumptions used by the actuary have been:

2019/20	LGPS	2020/21
Long term expected rate of return on assets		
9%	Gilts	9%
53%	Equities	59%
18%	Other Bonds	15%
7%	Property	6%
2%	Cash	1%
1%	Alternative Assets	1%
5%	Hedge Funds	5%
5%	Absolute Return Portfolio	4%
Mortality assumptions		
Longevity at retirement for current pensioners		
21.8	Men	21.6
25.1	Women	25.0
Longevity at retirement for future pensioners		
23.2	Men	22.9
26.5	Women	26.4
Other assumptions		
1.85%	Rate of inflation	2.85%
2.85%	Rate of increase in salaries	3.85%
1.85%	Rate of increase in pensions	2.85%
2.35%	Rate for discounting scheme liabilities	2.00%

The Asset breakdown percentages are:

2019/20			2020/21	
Quoted	Unquoted		Quoted	Unquoted
0.4%	0.0%	Fixed Interest Government Securities - UK	0.2%	0.0%
0.3%	8.0%	Index Linked Government Securities - UK	2.4%	6.5%
		Corporate Bonds		
11.4%	4.5%	UK	8.7%	3.9%
2.5%	0.0%	Overseas	2.0%	0.0%
		Equity		
0.0%	0.0%	UK	0.0%	0.0%
1.3%	46.9%	Overseas	0.7%	54.6%
7.4%	0.0%	Property	5.9%	0.0%
		Others		
0.0%	4.7%	Absolute return portfolio	0.0%	4.4%
0.0%	5.1%	Hedge Fund	0.0%	4.7%
0.0%	4.5%	Private Equity	0.0%	3.4%
0.0%	0.8%	Infrastructure	0.0%	1.2%
0.0%	0.0%	Commodities	0.0%	0.0%
0.0%	2.1%	Cash/Temporary Investments	0.0%	1.2%
		Net Current Assets		
0.0%	0.3%	Debtors	0.0%	0.2%
23.3%	76.9%	Total	19.9%	80.1%

Impact of assumptions on the obligation:

Increase by 0.1%	LGPS	Decrease by 0.1%
£'000	Assumption	£'000
60,954	Longevity	55,840
58,378	Rate of increase in salaries	58,315
60,340	Rate of increase in pensions	56,413
56,394	Rate for discounting scheme liabilities	60,361

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

Expected Contributions to the Plan

A valuation was carried out by Barnett Waddingham on the Buckinghamshire County Council Pension Fund (the Fund) as at 31 March 2019.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

In 2019/20 an agreement was reached for Milton Keynes Council to make an upfront payment on 1 April 2020 to Buckinghamshire County Council of £16.986m; to cover the contributions due from Milton Keynes Council for 2020/21 financial year.

Pension Schemes Associated Risks

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

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

- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

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

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

Pension Schemes Accounted for as Defined Contribution Schemes

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

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

In 2020/21, the council paid £11.462m (£9.115m in 2019/20) to Teachers Pensions in respect of teachers' retirement benefits. This was equivalent to 23.68% (20.79% in 2019/20) of total pensionable pay. There was no contribution remaining payable at the year end.

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

Supplementary Financial Statements

Collection Fund

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

2019/20 restated*			Collection Fund	2020/21		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
INCOME:						
0	(152,498)	(152,498)	Council Tax Receivable	0	(160,621)	(160,621)
(181,541)	0	(181,541)	Business Rates Receivable	(104,967)	0	(104,967)
(181,541)	(152,498)	(334,039)	Total amounts to be credited	(104,967)	(160,621)	(265,588)
EXPENDITURE:						
Apportionment of Previous Year Surplus/Deficit:						
239	0	239	Central Government	5,326	0	5,326
234	3,841	4,075	Billing Authority	5,220	2,788	8,008
5	169	174	Fire Authority	107	122	229
0	490	490	Police Authority	0	390	390
Precepts, demands and shares:						
76,548	0	76,548	Central Government	81,723	0	81,723
75,017	125,259	200,276	Billing Authority	80,088	132,456	212,544
1,531	5,480	7,011	Fire Authority	1,634	5,709	7,343
0	17,508	17,508	Police Authority	0	18,749	18,749
Charges to Collection Fund:						
1,401	669	2,070	Write-offs of uncollectable amounts	597	424	1,021
(310)	(119)	(429)	Increase/(decrease) in allowance for impairment	1,070	1,370	2,440
(12,188)	0	(12,188)	Increase/(decrease) in allowance for appeals	(23,749)	0	(23,749)
392	0	392	Charge to General Fund for allowable collection costs for non-domestic rates	392	0	392
(51)	0	(51)	Disregarded amounts	926	0	926
142,818	153,297	296,115	Total amounts to be debited	153,334	162,008	315,342
(38,723)	799	(37,924)	(Surplus)/Deficit arising during the year	48,367	1,387	49,754
(4,722)	(4,845)	(9,567)	(Surplus)/Deficit b/f at 1 April 2020	(43,445)	(4,046)	(47,491)
(43,445)	(4,046)	(47,491)	(Surplus)/Deficit c/f at 31 March 2021	4,922	(2,659)	2,263

* The revision to the Appeals Provision has been reflected in the 2019/20 restated position, see Note 1

Tax Base, Rateable Value and Write offs

The Council Tax base for 2020/21, i.e. the number of chargeable dwellings in each band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings, was calculated as follows:

	Estimated No. of Taxable Properties after discounts/exemptions	Ratio to Band D	Band D Equivalent
	A-	5/9	10.56
	A	6/9	9,457.17
	B	7/9	22,303.94
	C	8/9	23,410.51
	D	9/9	13,592.75
	E	11/9	13,447.19
	F	13/9	8,248.14
	G	15/9	4,666.67
	H	18/9	252.50
			95,389.43
Anticipated changes during the year			1,410.00
Provision for non-collection			(1,161.58)
			95,637.85
Impact of Council Tax Reductions			(8,947.90)
Council Tax Base			86,689.95

Collection Fund Balance Apportionment

2019/20 restated*		2020/21	2020/21	2020/21
Total £'000		Council Tax £'000	NDR £'000	Total £'000
(24,707)	Milton Keynes Council	(2,228)	2,412	184
(21,722)	Central Government	0	2,461	2,461
(479)	Thames Valley Police Authority	(336)	0	(336)
(583)	Buckinghamshire and Milton Keynes Fire Authority	(95)	49	(46)
(47,491)	Total	(2,659)	4,922	2,263

* The revision to the Appeals Provision has been reflected in the 2019/20 restated position, see Note 1

Precepts & Demands on Collection Fund

2019/20 restated*		2020/21 Council Tax Precept / Demand	2020/21 NDR Precept / Demand	2020/21 Total Precept / Demand	Council Tax Share of 2020/21 Surplus	NDR Share of 2020/21 Deficit	Total Share of 2020/21 (Surplus)/ Deficit	2020/21 Total
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000
175,571	Milton Keynes Council	132,456	80,088	212,544	(2,228)	2,412	184	212,728
54,826	Central Government	0	81,723	81,723	0	2,461	2,461	84,184
17,029	Police & Crime Commissioner for Thames Valley	18,749	0	18,749	(336)	0	(336)	18,413
6,428	Buckinghamshire and Milton Keynes Fire Authority	5,709	1,634	7,343	(95)	49	(46)	7,297
253,854	Total	156,914	163,445	320,359	(2,659)	4,922	2,263	322,622

* The revision to the Appeals Provision has been reflected in the 2019/20 restated position, see Note 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.

2019/20		2020/21
£'000		£'000
	Expenditure	
10,781	Repairs & Maintenance	11,273
12,610	Supervision & Management	13,827
152	Rents, Rates, Taxes and other charges	1,259
11,326	Depreciation, impairments and revaluation losses of non-current assets	(39,913)
168	Debt Management Costs	850
407	Movement in the allowance for bad debts	1,027
35,444	Total Expenditure	(11,677)
	Income	
(52,092)	Dwelling rents	(53,124)
(222)	Non-dwelling rents	(198)
(2,619)	Charges for services and facilities	(4,028)
(54,933)	Total Income	(57,350)
(19,489)	Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	(69,027)
313	HRA Services Share of Corporate & Democratic Core	313
(19,176)	Net Expenditure of HRA Services	(68,714)
9,412	(Gains)/loss on sale of HRA Fixed Assets	2,929
7,341	Interest Payable and Similar Charges	6,773
(896)	HRA Interest and Investment Income	(75)
0	Net interest on the defined benefit liability/asset	203
(3,319)	(Surplus) or Deficit for Year on HRA Services	(58,884)

Movement on the HRA Statement

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

2019/20 £'000	Movement on the HRA Statement	2020/21 £'000
(7,259)	Balance on the HRA at the end of the previous year	(7,259)
(3,319)	(Surplus) or Deficit on the HRA Income and Expenditure Statement	(58,884)
3,190	Adjustments between accounting basis and funding basis under statute	49,321
(129)	Net (increase) or decrease before transfers to or from reserves	(9,563)
129	Transfer to/(from) reserves	9,563
0	(Increase) or decrease on the HRA for the year	0
(7,259)	Balance on the HRA at the end of the current year	(7,259)

2019/20 £'000	Adjustment between accounting basis	2020/21 £'000
(2)	Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	0
(12,440)	Transfers to/(from) the Capital Adjustment Account	38,527
(9,411)	Gain or (loss) on sale of non-current assets	(2,929)
(833)	Contributions to or (from) the Pension Reserve	(835)
(4)	Transfers to/(from) the Accumulated Absences Account	(18)
13,801	Transfers to/(from) Major Repairs Reserve	14,018
12,047	Capital expenditure funded by the HRA	558
32	Transfers to/(from) Capital Grants Unapplied	0
3,190	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	49,321

2019/20 £'000	Transfer to/from Reserves	2020/21 £'000
12,176	Transfers to earmarked reserves	11,575
(12,047)	Transfers from earmarked reserves	(2,012)
129	Total Transfers	9,563

The Reserves held at 31 March 2021 are included in Note 11 to the accounts.

Notes to the HRA Account

Housing Stock

At 1 April 2020 the HRA housing stock was 12,071. During the 2020/21 financial year stock numbers increased as 61 dwellings were acquired from the private sector, 36 properties were sold to tenants (includes part-sales of shared ownership dwellings) and 1 property was transferred from council general fund into housing. Therefore as at 31 March 2021 the Council HRA was responsible for managing a housing stock of 12,096 dwellings of which 948 is the council's portion of shared ownership dwellings. The analysis of the remaining 11,148 dwellings is as shown below:

Main Rented Stock	Houses	Flats	Total	Houses Built	No. of Houses
1 Bedroom	1,470	2,249	3,719	Pre 1919	42
2 Bedrooms	1,796	844	2,640	1919 - 1944	330
3 or more Bedrooms	4,614	175	4,789	1945 - 1964	1,460
				Post 1964	6,048
Total	7,880	3,268	11,148		7,880

Capital Expenditure

2019/20		2020/21
£'000		£'000
	Capital Spending:	
35,209	Dwellings	37,590
43	Other HRA Assets	2
1,114	Revenue expenditure funded from capital under statute	1,385
36,366	Total Capital Expenditure	38,977
	Funded By:	
(3,082)	Usable Capital Receipts	(3,797)
0	Prudential Borrowing	(11,845)
(21,237)	Major Repairs Allowance	(22,088)
0	Government Grant	(689)
0	Third Party Contributions	0
(12,047)	Revenue Contributions	(558)
(36,366)	Total Capital Financing	(38,977)

Capital Receipts

2019/20		2020/21
£'000		£'000
	Sale of Dwellings*:	
4,772	Council Houses	3,122
142	Shared Ownership	843
0	Land	0
31	Recovered Discount	0
561	Non Right to Buy Receipts	196
5,506	HRA Receipts in Year	4,161
(1,761)	Less: Statutory Pooling	(836)
3,745	Total HRA Usable Receipts in year	3,325

* Sales of dwellings are shown net of administrative costs.

Rent Arrears

The total rent income for the year, after allowance is made for empty properties is known as Gross Rent Income. The loss of income as a result of empty properties & garages in HRA rose by £0.320m from 2019/20 value of £0.701m to £1.021m in 2020/21. The increase in loss was partly due to decommissioning of Mellish Court and Gables Tower blocks, higher number of empty properties during the year and impact of Covid-19. At 31 March 2021, 2.28% of the housing stock was vacant (0.99% at 31 March 2020).

Rents are expressed in terms of a 50-week year and were increased from 6 April 2020 by an average of 2.70%. The average weekly rent at the end of 2020/21 was £89.50 (£86.87 in 2019/20).

The Housing Revenue Account shows rent income and other miscellaneous charges (for example service charges). Arrears of all charges at 31 March 2021 amounted to £4.702m (£4.202m at 31 March 2020). During the year ending 31 March 2021 arrears of £0.153m were written off as irrecoverable, all of which £0.142m was in respect of rent debts.

The council has made a total provision against all housing-related debts of £1.948m. This figure includes a provision against rent arrears, in the sum of £1.784m.

Depreciation and Impairment of Non-Current Assets

2019/20			2020/21	
Depreciation	Impairment		Depreciation	Impairment
£'000	£'000		£'000	£'000
(13,608)	(7,441)	Council Dwellings	(13,830)	(13,400)
(161)	0	Other Land and Buildings	(156)	0
(32)	0	Vehicles, Plant, Furniture and Equipment	(31)	0
(13,801)	(7,441)	Total	(14,017)	(13,400)

Asset Values

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

	31-Mar-20	01-Apr-20	31-Mar-21
	£'000	£'000	£'000
<u>Operational Assets</u>			
Council Dwellings	653,524	640,407	720,248
Other Land & Buildings	5,499	5,343	5,502
Equipment	48	17	17
<u>Non Operational Assets</u>			
Surplus Assets	328	328	328
Assets Under Construction	3,471	3,471	7,384
Assets Held for Sale	0	0	0
Investment Properties	0	0	0
Total	662,870	649,566	733,479

As at 1 April 2020, the vacant possession value of the council's dwellings is estimated at £2,322.694m compared with the Balance Sheet value of £720.601m shown above. This variance mainly reflects the economic cost to the Government of providing council housing at less than open market rents and annual depreciation charged on brought forward balances.

The increase of £84.266m between 1 April 2020 and 31 March 2021 is due to further revaluations in the year along with additions, disposals and reclassifications.

Pension Reserve

The transfer to the Pensions Reserve in respect of the Housing Revenue Account is (£0.625m). Details of the background to, and reasons for this adjustment, may be found in note h to the Statement of Accounting Policies, and note 38 to the Financial Statements.

Group Accounts

Introduction

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

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

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 2021 was a profit of £9.792m. This includes revaluation gains of £6.086m; IAS19 pensions (£0.088m), Gain on disposal £4.788m to be used for future capital development and a trading loss from operations of (£0.994m).

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

YourMK LLP

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

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

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

In July 2020, a decision was made to dissolve YourMK. The control of regeneration functions and management of Council owned housing stock that would have been delivered by YourMK was passed on to the Council. The Partnership is in the process of being wound up. At December 2020 the turnover was £0.769m with a loss of £0.515m.

The council has determined that we do not consider YourMK LLP to be material to consolidate in Group Account for 2020/21.

During 2020/21, works and services to the value of £0.982m were paid to YourMK by the Council for work on the new additional affordable housing projects for the Council. There was

no income received during 2020/21 from YourMK. The outstanding amount owed to YourMK at the 31 March 2021 was £0.048m.

Group Financial Statements

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

- The Group Movement in Reserves Statement; incorporating the movement in year on all the different reserves held by the Group;
- The Group Comprehensive Income and Expenditure Statement; which summarises resources which have been applied and generated in providing services and managing the group during the last year;
- The Group Balance Sheet which sets out the assets and liabilities recognised by the Group as at 31 March 2021, 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 9 of the Financial Statements.

Interest in Subsidiaries

There are no interests in subsidiaries other than those reported in note 37 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

2020/21	Total General Fund Balance	Total HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Un-applied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020 Restated*	(149,548)	(64,884)	(22,683)	(16,280)	(66,665)	(320,060)	(718,133)	(1,038,193)
Movement in reserves during 2020/21								
Surplus or deficit on the provision of services	(35,998)	(58,884)	0	0	0	(94,882)	0	(94,882)
Other Comprehensive Income / Expenditure	0	0	0	0	0	0	114,131	114,131
Total Comprehensive Income and Expenditure	(35,998)	(58,884)	0	0	0	(94,882)	114,131	19,249
Adjustments between accounting basis and funding basis under regulations	(33,629)	49,321	(1,433)	8,070	15,437	37,766	(37,766)	0
Increase or Decrease in 2020/21	(69,627)	(9,563)	(1,433)	8,070	15,437	(57,116)	76,365	19,249
Balance at 31 March 2021	(219,175)	(74,447)	(24,116)	(8,210)	(51,228)	(377,176)	(641,768)	(1,018,944)

2019/20 restated*	Total General Fund Balance	Total HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Un-applied Account	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019	(147,042)	(64,755)	(20,902)	(23,716)	(82,174)	(338,589)	(549,917)	(888,506)
Movement in reserves during 2019/20						0		
Surplus or deficit on the provision of services	(22,943)	(3,319)	0	0	0	(26,262)	0	(26,262)
Other Comprehensive Income / Expenditure	0	0	0	0	0	0	(123,425)	(123,425)
Total Comprehensive Income and Expenditure	(22,943)	(3,319)	0	0	0	(26,262)	(123,425)	(149,687)
Adjustments between accounting basis and funding basis under regulations	20,437	3,190	(1,781)	7,436	15,509	44,791	(44,791)	0
Increase or Decrease in 2019/20	(2,506)	(129)	(1,781)	7,436	15,509	18,529	(168,216)	(149,687)
Balance at 31 March 2020 Restated *	(149,548)	(64,884)	(22,683)	(16,280)	(66,665)	(320,060)	(718,133)	(1,038,193)

* The MKDP Loan Refinancing prior period adjustment impact and the revision of the NDR appeals provision has been reflected in the 2019/20 restated position, see Note 1

Group Comprehensive Income and Expenditure Statement

2019/20 Restated*				2020/21		
Expenditure	Income	Net		Expenditure	Income	Net
£'000	£'000	£'000		£'000	£'000	£'000
117,976	(50,602)	67,374	Adult Social Care and Health	132,864	(58,319)	74,545
11,455	(11,611)	(156)	Public Health	11,141	(12,223)	(1,082)
251,486	(171,082)	80,404	Children and Families	241,365	(176,562)	64,803
3,442	(1,811)	1,631	Policy, Insight & Communications	3,429	(2,221)	1,208
5,945	(4,652)	1,293	Strategy & Futures	1,061	(382)	679
3,919	(833)	3,086	Housing and Regeneration	1,836	(761)	1,075
35,757	(54,933)	(19,176)	Housing Revenue Account	(11,364)	(57,350)	(68,714)
9,311	(11,953)	(2,642)	Growth, Economy and Culture	10,646	(10,930)	(284)
77,760	(28,278)	49,482	Environment & Property	84,088	(17,740)	66,348
83,267	(81,599)	1,668	Finance & Resources	80,201	(79,635)	566
11,460	(3,028)	8,432	Resources delegated to LGSS	9,444	(3,073)	6,371
3,564	(1,128)	2,436	Law & Governance	2,817	(413)	2,404
2,755	(199)	2,556	Corporate Items	8,108	(8,134)	(26)
618,097	(421,709)	196,388	Cost of Services	575,636	(427,743)	147,893
		39,280	Other Operating Expenditure			23,141
		(32,804)	Financing and Investment Income and Expenditure			6,810
		(229,126)	Taxation and Non Specific Grant Income			(272,726)
		(26,262)	Surplus or Deficit on Provision of Services			(94,882)
		(19,864)	Surplus or deficit on revaluation of Property, Plant and Equipment			(20,656)
		9,503	Impairment losses on non-current assets charged to the Revaluation Reserve			2,583
		0	Surplus or deficit on revaluation of available for sale financial assets and financial instruments at fair value through other comprehensive income and expenditure			0
		(113,064)	Remeasurement of the net defined benefit liability / asset			132,204
		(123,425)	Other Comprehensive Income and Expenditure			114,131
		(149,687)	Total Comprehensive Income and Expenditure			19,249

*The 2019/20 Covid-19 Local Authority Support Grant prior period adjustment impact and the revision of the NDR appeals provision has been reflected in the 2019/20 restated position, see Note 1

Group Balance Sheet

2019/20 Restated*	Note		2020/21
£'000			£'000
1,526,071		Property, Plant and Equipment	1,641,891
844		Heritage Assets	839
209,458		Investment Property	161,223
301		Intangible Assets	727
20,431		Long Term Investments	14,774
1,969		Long Term Debtors	3,699
1,759,074		Long Term Assets	1,823,153
181,597		Short-term Investments	155,167
9,341		Assets Held for Sale	46,085
63		Inventories	51
53,454	G3	Short Term Debtors	65,597
61,284		Cash and Cash Equivalents	142,653
305,739		Current Assets	409,553
(13,970)		Short-Term Borrowing	(16,663)
(112,638)	G4	Short-Term Creditors	(139,028)
(9,042)		Provisions	(6,755)
(49,505)		Grants Receipts in Advance - Revenue	(56,949)
(8,458)		Grants Receipts in Advance - Capital	(5,983)
(193,613)		Current Liabilities	(225,378)
(23,512)	G5	Provisions	(11,292)
(453,372)		Long Term Borrowing	(443,639)
(324,202)		Other Long-Term Liabilities	(489,749)
(29,221)		Grants Receipts in Advance - Revenue	(41,122)
(2,700)		Grants Receipts in Advance - Capital	(2,582)
(833,007)		Long Term Liabilities	(988,384)
1,038,193		Net Assets	1,018,944
(320,060)	G6	Usable Reserves	(377,176)
(718,133)	G6	Unusable Reserves	(641,768)
(1,038,193)		Total Reserves	(1,018,944)

* The MKDP Loan Refinancing prior period adjustment impact and the revision of the NDR appeals provision has been reflected in the 2019/20 restated position, see Note 1

Group Cash Flow Statement

Group 2019/20 restated*			Group 2020/21
£'000			£'000
(26,262)		Net (surplus) or deficit on the provision of services	(94,882)
(123,473)	G7.1	Adjustment to surplus or deficit on the provision of services for noncash movements	(105,789)
39,621	G7.1	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	72,170
(110,114)		Net cash flows from operating activities	(128,501)
142,311	G7.2	Net cash flows from investing activities	4,866
6,351	G7.3	Net cash flows from financing activities	42,266
38,548		Net (increase) or decrease in cash and cash equivalents	(81,369)
99,832		Cash and cash equivalents at the beginning of the reporting period	61,284
61,284		Cash and cash equivalents at the end of the reporting period	142,653

* The MKDP Loan Refinancing prior period adjustment impact and the revision of the NDR appeals provision has been reflected in the 2019/20 restated position, see Note 1

G1 – Accounting Policies

In preparing the Group Accounts, the council has:

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

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

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

2019/20 restated*		Milton Keynes	Milton Keynes	Intra-	Group
		Council	Development	Company	Total
		2020/21	Partnership	Transactions	2020/21
		£'000	2020/21	2020/21	£'000
1,759,074	Long Term Assets	1,748,112	76,101	(1,060)	1,823,153
181,597	Short Term Investments	185,470	0	(30,303)	155,167
9,341	Assets held for sale	7,774	38,311	0	46,085
63	Inventories	51	0	0	51
53,454	Short Term Debtors	66,191	834	(1,428)	65,597
61,284	Cash and Cash Equivalents	114,871	27,782	0	142,653
(13,970)	Short Term Borrowing	(16,663)	0	0	(16,663)
(112,638)	Short Term Creditors	(136,996)	(32,734)	30,702	(139,028)
(9,042)	Short Term Provisions	(6,755)	0	0	(6,755)
(57,963)	Short Term Grants & Contributions Receipts in Advance	(62,932)	0	0	(62,932)
(23,512)	Long Term Provisions	(11,292)	0	0	(11,292)
(453,372)	Long Term Borrowing	(443,639)	0	0	(443,639)
0	Long Term Borrowing	(4,033)	0	4,033	0
(324,202)	Other Long-Term Liabilities	(488,506)	(1,243)	0	(489,749)
(31,921)	Long Term Grants & Contributions Receipts in Advance	(43,704)	0	0	(43,704)
1,038,193	Net Assets	907,949	109,051	1,944	1,018,944

* The MKDP Loan Refinancing prior period adjustment impact and the revision of the NDR appeals provision has been reflected in the 2019/20 restated position, see Note 1

G3 – Debtors

Group Total		Milton Keynes	Milton Keynes	Intra-Company	Group Total
		Council	Development	Transactions	
		2020/21	Partnership	2020/21	2020/21
2019/20		2020/21	2020/21	2020/21	2020/21
£'000		£'000	£'000	£'000	£'000
13,869	Trade Receivables	20,433	370	0	20,803
39,585	Other Receivable Amounts	45,758	464	(1,428)	44,794
53,454	Total Short Term Debtors	66,191	834	(1,428)	65,597

G4 – Creditors

Group Total		Milton Keynes	Milton Keynes	Intra-Company	Group Total
		Council	Development	Transactions	
		2020/21	Partnership	2020/21	2020/21
2019/20		2020/21	2020/21	2020/21	2020/21
restated*		£'000	£'000	£'000	£'000
(8,190)	Trade payables	(10,643)	(1,158)	0	(11,801)
(104,448)	Other payables	(126,353)	(31,576)	30,702	(127,227)
(112,638)	Total Short Term Creditors	(136,996)	(32,734)	30,702	(139,028)

* The revision of the NDR appeals provision has been reflected in the 2019/20 restated position, see Note 1

G5 – Provisions

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

G6 – Reserves

The reserves held by the Milton Keynes Council and Milton Keynes Development Partnership at 31 March 2021 are detailed below:

Group Total Restated*		Milton Keynes Council	Milton Keynes Development Partnership	Group Total
2019/20		2020/21	2020/21	2020/21
£'000		£'000	£'000	£'000
(288,517)	Milton Keynes Council's Usable Reserves	(337,725)	0	(337,725)
(31,543)	LLP Retained Earnings	0	(39,451)	(39,451)
(320,060)	Total Usable Reserves	(337,725)	(39,451)	(377,176)
(648,534)	Milton Keynes Council's Unusable Reserves	(570,224)	0	(570,224)
(69,599)	LLP Non-Distributed Reserves	0	(71,544)	(71,544)
(718,133)	Total Unusable Reserves	(570,224)	(71,544)	(641,768)
(1,038,193)	Total Reserves	(907,949)	(110,995)	(1,018,944)

* The MKDP Loan Refinancing prior period adjustment impact and the revision of the NDR appeals provision has been reflected in the 2019/20 restated position, see Note 1

G7.1 – Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

2019/20			2020/21	
Milton Keynes	Group		Milton Keynes	Group
£'000	£'000		£'000	£'000
(4,036)	(4,036)	Interest received	(3,420)	(3,420)
19,261	25,545	Interest paid	20,745	20,763
15,225	21,509	Total	17,325	17,343

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

2019/20 restated*			2020/21	
Milton Keynes	Group		Milton Keynes	Group
£'000	£'000		£'000	£'000
(32,310)	20,365	Depreciation	21,109	28,741
(440)	(440)	Amortisation	(173)	(173)
612	612	(Increase)/decrease in impairment for bad debts	(4,406)	(5,166)
(16,070)	(12,237)	(Increase)/decrease in creditors	(53,424)	(54,627)
(49,092)	(51,478)	Increase/(decrease) in debtors	(77)	(1,638)
(35)	(35)	Increase/(decrease) in inventories	(12)	(12)
(37,641)	(37,963)	Movement in pension liability	(33,256)	(33,344)
(35,960)	(40,864)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(33,088)	(38,626)
(1,433)	(1,433)	Other non-cash movements charged to the surplus or deficit on provision of services	(944)	(944)
(172,369)	(123,473)	Total	(104,271)	(105,789)

* The MKDP Loan Refinancing prior period adjustment impact and the revision of the NDR appeals provision has been reflected in the 2019/20 restated position, see Note 1

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

2019/20			2020/21	
Milton Keynes	Group		Milton Keynes	Group
£'000	£'000		£'000	£'000
7,437	14,343	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	20,215	30,541
25,278	25,278	Any other items for which the cash effects are investing or financing cash flows	41,629	41,629
32,715	39,621	Total	61,844	72,170

G7.2 – Cash Flow from Investing Activities

2019/20			2020/21	
Milton Keynes	Group		Milton Keynes	Group
£'000	£'000		£'000	£'000
98,099	109,585	Purchase of property, plant and equipment, investment property and intangible assets	92,596	94,815
873,641	842,138	Purchase of short-term and long-term investments	2,004,492	2,004,492
0	0	Other payments from investing activities	0	0
(8,353)	(15,259)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(8,429)	(18,755)
(770,050)	(770,050)	Proceeds from short-term and long-term investments	(2,036,112)	(2,036,112)
(24,103)	(24,103)	Other receipts from investing activities	(39,574)	(39,574)
169,234	142,311	Net cash flows from investing activities	12,973	4,866

G7.3 – Cash Flow from Financing Activities

2019/20			2020/21	
Milton Keynes	Group		Milton Keynes	Group
£'000	£'000		£'000	£'000
(14,507)	(14,507)	Other receipts from financing activities	29,825	29,825
14,268	14,268	Repayments of short-term and long-term borrowing	7,027	7,027
(658)	6,590	Other payments for financing activities	4,583	5,414
(897)	6,351	Net cash flows from financing activities	41,435	42,266

Glossary

AAA Fitch Rating

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

AA Fitch Rating

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

A Fitch Rating

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

Accounting Period

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

Accruals

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

Actuarial Gains and Losses

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

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

Asset

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

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

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

Audit Of Accounts

An independent examination of the Authority's financial affairs.

Balance Sheet

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

Borrowing

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

Budget

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

Capital Expenditure

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

Capital Financing

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

Capital Programme

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

Capital Receipt

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

Claw-Back

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

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Collection Fund

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

Community Assets

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

Comprehensive Income and Expenditure Statement

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

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's accounts.

Contingent Liability

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control;
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Creditor

Amount owed by the Authority for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

Current Service Cost (Pensions)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

Debtor

Amount owed to the Authority for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

Defined Benefit Pension Scheme

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

Depreciation

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

Discretionary Benefits (Pensions)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

Equity

The Authority's value of total assets less total liabilities.

Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

Expected Return On Pension Assets

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Going Concern

The concept that the Statement of Accounts is prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

Government Grants

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

Housing Benefits

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by central government.

Housing Revenue Account (HRA)

A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Authority.

Impairment

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

Infrastructure Assets

Fixed assets belonging to the Authority that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

Intangible Assets

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority's intangible assets comprise computer software licences.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investments (Pension Fund)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

Liability

A liability is where the Authority owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

Liquid Resources

Current asset investments that are readily disposable by the Authority without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market.

Long-Term Contract

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

Materiality

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

Minimum Revenue Provision (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

Net Book Value

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

Net Debt

The Authority's borrowings less cash and liquid resources.

Non-Distributed Costs

These are overheads for which no user now benefits and as such are not apportioned to services.

Non-Domestic Rates (NDR)

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by central government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the Authority on behalf of itself, central government and major preceptors. In Scotland it is collected by the Authority on behalf of central government and then redistributed back to support the cost of services.

Non-Operational Assets

Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

Operating Lease

A lease where the ownership of the fixed asset remains with the lessor.

Operational Assets

Fixed assets held and occupied, used or consumed by the Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Past Service Cost (Pensions)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

Pension Scheme Liabilities

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Precept

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

Prior Year Adjustment

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provision

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

Public Works Loan Board (PWLB)

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

Rateable Value

The annual assumed rental of a hereditament, which is used for NNDR purposes.

Related Parties

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

Related Party Transactions

The Statement Of Recommended Practice requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

Reserves

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

Residual Value

The net realisable value of an asset at the end of its useful life.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Revenue Expenditure

The day-to-day expenses of providing services.

Revenue Expenditure Capitalised Under Statute (REFCUS)

Expenditure which ordinarily would be revenue, but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction.

Revenue Support Grant

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

Stocks

Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

Temporary Borrowing

Money borrowed for a period of less than one year.

Trust Funds

Funds administered by the Authority for such purposes as prizes, charities, specific projects and on behalf of minors.

Useful Economic Life (UEL)

The period over which the Authority will derive benefits from the use of a fixed asset.

