



milton keynes council



Milton Keynes Council

**Statement of Accounts for the year
2021/22**

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Narrative Report

Introduction

This document presents the statutory financial statements for Milton Keynes Council (the council) for the period 1 April 2021 to 31 March 2022 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 2021/22 (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, which is our long-term vision for our city and the future, seeking to ensure that everyone in Milton Keynes can lead happy, healthy lives. Milton Keynes Council operated through 2021/22 in line with the priorities set out in the 2016-2022 Council Plan. The Plan sets out a vision and desired outcomes for Milton Keynes, together with a series of priority actions to provide a shared framework for both the council and its partner organisations.

The Council Plan 2022-2026 has since replaced the Council Plan 2016-2022 and was approved on 15 June 2022.

Milton Keynes Council vision:

Milton Keynes is the pinnacle of post-war planning and innovation.

Designed on the founding principle that each and every citizen has the right to a high quality of life through the provision of good-quality affordable housing, well paid employment and access to open space, our city is a unique and special place of character, innovation, and community.

Milton Keynes Council is committed to strengthening and enhancing the qualities that make us special while ensuring we are ambitious for the next chapter in our history as an internationally recognised economic powerhouse, centre of innovation and cultural creativity, and pioneer of high-quality sustainable growth.

Milton Keynes Council is ambitious for all, ensuring everybody has opportunities to fulfil their potential by delivering the best services and support we can while ensuring the change needed to tackle climate change and meeting the challenges of recovering from a global pandemic and a cost-of-living crisis.

The Council Plan explains our priorities and key objectives: for Milton Keynes to be a thriving city, a progressive city, and a sustainable city. It also gives details of the outcomes that we want to see by 2026. Priorities are set out to reflect the most significant outcomes and making the greatest impact. An annual delivery plan breaks down what will be done to achieve these goals, with key milestones along the way. Progress against delivery is reported quarterly to councillors and other stakeholders.

The Three key Objective detailed in the Council Plan are as follows:

- A thriving city – We will continue to improve our city as a unique regional and national economic powerhouse, with a growing cultural significance that builds on our success and innovates for the future.
- A progressive city - Everyone in Milton Keynes deserves to have the same opportunities and chances in life, where people are valued, feel safe and are encouraged to participate in their community and lead healthier, fulfilled lives.
- A sustainable city - We will ensure that we grow sustainably and deliver value for money services that put tackling climate change at the heart of our actions.

Further details on the council's aims, visions and priorities can be found in the Milton Keynes Council Plan 2022-2026 which is published on the Internet [Council plan 2022-2022.pdf \(milton-keynes.gov.uk\)](https://www.milton-keynes.gov.uk/council-plan-2022-2026.pdf)

Milton Keynes Council is governed through a Labour and Liberal democrat Progressive Alliance which was formally agreed in May 2022. 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 c287,000 and is the landlord for over c12,000 properties of which 943 is the council's portion of shared ownership dwellings, whose income and expenditure is operated through a Housing Revenue Account (HRA).

The Council's 2021/22 Financial Position

Service Expenditure – General Fund

The Council's 2021/22 reported outturn shows an underspend of £1.341m for the year. This has been added to the General Fund working balance.

The table on the following page shows the General Fund outturn position for the year ending 31 March 2022.

General Fund - Income & Expenditure Summary at 31 March 2022

General Fund High Level Revenue Summary	Outturn Position		
	2021/22 Full Year Budget	Outturn	Variance
	£m's	£m's	£m's
Adult Social Care	79.515	79.708	0.193
Public Health	11.724	11.724	0.000
Children's Services	56.265	57.151	0.886
Customer and Community	7.095	7.158	0.063
Strategy and Futures	(0.123)	(0.128)	(0.005)
Housing and Regeneration	0.281	0.242	(0.039)
Planning and Placemaking	3.246	3.179	(0.067)
Environment and Property	72.432	68.902	(3.530)
Resources - Retained MKC	(0.031)	(0.472)	(0.441)
Resources - Shared Services	4.782	4.782	0.000
Law & Governance	2.361	2.535	0.174
Corporate Codes & Debt Financing	(8.997)	(8.002)	0.995
Assets Management	(26.881)	(26.881)	0.000
General Fund Requirement	201.669	199.898	(1.771)
New Homes Bonus	(3.327)	(3.327)	0.000
NNDR	(52.632)	(52.632)	0.000
RSG	(5.623)	(5.623)	0.000
Public Health	(11.721)	(11.795)	(0.074)
Sales Fees and Charges Covid Grant	(2.000)	(1.466)	0.534
Other Government Grants	(0.337)	(0.337)	0.000
Council Tax	(126.029)	(126.059)	(0.030)
Total Financing	(201.669)	(201.239)	0.430
Net Surplus / Deficit	0.000	(1.341)	(1.341)

Significant Overall Revenue Variances

Adult Services – £0.193m overspend

- There was an overspend of £0.530m against the block commissioned care home budget, due to an increase in the bad debt provision in relation to historic cases of debt which has been compounded by Covid, creating a backlog of reviews. There has also been a reduction in client contributions in relation to existing placements as the cohort changes or due to depleted capital. Additionally, outbreaks of Covid cases in care homes has resulted in admissions being closed during this period of the year.
- Temporary Accommodation and Prevention budgets overspent by £0.850m. Demand over the second half of the year increased significantly, resulting in an increase in accommodation requirements and an overspend of £1.418m. There have also been vacancies within the Homelessness Prevention team leading to a lower level of preventions and additional expenditure in higher cost bed and breakfast accommodation, and high levels of admissions to hotels. Accommodation availability

has also been impacted by the delay in opening of the modular units at Fishermead and the decant of Mellish and Gables tower blocks.

- External Support Living Mental Health overspent by £0.702m due to 13 additional section 117 after care packages during the year.
- Internal Day Services and Short Breaks were (£0.641m) underspent due to the Day Care service ceasing operation during the pandemic and therefore vacancies were held during this period.
- Learning Disability Service was overspent by £1.190m due to enabling service users purchasing their own services to meet their care needs as an alternative to the Day Care service, which was partially closed during the pandemic. This was either additional care support or direct payments. In addition, the number of young people transitioning from Children's Services was higher than anticipated.
- The Internal Homecare Team budget underspent by (£0.657m) due to a shortage of care staff across the market. Some vacancies have now been filled through a recruitment campaign.
- Hospital Discharge Funding of (£1.310m) has been utilised across the serviced to fund care packages and staffing pressures, to ensure flows from hospital are maintained and to reduce bed blocking.

Children's Services – £0.886m overspend

- Sufficiency, Access & Attendance Service was overspent by £1.035m mainly due to an increase in demand for Home to School Travel.
- Setting and School Improvement was overspent by £0.591m. This is linked to: costs from expanding our service to deliver the Council Plan agenda for all MK schools to be Ofsted rated 'Good or Outstanding', a one-off backdated salary payment paid in year, support for high risk / schools converting to academy status with a deficit, and 2021/22 undelivered savings.
- Corporate Parenting was underspent by (£0.513m). This was in part due to an underspend on placements of (£0.473m). Whilst the number of LAC placements throughout the year have remained stable there has been an increase in demand for specialist placements which are at a high cost.

Customer and Community - £0.063m overspend

- Increased running and repairs costs at the Crematorium were £0.178m more than expected. There was an underachievement of income for burials/cremation of £0.204m.
- Additional Leisure income of £0.113m associated with the golf course was achieved, which was offset to a degree by costs following a staffing restructure.

- Salary savings due to vacancies across the service partially offset unachieved savings target.

Planning and Placemaking – £0.067m underspend

- Planning and Land charges income is better than expected by £0.811m and £0.173m retrospectively, essentially due to large applications and increase in demand over the last two years. This has been offset by an unbudgeted provision to cover possible future liabilities relating to planning appeals £0.905m.

Environment & Property - £3.530m underspend

- During the 2020/21 financial year, lockdowns meant that significant budget challenges were faced with a major shortfall in income from parking fees. As a result, the anticipated fee income within the 2021/22 budget was reduced significantly. Parking income for the financial year stabilised as lockdowns eased and income was stronger than budgeted. The final income generated was £2.830m greater than expected.
- The waste disposal outturn was £0.328m overspent mainly due to additional recycling, food and garden waste tonnage resulted in higher costs of £0.259m with a further £0.169m in contamination charges. This was offset by a saving in Waste collection of £0.388m due to the suspension of the recycling, food and garden waste collection service due to the pandemic.
- A saving linked to the Asset Rationalisation Programme (ARP) was delayed resulting in a variance of £0.218m.
- One-off costs of £0.117m was incurred in respect of the emergency removal of the glass panels from balconies at Civic. In addition, the retention of Saxon Court for the use as a vaccination centre resulted in a net overspend of £0.126m.
- A reduced payment mechanism for Concessionary fares in the first half of the year based on patronage being at a rate of 60% (rather than the budgeted 80%) resulted in an underspend of £0.846m.

Resources MKC – £0.441m underspend

- An underspend of (0.169m) occurred in the service mainly due to staff vacancies and a saving of (£0.164m) against training budgets due to covid restrictions.

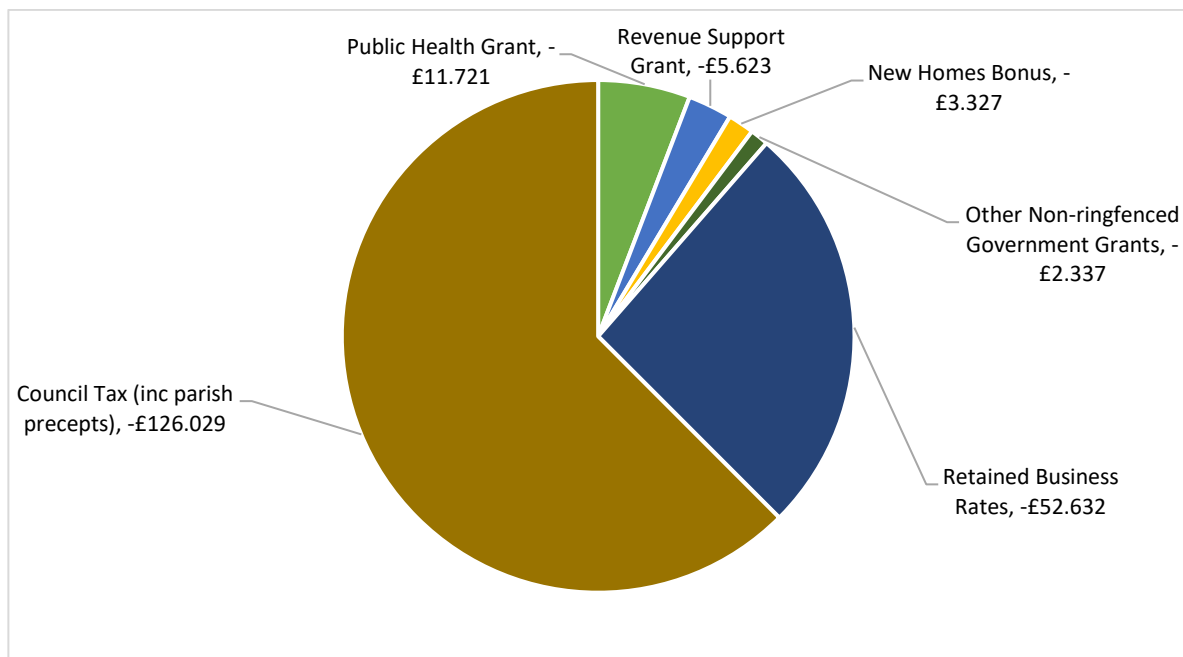
Debt Financing & Corporate Codes – £0.995m overspend

- £0.794m has been set aside to top up insurance reserves and loss provisions.

Sources of Financing - £0.430m overspend

- Income from the Covid Government Income Compensation Scheme £0.534m was less than budgeted.

Milton Keynes Council's net cost of service is funded through Council Tax, Business Rates and Grants. The chart below details how the 2021/22 budget requirement of £201.669m 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 £0.058m (overall there is a net nil variance after use of reserves as the funding is ring-fenced). There have been overall underspends across commissioned services due to changes in population behaviour and reduced access to services during Covid-19 and the associated lockdowns, there has continued to be an underspend in Sexual Health service £0.136m and the Health Check service £0.152m due to the re-prioritisation of GP appointments. The Smoking Cessation service was also underspent by £0.052m due to low uptake in the service.

Dedicated Schools Grant (DSG)

When the budget was set, it was anticipated that there would be a surplus carry forward of £3.345m from 2020/21, however the actual carry forward was a surplus of £3.233m an adverse movement of £0.090m. The 2021/22 budget was set with a budgeted surplus carry forward of £2.994m, however the actual surplus carry forward is £2.858m, an adverse position of £0.136m against budget.

The main areas of risk are in high needs where there have been increases in the number of children requiring support and 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 of this block remains uncertain. 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.

Housing Revenue Account (HRA)

The HRA has an overspend of £2.571m. The HRA is a ring-fenced account, meaning any overspend must be managed within the account. The effect of the above overspend results in a reduction in the amount of funding able to be transferred to our capital reserves, which is used for future investment. The amount transferred to capital was £1.660m, (£2.571m) less than budgeted. Key variance include:

- The depreciation charge was £1.239m greater than budget. The reason for the increase is because the charge is based on an independent valuation of our housing stock, which has increased in value by c.£60m.
- In Asset Management there was an underspend of (£0.564m) due to staff vacancies, many of which have proved difficult to recruit to due to the competitive commercial market for these types of professionals.
- Repairs & Remedial works were overspent by £1.669m, mainly as result of essential works to comply with Health & Safety and following the inspections.
- In the Leaseholder budgets, there was an underspend of (£0.570m) which is due to additional major works income of (£0.372m) and service charges achieved (£0.445m) due to changes in the billing cycle.

Service Expenditure – Cost Reductions and Income in 2021/22

Savings of £4.909m were approved for implementation in 2021/22, and £0.476m savings were carried forward from 2020/21, resulting in a total of target of £5.385m to deliver in 2021/22. £4.309m (80%) was delivered in year, and £1.076m (20%) 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 2022/23 budget.

Service Expenditure – Capital

In 2021/22 £109.648m was spent against a budget of £149.912m, a £40.264m underspend, after slippage of £34.218m, this will result in an underspend of £6.047m in year.

The main areas of underspend are:

- 2 Bed Acquisition of properties for MKC's Mellish & Gables tenants £4.237m underspend – The tenants of the tower block were rehoused into other Council properties, therefore there was no need to purchase additional properties and therefore the budget is no longer required.
- A421 £1.378m – The project has been completed and will not require the full budgeted contribution from MKC. This balance will be held to fund the current programme.

2021/22 Key Slippage to later Years

- HRA New Build, Acquisition's & Regeneration Housing programme £3.411m requested slippage to 2022/23 due to delays in the programme. This includes £1.143m slippage on

the delivery of the Mellish and Gables demolition due to delays in moving the telecom masts on both blocks and £0.962m on the purchase of properties due to be completed in 2022/23.

- HRA Asset Management Programme £8.371m requested to slip to 2022/23 mainly due to shortage in some areas of either specialist contractors or materials (fire detection systems) or general workforce availability.
- Calverton Lane Primary School £1.058m requested to slip to 2022/23. Design works underway, Cash flow forecasts indicates a delay, however the project is on target for completion in June 2023 as planned.
- Glebe Meadow £2.664m requested to slip into 2022/23. The school is on target to complete by September 2022 as expected.
- Schools Asset Management programme £1.955m requested slippage to 2022/23 due to delays in the programme.
- Whitehouse Community Facility £0.934m to be slipped to 2022/23. Design and tender process elongated so contract was not awarded when originally anticipated. Estimated completion date is December 2022.

A review of all projects in the 2022/23 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 with a revised 2022/23 year Programme of £222.653m and £515.852m agreed programme over the medium term.

The main capital schemes in 2022/23 Programme are:

- Glebe Meadows Primary & Secondary School £8.670m
- Calverton Lane Primary School £10.258m
- HRA New Build & Regeneration programme £38.728m
- HRA Asset Management £52.666m
- Towns Fund projects £20.891m
- Agora Regeneration £31.473m
- Zero Emissions Bus Initiative £16.156m
- Housing Infrastructure Fund £67.779m
- Waste Initiatives £21.702m

Details of the 2021/22 Outturn reported can be found on the Council website on the following link [CMIS > Calendar](#)

Financial Outlook

The Council Medium Term Financial Plan 2022/23 sets out how the Council will address its financial challenges, prioritise the resources it has and support the delivery of the Council Plan. This is the fourth consecutive year where local government has received an annual financial settlement from government. Taken together with the impact of the pandemic and challenging economic backdrop caused by supply chain issues, rising inflation and changes to the workforce, this means financial planning is short term and certain to change materially over the next 4 years.

The Council has continued to respond effectively to the challenges presented by the pandemic both in terms of making critical service decisions and strengthening its financial and risk management approach. As the wider financial impacts to the economy, place, residents and workforce emerge the Council will need to continue to evolve and respond to the rapid changes taking place to ensure that the Council continues to provide support and leadership whilst remaining financially resilient.

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.

Medium Term Financial Plan Gap

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £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

Risks

The key external risks are as follows:

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 from the pandemic.

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. 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. 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 Comprehensive Spending Review (CSR) has given some indications on medium term local government funding. However, there is still some long term uncertainty around the funding.

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

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.

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 £29.247m which was above the minimum recommended level for 2021/22.

The council's overall reserves have decreased in 2021/22 from £262.381m to £224.951m. Details of the council's earmarked reserves can be found in note 10 to the Financial Statement.

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

Reserve Summary	Balance 31/03/22 £m	Balance 31/03/23 £m
GF Working Balance	29.247	29.668
% Net Revenue Budget	13.86%	13.63%
GF Risk Reserves	39.762	32.341
Total: Reserves Available to meet known and unknown risks	69.008	62.009
% Net Revenue Budget	32.70%	28.48%

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 last corporate risks register went to Audit Committee on the 27 July, details of which can be found on the Councils Internet page: [CMIS > Calendar](#)

Annual Investment Strategy

CIPFA and Department for Levelling Up, Housing and Communities (DLUHC) guidance requires 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 2021/22, which included the Annual Investment Strategy, was approved by Council on 16 February 2021. It set our investment priorities as being:

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

The economic impact of covid measures upon the economy and low Bank of England base rate continued to suppress investments returns available for much of the 2021/22 financial year, meaning there continued to be insufficient alternative added benefit to holding large sums in the safe-haven UK Government deposit facility and in liquid instruments like money market funds and bank call/notice accounts. The December 2021 reversal of the emergency base rate cut, followed by stepped increases in February and March 2022, had a positive impact upon investment rates available and so tranche investments were placed with select financial institutions in February and March 2022. This approach is likely to continue into 2022/23 with interest rates expected to rise further.

At the 31 March 2022, the council held £396.149m invested with various financial institutions (including total accrued interest of £0.554m); of this amount £233.533m has been classified as cash equivalents in accordance with Accounting Policy F, £145.518m has been classified as short-term investments, and £17.098m has been classified as long-term investments.

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 2021/22, principal repayments on annuity loans £2.983m were made to the Public Works Loan Board (PWLB) in line with loan agreements, and further £6.750m 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 £450.533m. This full amount (including accrued interest of £1.894m) represents funding of capital projects. Further details of the composition of this sum can be found in the note 27 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 2022.

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 c265 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, together with MKC, a parent of MKDP.

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), North Northants Council (NNC), West Northants Council (WNC) and Cambridgeshire County Council (CCC) to provide more cost effective interim and permanent employment services. Whilst the company is performing well the council has received a small 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 2,140 FTE at 31 March 2022. This workforce reflects the diversity of the residents of the City.

Non-Current asset Disposals

Major non-current asset disposals during the year included:

- Transfer newly built Whitehouse 12FE Secondary School campus to Watling Academy £37.726m
- Western Expansion Area - Disposal of part of Two Mile Ash Farm £10.951m
- Conversion of Langedland Community Primary School to Academy Status £3.211m
- Conversion of Queen Eleanor Primary School to Academy Status £2.904m
- Transfer of Sycamore Club to Bletchley & Fenny Stratford Town Council £0.612m
- Transfer of Westcroft Meeting Place, Westcroft Pavilion & Sport Ground, and Lynmouth Crescent Pavilion & Clubhouse to Shenley Brook End & Tattenhoe PC £2.079m
- Transfer of Walnut Tree Sports Pavilion to Walton Community Council £0.654m

Other non-current asset disposals include the sale of council dwellings main stock of 46 properties for £2.885m and council dwellings shared ownership stock of 2.7 properties for £0.534m.

Contingencies, Provisions and Material Write-offs

During 2021/22 Milton Keynes Council raised general debts (including adult social care, rents and traded services) totalling £98.389m. The in-year collection rate is 82.54% based on the value of invoices raised and cleared by year end. The total debt written off in 2021/22 is £1.610m.

The council has 5 Contingent Assets and Liabilities which are detailed in note 29 to the accounts.

The total provisions in the Balance Sheet at 31 March 2022 were £23.096m, of which £15.288m relates to the business rate appeals provisions, £4.123m Insurance Provisions, £1.574m Term Time Only Provisions and £0.905m for planning appeals provision. Further details can be found in note 28 to the Account.

The 2021/22 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 56 to 60 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 decreased by £114.788m in 2021/22. 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) and other 'unusable reserves'. 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:

Collection Fund

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

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.

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

Opinion

We have audited the financial statements of Milton Keynes Council ('the Council') and its subsidiaries (the 'Group') for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the:

- Accounting Policies
- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Movement in Reserves Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement
- the related notes 1 to 36 and group notes 1 to 8.
- Housing Revenue Account Income and Expenditure Statement, the Movement on the HRA Statement, and the related notes
- Collection Fund 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- give a true and fair view of the financial position of Milton Keynes Council and the Group as at 31 March 2022 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 Group and the Council'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 Group's ability to continue as a going concern.

Other information

The other information comprises the information included in the Milton Keynes Council Statement of Accounts for the year 2021/22, other than the financial statements and our auditor's report thereon. The Director of Finance and Resources is responsible for the other information contained within the Milton Keynes Council Statement of Accounts for the year 2021/22.

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.

We have nothing to report in this regard.

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 Group and the Council
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)

- 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 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Group and the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects.

Responsibility of the Chief Finance Officer

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the Group 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Director of Finance and Resources determines 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 Group and the Council'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 Group and the Council either intends to cease operations, or has 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. 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 Group 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, 2020, and 2022,
- National Health Service Act 2006,
- The Local Government Finance Act 2012,
- The Local Audit and Accountability Act 2014 (as amended), and
- The Accounts and Audit Regulations 2015.

In addition, the Group and the Council have 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 and 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 Group and the Council's committee minutes, through enquiry of employees to confirm Group and the Council policies, and through the inspection of employee handbooks and other information. 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 Group and the Council'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 Group and the Council'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.

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 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether the 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 the 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 2022.

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 (as amended) 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 cannot formally conclude the audit and issue an audit certificate until the NAO as group auditor has confirmed that no further assurances will be required from us as component auditors of Milton Keynes Council. 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 2022. 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 (as amended) 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 (as amended) 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 Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Janet Dawson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
London
Date: 28 July 2023

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: 27 July 2023

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 2022.

Steve Richardson

Director of Finance and Resources

Date: 27 July 2023

Accounting Policies

a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. 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 2021/22, 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.

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence to September 2024 which is greater than 12 months from the date that the accounts are authorised for issue.

2021/22 Financial year

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 Council's 2021/22 reported outturn shows an underspend of £1.341m for the year. This has been added to the General Fund working balance.

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 had 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

2023/24 Budget

The impact of higher inflation and continuing increases in demand for some of our major services, such as social care has impacted on the cost of service provision both within 2022/23 and will also result in significant cost pressures for 2023/24 and beyond. The Council set aside sufficient funding to address the short-term pressures in 2022/23 and has set a balanced budget for 2023/24 where the Council has managed these cost pressures effectively whilst ensuring that critical services can continue to support local residents. The 2023/24 budget was approved in February 2023, details of which can be found here [Agenda for Cabinet on Tuesday 7th February, 2023, 6.30 pm | Milton Keynes City Council \(modern.gov.co.uk\)](#).

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 Council's Reserves were reported to Cabinet as part of the budget report on 1 February 2022 and the final reserves position for 2021/22 at the 31 March 2022 went to Cabinet along with the draft outturn on 5 July 2022.

Reserve	Balance at 31/3/2022 £m	Balance at 31/3/2023 £m	Forecast Balance at 31/3/2024 £m
GF Working Balance	29.247	29.668	30.068
% Net Revenue Budget	13.86%	13.63%	12.34%
Specific Risk Reserves	39.762	32.341	20.291
Total Reserves Available to meet known and unknown budget risks	69.008	62.009	50.359
% Net Revenue Budget	32.70%	28.48%	20.67%

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 31 March 2023 the Council held £460.9m of investments including accrued interest; of which £69.7m was held in liquid cash instruments, £231.8m in investments with less than three months to maturity, £145.0m with between three months and one year to maturity, and £14.4m with greater than one year to maturity. Investment balances are projected to fall to c. £305.0m by 31 March 2024 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 31 March 2023 stood at £440.4m including accrued interest, of which £23.1m is due for repayment within 12 months. No new external borrowing is anticipated in the next 12 months meaning the balance outstanding at 31 March 2024 is expected to be £417.3m. 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 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:

- in the principal market for the asset or liability, or
- 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 40% from 1 April 2021 (an increase from the previous 30% cap in 2020/21) of the expenditure incurred on new affordable housing can be funded using these receipts.

f) Cash and Cash Equivalents

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

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

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

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

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

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

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

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

h) Employee Benefits

Benefits Payable during Employment

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

Untaken leave is accrued on the basis of actual leave untaken at 31 March 2022 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 contribution 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 one members remains. 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 36 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 2.60% (-0.60% real). The discount rate for pension's liabilities is calculated using the AA Corporate Bond Rate.

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

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

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

Service cost comprising:

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

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

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

Re-measurements comprising:

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

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

Contributions paid to the Buckinghamshire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; 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 36 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 reporting period are those events, which could be favourable or unfavourable, that occur between the Balance Sheet date and the date that the Financial Statements are authorised for issue.

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

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

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

The Council discloses details of any such events at Note 9 to the Financial Statements.

j) Exceptional Items and Prior Period Adjustments

Exceptional items are included in the cost of the service to which they relate or on the face of the Comprehensive Income and Expenditure Statement if such a degree of prominence is required for a fair view of the accounts. A disclosure note is provided where the authority has any exceptional items in the Accounts (there were none in 2021/22).

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 does not hold any soft loans.

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 2021/22.

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.

The Council holds a £15.0m (cash terms) long-term investment in the CCLA Local Authority Property Fund (LAPF). Ordinarily under IFRS 9, annual movements in Fair Value would represent a gain or loss that should be charged to the revenue account. The Government has introduced a time-limited statutory override requiring local authorities to reverse out fair value movements on pooled investment funds to an unusable reserve, thus mitigating the impact on the revenue account. This arrangement is currently due to expire in 2023/24. At 31 March 2022 the bid price of the Council's holding (excluding accrued interest) in the CCLA LAPF was £17.1m (£14.6m in 2020/21).

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. 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.

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.

Expected Credit Loss Model:

IFRS 9 requires an Expected Credit Loss model calculation for impairment of financial assets which requires the Council to assess the potential probability risk of default, the likely loss given a default event, and the altered timing of payments on relevant financial assets, as appose an assessment based on evidence that a default has taken place.

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

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

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

l) Government Grants and Other Contributions

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

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

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

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

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

A Business Improvement Districts (BID) scheme applies in Central Milton Keynes. The scheme is funded by a BID levy paid by non-domestic ratepayers. The authority acts as a principle under the scheme, and accounts for income received 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 51 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.

m) Housing Revenue Account Self-Financing

Following the introduction of the Housing Self-Financing regime in March 2012, the Council initially adopted a single pool approach to managing external borrowing (interest costs apportioned between the General Fund and Housing Revenue Account in proportion to debt held by each at a consolidated rate of interest). From 2021/22 the Council has chosen to adopt a two-pool approach, whereby the Council's external borrowing loans have been equitably split into two separate pools (one for General Fund and one for Housing Revenue Account). This approach allows each respective funds to pursue its own debt strategy most appropriate to its

capital programme and refinancing objectives. Any new loans raised will be added to the respective fund's loans pool.

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 2022. 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	3,250,000	
Material Damage	Housing Properties 100,000 General Properties 50,000	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 excess Limit of £2,000
Crime	50,000	Unlimited	
Computer	50,000	Unlimited	
Engineering	250	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 35 to the Financial Statements.

The Council wholly owns Milton Keynes Development Partnership (MKDP) LLP and DevelopMK Ltd (established in March 2020). Further details of these bodies can be found in the Group Accounts note.

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 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 Department of Levelling Up, Housing & Communities 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 Check, Challenge & Appeal cases that are awaiting settlement by the Valuation Office Agency.

The provision was calculated using a combination of specific rating information, a forecast of potential impact provided by 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 accrual 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:

- Community assets (excluding investment property) - depreciated historical cost.
- Assets under construction – historical cost.

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

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

Estimation Techniques:

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

Disposals:

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

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

The net cost of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated

to the Capital Adjustment Account from the General Fund and Housing Revenue Account Balance in the Movement in Reserves Statement.

Impairment:

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

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

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

Impairment Losses and Revaluation Losses:

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

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

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

Depreciation:

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

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

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

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

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

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

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

Revaluation Reserve:

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only (the date of its formal implementation when it was created with a zero balance). Gains arising before that date have been consolidated into the Capital Adjustment Account.

General Fund Componentisation:

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

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

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

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

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

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

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

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

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

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

Derecognition of General Fund components is based on capital expenditure recognised as an addition in year to the component and is therefore treated as a disposal, using the addition value as a proxy.

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

Derecognition of Housing council dwelling asset components is calculated on the basis that where capital expenditure recognised as an addition in year is greater than 50% of the existing component value the component has been replaced and is therefore treated as a disposal.

u) Infrastructure Assets

Infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

Measurement

Infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Milton Keynes Council has balances of assets transferred at local government reorganisation which were transferred at their carrying value in 1997 when MKC became a Unitary Authority.

Depreciation

Depreciation is provided on the parts of the infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network are assessed by the Highways Strategic Asset Manager and the Senior Engineer Structures using industry standards where applicable as follows:

Carriageways	Resurfacing 7 to 25 years and New or Reconstructed 60 years
Footways and Redways	Resurfacing 7 to 40 years and New or Reconstructed 60 years
Structures (Bridges, Underpasses, Port Cocheres, Retaining Walls)	50 to 120 years
Bridge Joints, Safety Barriers, Protective Coatings	20 to 30 years
Drainage	40 to 60 years
Street Lighting	25 to 50 years
Street Furniture	Bus Stops and Traffic Management 25 years and other assets 5 to 40 years
Other Infrastructure Assets	5 to 20 years

Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component 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, also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are 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 transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement

v) 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 charged 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.

w) 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 30 to the Financial Statements.

x) 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.

y) 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.

z) 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.

aa) 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 2021/22 the fund received £25.977 million to spend across various Adult Social Care and Health projects which were evaluated and monitored by the partners throughout the year to ensure their desired objectives were achieved and to agree the reallocation of funds if required.

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

Comprehensive Income and Expenditure Statement

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

2020/21 restated*			Note	2021/22		
Expenditure £'000	Income £'000	Net £'000		Expenditure £'000	Income £'000	Net £'000
133,813	(58,835)	74,978		142,627	(59,196)	83,431
11,141	(12,222)	(1,081)		13,134	(13,154)	(20)
242,454	(177,214)	65,240		268,467	(186,075)	82,392
11,342	(6,836)	4,506		8,666	(5,226)	3,440
399	0	399		1,188	0	1,188
(11,363)	(57,349)	(68,712)		(12,968)	(56,810)	(69,778)
7,523	(9,653)	(2,130)		10,679	(9,332)	1,347
80,076	(14,876)	65,200		71,150	(20,844)	50,306
80,201	(79,698)	503		66,832	(67,613)	(781)
9,444	(3,103)	6,341		9,613	(3,658)	5,955
2,817	(413)	2,404		3,484	(533)	2,951
8,107	(9,177)	(1,070)		10,219	(9,165)	1,054
575,954	(429,376)	146,578		593,091	(431,606)	161,485
		23,141	11			51,331
		18,484	12			31,912
		(272,726)	13			(266,601)
		(84,523)				(21,873)
		(20,656)	30.2a			(102,630)
		2,583	30.2a			22,715
		0	30.2d			0
		131,698	30.2e			(162,609)
		113,625				(242,524)
		29,102				(264,397)

*The 2020/21 published accounts have been restated to reflect the change in the Councils structure for 2021/22. The impact is on the Cost of Service only.

^The total HRA expenditure for 2021/22 was £13.131m, however the HRA credit expenditure is due to the capital charges credited to the cost of service totalling (£44.022m), the council dwelling assets account for the majority of this, the 31 March 2022 council dwelling valuations resulted in a significant overall gain of (£58.886m), off-set by Depreciation of £14.864m.

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 30.

	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 2021	(179,724)	(74,447)	(24,116)	(8,210)	(51,228)	(337,725)	(570,224)	(907,949)
Movement in reserves during 2021/22								
Surplus or deficit on the provision of services	32,355	(54,228)	0	0	0	(21,873)	0	(21,873)
Other Comprehensive Income / Expenditure	0	0	0	0	0		(242,524)	(242,524)
Total Comprehensive Income and Expenditure	32,355	(54,228)	0	0	0	(21,873)	(242,524)	(264,397)
Adjustments between accounting basis and funding basis under regulations	(6,341)	57,813	(6,250)	8,210	11,458	64,890	(64,890)	0
Net Increase or Decrease before Transfers to Earmarked Reserves	26,014	3,585	(6,250)	8,210	11,458	43,017	(307,414)	(264,397)
Transfers to / from Earmarked Reserves	0	0	0	0	0	0	0	0
(Increase) or Decrease in 2021/22	26,014	3,585	(6,250)	8,210	11,458	43,017	(307,414)	(264,397)
Balance at 31 March 2022	(153,710)	(70,862)	(30,366)	0	(39,770)	(294,708)	(877,638)	(1,172,346)

	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	(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	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)

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.

2020/21 restated*	Note		2021/22
£'000			£'000
1,394,708	22.1	Property, Plant and Equipment	1,520,883
247,183	22.2	Infrastructure Assets	253,578
839		Heritage Assets	835
86,182	23	Investment Property	87,563
727		Intangible Assets	1,340
14,774	33a	Long-Term Investments	17,098
3,699	25a	Long-Term Debtors	12,313
1,748,112		Long Term Assets	1,893,610
185,470	33a	Short-Term Investments	145,518
7,774	22.3	Assets Held for Sale	7,774
51		Inventories	89
66,191	25b	Short-Term Debtors	80,108
114,871	31	Cash and Cash Equivalents	236,479
374,357		Current Assets	469,968
(16,663)	27	Short-Term Borrowing	(16,991)
(136,996)	26	Short-Term Creditors	(195,323)
(6,755)	28	Provisions	(7,808)
(56,949)	21	Grants Receipts in Advance - Revenue	(64,761)
(5,983)	21	Grants Receipts in Advance - Capital	(9,565)
(223,346)		Current Liabilities	(294,448)
(11,292)	28	Provisions	(15,288)
(443,639)	27	Long-Term Borrowing	(433,542)
(4,033)	34	Other Long-Term Liabilities - Finance Lease	(4,019)
(488,506)	36	Other Long-Term Liabilities - Pensions Liability	(373,718)
(41,122)	21	Grants Receipts in Advance - Revenue	(66,626)
(2,582)	21	Grants Receipts in Advance - Capital	(3,591)
(991,174)		Long Term Liabilities	(896,784)
907,949		Net Assets	1,172,346
(337,725)	30.1	Usable Reserves	(294,708)
(570,224)	30.2	Unusable Reserves	(877,638)
(907,949)		Total Reserves	(1,172,346)

* The 2020/21 have been restated to show Infrastructure Assets separately from Property Plant and Equipment on the face of the balance sheet to give clarity for readers of the accounts, following the changes in reporting requirements for Infrastructure Assets.

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.

2020/21	Note		2021/22
£'000			£'000
(84,523)		Net (surplus) or deficit on the provision of services	(21,873)
(104,270)	32.1	Adjustment to surplus or deficit on the provision of services for noncash movements	(211,897)
61,844	32.1	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	81,488
(126,949)		Net cash flows from operating activities	(152,282)
12,973	32.2	Net cash flows from investing activities	(13,466)
41,435	32.3	Net cash flows from financing activities	44,140
(72,541)		Net (increase) or decrease in cash and cash equivalents	(121,608)
42,330		Cash and cash equivalents at the beginning of the reporting period	114,871
114,871	31	Cash and cash equivalents at the end of the reporting period	236,479

Note 1 – 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.

2020/21 restated*					2021/22				
Net Expenditure Chargeable to the General Fund and HRA Balance	Adjustments (Note 2)	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 2)	Net Expenditure in the Comprehensive Income and Expenditure Statement	
£'000	£'000	£'000			£'000		£'000	£'000	
72,408	2,570	74,978	Adult Social Care	79,708	52	79,760	(331)	4,002	83,431
(1,149)	68	(1,081)	Public Health	11,724	(58)	11,666	(11,795)	109	(20)
47,156	18,084	65,240	Children Services	57,151	(1,691)	55,460	85	26,847	82,392
4,380	126	4,506	Customer & Community	7,158	25	7,183	(459)	(3,284)	3,440
222	177	399	Housing and Regeneration	242	0	242	0	946	1,188
(16,258)	(52,454)	(68,712)	Housing Revenue Account	0	3,585	3,585	(10,076)	(63,287)	(69,778)
(1,082)	(1,048)	(2,130)	Planning & Placemaking	3,051	(4,807)	(1,756)	(1)	3,104	1,347
57,936	7,264	65,200	Environment & Property	68,902	1,852	70,754	(16,440)	(4,008)	50,306
655	(152)	503	Finance & Resources	(472)	173	(299)	112	(594)	(781)
5,023	1,318	6,341	Resources - LGSS	4,782	0	4,782	(23)	1,196	5,955
2,066	338	2,404	Law & Governance	2,535	0	2,535	0	416	2,951
(15,271)	14,201	(1,070)	Corporate Items	(34,883)	4,308	(30,575)	18,106	13,523	1,054
156,086	(9,508)	146,578	Net Cost of Services	199,898	3,439	203,337	(20,822)	(21,030)	161,485
(227,368)	(3,733)	(231,101)	Other Income and Expenditure	(201,239)	27,501	(173,738)	20,822	(30,442)	(183,358)
(71,282)	(13,241)	(84,523)	(Surplus) or Deficit on Provision of Services	(1,341)	30,940	29,599	0	(51,472)	(21,873)
(182,889)			Opening Combined General Fund and HRA Balance			(254,171)			
(71,282)			Plus / less (Surplus) or Deficit on the General Fund and HRA Balance for the Year (Statutory basis)			29,599			
(254,171)			Closing Combined General Fund and HRA Balance			(224,572)			

*The 2020/21 published accounts have been restated to reflect the change in the Councils structure for 2021/22. The impact is on the Cost of Service only.

^ 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 2 – Note to the Expenditure and Funding Analysis

	2021/22			
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Adult Social Care	(259)	4,220	41	4,002
Public Health	0	116	(7)	109
Children Services	(847)	27,678	16	26,847
Customer & Community	(3,411)	82	45	(3,284)
Housing and Regeneration	937	22	(13)	946
Housing Revenue Account	(64,241)	952	2	(63,287)
Planning & Placemaking	2,435	657	12	3,104
Environment & Property	(6,560)	2,648	(96)	(4,008)
Finance & Resources	(610)	40	(24)	(594)
Resources - LGSS	0	1,196	0	1,196
Law & Governance	0	423	(7)	416
Corporate Items	15,879	13	(2,369)	13,523
Net Cost of Services	(56,677)	38,047	(2,400)	(21,030)
Other Income and Expenditure	(2,585)	9,774	(37,631)	(30,442)
Difference between the Statutory Charge and the (Surplus) or Deficit in the Comprehensive Income and Expenditure Statement	(59,262)	47,821	(40,031)	(51,472)

	2020/21 restated*			
	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	(362)	18,354	92	18,084
Customer & Community	28	62	36	126
Housing and Regeneration	154	27	(4)	177
Housing Revenue Account	(53,104)	632	18	(52,454)
Planning & Placemaking	(1,492)	436	8	(1,048)
Environment & Property	5,973	1,205	86	7,264
Finance & Resources	(231)	28	51	(152)
Resources - LGSS	0	1,318	0	1,318
Law & Governance	0	296	42	338
Corporate Items	14,135	2	64	14,201
Net Cost of Services	(35,088)	25,184	396	(9,508)
Other Income and Expenditure	(36,693)	8,072	24,888	(3,733)
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)

*The 2020/21 published accounts have been restated to reflect the change in the Councils structure for 2021/22. The impact is on the Cost of Service only.

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 3 – Expenditure and Income Analysed by Nature

2020/21 £'000	Note	Nature of Expenditure or Income	2021/22 £'000
(97,865)		Fees, charges and other service income	(103,688)
(10,121)	12	Interest and investment income	2,448
(202,061)	13	Income from local taxation	(198,710)
(399,685)	13 & 21	Government grants and contributions	(391,934)
(2,611)		Other income	(3,875)
240,363		Employee benefits expenses	261,137
(12,171)		Depreciation, amortisation and impairment	(35,384)
28,499	12	Interest payments	29,464
9,432	11	Precepts and levies	9,874
836	11	Payments to Housing Capital Receipts Pool	834
12,873	11	Gain or loss on disposal of non-current assets	40,623
347,988		Other expenditure	367,338
(84,523)		(Surplus) or Deficit for Year	(21,873)

Note 4 – Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to 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.

2021/22

	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	(7,039)	42,687	0	0	0	(35,648)
Movements in the market value of Investment Properties	(6,531)	0	0	0	0	6,531
Amortisation of intangible fixed assets	(264)	0	0	0	0	264
Capital grants and contributions applied	0	0	0	0	62,031	(62,031)
Revenue Expenditure Funded from Capital Under Statute	(13,899)	(187)	0	0	0	14,086
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(59,193)	(12,345)	0	0	0	71,538
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	23,248	0	(23,248)
HRA Self Financing	0	0	1,040	0	0	(1,040)
Statutory provision for the financing of capital investment	11,034	210	0	0	0	(11,244)
Capital expenditure charged against the General Fund and HRA balance	2,604	6,493	0	0	0	(9,097)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	50,573	0	0	0	(50,573)	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	1,115	7,117	(8,232)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	4,108	0	0	(4,108)
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	(834)	0	834	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	22,683	0	(4,000)	0	0	(18,683)
Other Capital receipts in year	0	0	0	0	0	0
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Notional Major Repairs Allowance credited to the HRA	0	15,038	0	(15,038)	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	(69,185)	(1,777)	0	0	0	70,962
Employers pensions contributions and direct payments to pensioners payable in year	22,562	579	0	0	0	(23,141)
Adjustments impacting Other Reserves						
Reversal of Accrued Employee benefits	34	(2)	0	0	0	(32)
Council's share of Movement in Collection Fund Surplus/(Deficit)	37,631	0	0	0	0	(37,631)
Financial Instruments	2,368	0	0	0	0	(2,368)
Total Adjustments	(6,341)	57,813	(6,250)	8,210	11,458	(64,890)

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	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)

Note 5 – 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:

IFRS 16 - Leases. This will be adopted in the 2024/25 financial year.

The annual IFRS improvement programme details the following amendments:

- There is an amendment which removes misleading example that is not referenced in the Code material. IFRS 16
- Amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS 1.
- Onerous Contracts – Clarification of the Intention of the standard. IAS 37

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

Note 6 – 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 2022 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 22 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 AA.

Note 7 – 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 £1,214.033m. An adjustment to the long-term salary assumption by +0.1% would result in the present value of the total obligation increasing by £1.335m. Sensitivity to some of the key assumptions is provided in note 36. The carrying amount of the liability is £373,718m.
Provisions	The most significant provision the council has disclosed is a provision of £15.288m for appeals on business rates where rate payers appeal against the valuation.	Rate payers can appeal up to end of the current rating list (31 March 2023). 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 28 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 £18.811m.	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 2021/22 the charge is shown as £46.473m.</p>	<p>Full details on Depreciation for each asset type can be found in Accounting Policy T for Property Plant and Equipment and Accounting Policy U for Highways Infrastructure Assets, and non-current asset values are provided in note 22 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 consensus is the uncertainty created by the UK leaving the EU will lead to a slowdown, the length and depth of which will depend on various political decisions. Whilst the deal provides a more certain position the full implications will take some time to realise.</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>The Russian invasion of Ukraine has added to the levels of global uncertainty during the period. There are currently no known specific impact to the value of the assets within the portfolio because of the invasion, this will continue to be monitor as the crisis develops. Accordingly, the valuations as a whole are not reported as being subject to ‘material valuation uncertainty’ as per the RICS Red Book Global</p> <p>The Valuations at 31 March 2022 were:</p> <ul style="list-style-type: none"> • Assets Held for Sale £7.8m • Surplus Assets £4.0m • Investment Properties £87.6m (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 £59m.</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. The stock lists have been supplemented by observations gained from internal inspection of the Beacon properties, external inspection of other blocks or estates and market research.</p> <p>The full five yearly valuation incorporating inspections of every Beacon property which was originally due in 2021 but delayed due to Covid-19 was undertaken as at 31 March 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 £79m.</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 8 – Material Items of Income and Expense

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

Note 9 – Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance and Resources on 27 July 2023. 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 2022, the figures in the Financial Statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 10 – 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 2020 £'000	Transfers In 2020/21 £'000	Transfers Out 2020/21 £'000	Balance at 31 March 2021 £'000	Transfers In 2021/22 £'000	Transfers Out 2021/22 £'000	Balance at 31 March 2022 £'000
General Fund Reserves:							
Bereavement reserve	(2,254)	(1,000)	104	(3,150)	(627)	147	(3,630)
Capital Reserve - General Fund	(15,977)	(3,226)	6,743	(12,460)	(4,234)	2,604	(14,090)
Council Plan Reserve	0	(5,863)	0	(5,863)	0	3,072	(2,791)
Corporate Property Reserve	(3,204)	(24)	156	(3,072)	(45)	273	(2,844)
Covid-19 Expanded Retail Relief Reserve	0	(44,404)	0	(44,404)	0	38,924	(5,480)
Covid-19 Reserves	(5,663)	0	5,663	0	(7,064)	1,204	(5,860)
HR Manpower Planning Reserve	(2,185)	(500)	592	(2,093)	(60)	481	(1,672)
Infrastructure Reserve	(18,349)	0	875	(17,474)	0	976	(16,498)
Internal Insurance Fund	(1,610)	(1,306)	659	(2,257)	(994)	994	(2,257)
Local Government Reorganisation Debt Reserve	(2,099)	0	0	(2,099)	0	2,099	0
NDR Funding Volatility Reserve	(3,710)	(15,996)	18,753	(953)	(16,025)	3,060	(13,918)
New Homes Bonus Reserve	(6,469)	(6,673)	9,254	(3,888)	(5,903)	6,591	(3,200)
Other Earmarked Reserves	(12,905)	(4,638)	4,896	(12,647)	(2,280)	3,315	(11,612)
Political Priorities Reserve	0	(10,254)	2,154	(8,100)	(4,700)	4,085	(8,715)
Tariff & HCA Risk Reserve	(5,624)	(420)	0	(6,044)	(580)	28	(6,596)
Social Care grant reserve (earmarked in MTFP)	0	(3,489)	0	(3,489)	0	1,889	(1,600)
Strategic Service Investment Fund	(1,704)	0	174	(1,530)	(1,375)	328	(2,577)
Waste Cashflow Reserve	(2,643)	0	858	(1,785)	0	893	(892)
Legal Fees Reserve	(1,533)	(573)	37	(2,069)	(500)	472	(2,097)
Pension fund Reserve	(1,243)	(2,307)	0	(3,550)	(510)	136	(3,924)
Public Health Reserve	(1,222)	(1,268)	112	(2,378)	(59)	0	(2,437)
Schools Balances	(8,456)	(1,551)	0	(10,007)	(1,825)	0	(11,832)
Total General Fund	(96,850)	(103,492)	51,030	(149,312)	(46,781)	71,571	(124,522)
Housing Revenue Account Reserves:							
Capital Reserve - HRA	(56,071)	(11,548)	558	(67,061)	(2,863)	6,393	(63,531)
Other Earmarked Reserves	(1,554)	(27)	1,454	(127)	(45)	100	(72)
Total Housing Revenue Account	(57,625)	(11,575)	2,012	(67,188)	(2,908)	6,493	(63,603)
Total Earmarked Reserves	(154,475)	(115,067)	53,042	(216,500)	(49,689)	78,064	(188,125)

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 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.

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.

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 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.

Legal Fees Reserve – This reserve is for when legal challenges arise to either defend the Council's position or take action to protect its and the taxpayers interests.

Pension fund Reserve – This reserve is to manage the potential impact of pension revaluation changes.

Public Health Reserve – This reserve holds the unspent ring-fenced grant funding held over for future investment in Public Health.

Note 11 – Other Operating Expenditure

2020/21		2021/22
£'000		£'000
8,951	Precepts	9,391
481	Levies	483
836	Payments to the Government Housing Capital Receipts Pool	834
12,873	(Gains)/losses on the Disposal of Non-Current Assets	40,623
23,141	Total Other Operating Expenditure	51,331

Note 12 – Financing and Investment Income and Expenditure

2020/21	Note	2021/22
£'000		£'000
20,427	Interest payable and similar charges	19,690
106	(Gain)/Loss on Pooled Investment Funds	(2,324)
8,072	Net interest on the net defined benefit liability (asset)	9,774
(1,422)	Interest receivable and similar income	(1,739)
(8,828)	Income and expenditure in relation to investment properties and changes in their fair value	6,447
129	14 Trading operations	64
18,484	Total	31,912

Note 13 – Taxation and Non-Specific Grant Income

2020/21	Note	2021/22
£'000		£'000
(134,100)	Council tax income	(142,291)
(67,961)	Non-domestic rates income and expenditure	(56,419)
(29,036)	21 Non-ringfenced government grants	(17,318)
(41,629)	Capital grants and contributions	(50,573)
(272,726)	Total	(266,601)

Note 14 – 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.

2020/21 £'000	Emberton Park	2021/22 £'000
(172)	Income	(290)
270	Expenditure	310
98	Net (Surplus)/Deficit for year	20

2020/21 £'000	IT Service Desk and Technical Support Services	2021/22 £'000
(315)	Income	(292)
225	Expenditure	165
(90)	Net (Surplus)/Deficit for year	(127)

2020/21 £'000	Building Control	2021/22 £'000
(374)	Income	(408)
483	Expenditure	565
109	Net (Surplus)/Deficit for year	157

2020/21 £'000	HR Advisory and Payroll Services	2021/22 £'000
(82)	Income	(94)
94	Expenditure	108
12	Net (Surplus)/Deficit for year	14

2020/21 £'000	Trading Operations Total Income and Expenditure	2021/22 £'000
(943)	Income	(1,084)
1,072	Expenditure	1,148
129	Net (Surplus)/Deficit for year	64

2020/21 £'000	Analysis of Inclusion in The Comprehensive Income and Expenditure Statement	2021/22 £'000
129	Net Surplus on Trading Operations	64
129	Net (surplus)/deficit included in Financing and Investment Income and Expenditure	64

Note 15 – Members' Allowances

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

2020/21		2021/22
£'000		£'000
620	Salaries	638
202	Allowances	186
0	Expenses	0
822	Total Members' Allowances	824

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

Note 16 – 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:

2020/21		2021/22
£'000		£'000
322	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year*	131
98	Fees payable to external auditors for the certification of grant claims and returns for the year	54
420	Total	185

*The fees payable for external audit services includes £0.140m 2021/22 Fees, £0.058m estimated additional overrun charges of the 2020/21 audit, offset by £0.026m PSAA refund and £0.040m less additional fees for 2019/20 Audit than expected and agreed by the PSAA.

Note 17 – 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.

2020/21		2021/22
£'000		£'000
Expenditure		
820	Contractors Management Fee	1,221
82	Pay and Display Installation Costs	217
218	Staffing Cost	185
47	Supplies and Services	35
124	Support Costs	94
0	Surveys and Fees	11
10	Decriminalised Costs	5
43	Signing Costs	174
1,344	Total Expenditure	1,942
Income		
(340)	Excess Charge/Penalty Charge Notices	(1,065)
(611)	Permits	(1,623)
(409)	Suspensions	(330)
(2,181)	Pay and Display Income	(5,185)
(3,541)	Total Income	(8,203)
(2,197)	Surplus achieved in year	(6,261)
0	Transfer from Special Parking Reserve	(171)
(2,197)	Surplus for the year	(6,432)

The surplus of (£6.432m) is significantly higher than the budgeted (£3.299m) due to the impact that the gradual easing of COVID-19 measures during the year has had on parking income. The surplus for the year will notionally cover 54% of total costs (£11.905m). The surplus for the year will fully fund the following parking related costs: Off-Street car parks (£1.289m), Highways works in parking areas (£0.979m) and Street lighting maintenance in parking areas (£0.111m) as well as the following passenger transport related costs: Concessionary fares (£2.846m), Bus subsidies (£0.778m) and Staffing costs (£0.429m).

Note 18 – 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.

2020/21 £'000	Integrated Community Equipment Service (ICES)	2021/22 £'000
	Gross Funding	
(551)	Milton Keynes Council	(551)
(1,030)	Milton Keynes Clinical Commissioning Group (CCG)	(1,030)
(1,581)	Total Funding	(1,581)
1,481	Expenditure	1,727
1,481	Total Expenditure	1,727
(100)	Net (Surplus)/Deficit	146
53	MKC share of underspend/ (overspend)	(78)
47	CCG share of underspend/ (overspend)	(68)
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:

2020/21 £'000	Learning Disability	2021/22 £'000
	Gross Funding	
(21,614)	Milton Keynes Council	(24,909)
(1,504)	Milton Keynes Clinical Commissioning Group (CCG)	(1,504)
(23,118)	Total Funding	(26,413)
	Expenditure	
24,037	Pooled Expenditure	26,391
24,037	Total Expenditure	26,391
919	Net (Surplus)/Deficit*	(22)
0	MKC share of underspend/ (overspend)	21
0	CCG share of underspend/ (overspend)	1
919	Net (surplus) / Deficit Carried Forward	0

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.

2020/21 £'000	Better Care Fund	2021/22 £'000
	Gross Funding	
(1,117)	Milton Keynes Council - Capital Funding	(1,268)
(7,241)	Improved Better Care Funding	(7,116)
(16,619)	Milton Keynes Clinical Commissioning Group (CCG)	(17,593)
0	Winter Pressures grant - MKC	(1,317)
0	Hospital Discharge	(1,310)
(24,977)	Total Funding	(28,604)
	Expenditure	
24,977	Expenditure	28,596
24,977	Total Expenditure	28,596
0	Net (Surplus)/Deficit	(8)
0	MKC share of underspend/ (overspend)	3
0	CCG share of underspend/ (overspend)	5
0	Net (surplus) / Deficit Carried Forward	0

Note 19 – Officers' Remuneration

Officer Remuneration

The remuneration paid to the council's senior employees during 2021/22 whose salary was above £50,000 is as follows:

2020/21		Note	Salary	Expenses Allowance	Pension Contribution	2021/22
£			£	£	£	£
223,881	Chief Executive		187,224	0	40,440	227,664
162,529	Deputy Chief Executive		144,273	0	31,163	175,436
150,744	Director Adult Services		127,235	790	27,483	155,508
151,311	Director Children's Services		127,235	0	27,483	154,718
142,212	Director Environment and Property		127,235	131	27,483	154,849
139,772	Director Finance & Resources		127,235	23	27,483	154,741
132,324	Director Law & Governance		112,707	0	24,348	137,055
118,475	Director of Customer & Community Services	1	112,633	155	24,442	137,230
42,508	Director of Planning & Placemaking	2	108,517	0	23,440	131,957
96,548	Director of Strategy and Futures*		0	0	0	0
120,859	Director Housing & Regeneration*		0	0	0	0
102,029	Director Growth, Economy and Culture*		0	0	0	0

Notes

1. Known in 2020/21 as Director Policy, Insight & Comms
2. Known in 2020/21 as Interim Director of Planning, Strategic Transport and Placemaking

*These position no longer exist

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	
	2020/21	2021/22
£50,001 to £55,000	129	109
£55,001 to £60,000	78	92
£60,001 to £65,000	48	49
£65,001 to £70,000	31	27
£70,001 to £75,000	27	23
£75,001 to £80,000	14	15
£80,001 to £85,000	13	9
£85,001 to £90,000	7	10
£90,001 to £95,000	8	6
£95,001 to £100,000	8	1
£100,001 to £105,000	3	7
£105,001 to £110,000	2	1
£110,001 to £115,000	0	4
£115,001 to £120,000	2	2
£120,001 to £125,000	2	0
£125,001 to £130,000	1	4
£130,001 to £135,000	1	0
£135,001 to £140,000	1	1
£140,001 to £145,000	0	1
£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	0	0
£180,001 to £185,000	1	0
£185,001 to £190,000	0	1
Total	376	362

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)	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
£0 - £20,000	18	20	1	2	19	22	98	184
£20,001 - £40,000	8	7	3	3	11	10	297	278
£40,001 - £60,000	2	2	0	0	2	2	112	97
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	3	0	0	0	3	0	274
£100,001 - £150,000	1	2	0	0	1	2	149	240
£150,001 - £200,000	0	1	0	0	0	1	0	154
Total	29	35	4	5	33	40	656	1,227

The total cost of £1.227m 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 20 – 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 2021/22 are as follows:

2020/21		2021/22		
Total		Central Expenditure	ISB	Total
£'000		£'000	£'000	£'000
271,236	Final DSG for 2021/22 before academy recoupment			292,288
122,892	Less: Academy figure recouped for 2021/22			137,079
148,344	Total DSG after academy recoupment for 2021/22			155,209
2,179	Plus: Brought forward from 2020/21			3,794
(1,218)	Less: Carry forward to 2022/23 agreed in advance			(3,481)
149,305	Final Allocation in 2021/22	0	0	155,522
149,305	Agreed initial budgeted distribution in 2021/22	41,207	114,315	155,522
50	In year adjustments	0	(862)	(862)
149,355	Final budgeted distribution for 2021/22	41,207	113,453	154,660
34,348	Less: Actual central expenditure	39,462		39,462
112,430	Less: Actual ISB deployed to schools		115,821	115,821
0	Plus: Local Authority contributions for 2021/22	0	0	0
3,794	Carry forward to 2022/23	1,745	(1,113)	2,858

Note 21 – Grant Income

The council has been credited with the following grants and contributions in the Comprehensive Income and Expenditure Statements during 2021/22.

Credited to Taxation and Non-Specific Grant Income:

2020/21 £'000	Note	2021/22 £'000
(5,593)	Revenue Support Grant	(5,623)
(14,648)	Local Authority Support Grant	(7,064)
(8,795)	Income Support Scheme Grant	(1,466)
0	Local council tax support schemes grant	(2,828)
0	Lower Tier Services Grant	(337)
(29,036)	13 Total Non-Ringfenced Government Grants	(17,318)

Credited to service:

2020/21 £'000		2021/22 £'000
(146,770)	Dedicated Schools Grant	(155,283)
(49,070)	Mandatory Rent Allowance: Subsidy	(43,633)
(20,776)	Mandatory Rent Rebates	(18,756)
(2,397)	NHS Discharge Funding	(1,310)
(6,673)	New Homes Bonus	(5,327)
(11,642)	Public Health Grant	(11,795)
(5,193)	Pupil Premium Grant	(5,094)
(4,116)	Infection Control Fund	(3,795)
(440)	Lateral Flow Device Testing Fund (Rapid Testing)	(57)
(5,960)	Business Support Grant (Covid-19) - Discretionary element	(5,786)
(5,145)	Contain Outbreak Management Fund - Covid-19	(2,090)
(2,322)	Covid-19 Hardship Fund	0
(3,061)	Young People's Learning Agency	(3,367)
(2,373)	Universal Infant Free School Meals	(2,016)
(4,663)	Social Care Grant	(5,260)
(13,668)	Other Grants	(17,068)
(2,404)	Other Grants - Covid-19 Related	(1,116)
(818)	Benefits Administration Grant	(783)
(1,158)	Community Learning (16-19+)	(1,194)
(5,212)	Improved Better Care Fund	(5,555)
(16,619)	Better Care Fund Contributions	(17,593)
(8,163)	Social Care Client Contributions	(8,469)
(6,521)	Milton Keynes Hospital NHS Foundation Trust and Clinical Commissioning	(6,220)
(3,856)	Other Contributions	(2,476)
(329,020)	Total	(324,043)

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 2022 are £74.326m. This includes:

- Revenue receipts in advance of £64.761m, of which is mainly £36.787m Developer Tariff contributions; £4.476m is Developer S106 contributions, £6.465m Hospital Discharge Funding, £3.360m Dedicated Schools Grant, £1.561m Improve Better Care Fund and £1.035m Contain Outbreak Management Fund carry forward.
- Capital receipts in advance of £9.565m including the Social Housing Decarbonisation Fund – Wave 1 £3.392m, Special Education and High Needs Grants £2.389m and Potholes Grants of £1.446m.

The long-term Grants and Contributions receipts in advance at the 31 March 2022 are £70.217m. This includes Revenue receipts in advance of £66.626m which is mainly from Developer S106 Contributions £55.024m, Developer Tariff contributions £11.352m and Capital receipts in advance of £3.591m.

Note 22.1 – Property, Plant and Equipment

The tables on the following pages show the movements in year for PPE in 2021/22 and the 2020/21 comparative movement.

Movements to 31 March 2022	Council Dwellings	Land and Building	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
at 1 April 2021	755,798	568,908	101,329	6,770	5,841	70,583	1,509,229
Additions	33,912	757	921	0	0	44,639	80,229
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,509)	37,863	6,614	197	105	0	43,270
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	51,473	3,720	(113)	0	5	0	55,085
Derecognition – disposals	(3,484)	(47,926)	(875)	0	(7)	0	(52,292)
Derecognition – other	(11,565)	(952)	(1,377)	0	0	0	(13,894)
Reclassifications and transfer	8,363	36,167	641	419	0	(68,881)	(23,291)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0
at 31 March 2022	832,988	598,537	107,140	7,386	5,944	46,341	1,598,336
Accumulated Depreciation and Impairment							
at 1 April 2021	(35,550)	(53,217)	(22,864)	(964)	(1,926)	0	(114,521)
Depreciation charge	(14,864)	(12,554)	(5,516)	(165)	(32)	0	(33,131)
Depreciation written out to the Revaluation Reserve	18	38,219	4,158	0	7	0	42,402
Depreciation written out to the Surplus/Deficit on the Provision of Services	14,279	(2,884)	(1,095)	0	0	0	10,300
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	1,928	(7,627)	0	(58)	0	(5,757)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(8,018)	17,273	7,627	0	58	0	16,940
Derecognition – disposals	65	666	873	0	0	0	1,604
Derecognition – other	2,639	2	1,354	0	0	0	3,995
Reclassifications and transfer	(2,044)	2,181	578	0	0	0	715
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	0
at 31 March 2022	(43,475)	(8,386)	(22,512)	(1,129)	(1,951)	0	(77,453)
Net Book Value							
at 31 March 2022	789,513	590,151	84,628	6,257	3,993	46,341	1,520,883
at 31 March 2021	720,248	515,691	78,465	5,806	3,915	70,583	1,394,708

Movements to 31 March 2021

	Council Dwellings	Land and Building	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
at 1 April 2020	675,497	551,384	121,104	6,770	1,862	54,482	1,411,099
Additions	31,536	1,388	1,785	0	0	45,743	80,452
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(705)	10,936	(11,822)	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	(2,071)	0	44,962
Derecognition – disposals	(1,918)	(2,584)	(359)	0	0	0	(4,861)
Derecognition – other	(5,489)	(948)	(583)	0	(130)	0	(7,150)
Reclassifications and transfer	2,865	7,509	(594)	0	5,143	(29,642)	(14,719)
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0
at 31 March 2021	755,798	568,908	101,329	6,770	5,841	70,583	1,509,229
Accumulated Depreciation and Impairment							
at 1 April 2020	(21,973)	(50,183)	(38,781)	(798)	(34)	0	(111,769)
Depreciation charge	(13,830)	(13,020)	(6,133)	(166)	0	0	(33,149)
Depreciation written out to the Revaluation Reserve	134	5,470	6,023	0	27	0	11,654
Depreciation written out to the Surplus/Deficit on the Provision of Services	13,530	(822)	3,127	0	299	0	16,134
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	1,492	5,990	0	(40)	0	7,442
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(13,629)	(383)	5,427	0	1,537	0	(7,048)
Derecognition – disposals	36	276	358	0	0	0	670
Derecognition – other	281	595	579	0	0	0	1,455
Reclassifications and transfer	(99)	3,358	546	0	(3,715)	0	90
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	0
at 31 March 2021	(35,550)	(53,217)	(22,864)	(964)	(1,926)	0	(114,521)
Net Book Value							
at 31 March 2021	720,248	515,691	78,465	5,806	3,915	70,583	1,394,708
at 31 March 2020	653,524	501,201	82,323	5,972	1,828	54,482	1,299,330

Note 22.2 – Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 SI 1232/2022 this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

2020/21		2021/22
£'000		£'000
226,677	Net book value (modified historic cost) at 1 April	247,183
13,337	Additions	11,663
14,629	Reclassifications and transfer	8,274
0	Derecognitions	0
(7,460)	Depreciation	(13,542)
0	Impairment	0
247,183	Net Book Value at 31 March	253,578

For the 2020-21 accounts, a limitation of scope was issued on the basis that the Council were unable to obtain and provide sufficient, appropriate evidence as to whether the net book value of fixed assets was materially correct.

Subsequently DLUCH issued a statutory instrument allowing for the infrastructure assets opening balance to be brought forward without amendment and determining the carrying amount to be derecognised in respect of replaced components to be nil. CIPFA issued revised guidance to implement this in LA accounts meaning a limitation of scope is no longer needed. The Council have decided to apply the SI and revised disclosures are shown here.

In addition, the Council has completed a thorough review of our Accounting Policy for all Infrastructure assets, the old policy consisted of MKC depreciating highways infrastructure assets over a standardised 40 year life, and all other infrastructure assets over 20 years.

As part of this review, MKC's engineers were consulted, the information received from them was used to set a more detailed policy which accounts more appropriately for the deterioration or depletion of each asset, this revised policy can be found in the Accounting Policy U.

To enable this new policy to be applied MKC needed to gather and reconcile information held on all infrastructure assets, we were able to go back as far as MKC's transfer to Unitary status in 1997.

After giving each asset a revised life, the accumulated depreciation was recalculated which resulted in the need to process additional Depreciation of £4.992m in 2021/22.

The authority has determined in accordance with Regulation 30M England of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amount being derecognised for infrastructure assets following replacement expenditure is nil.

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.

2020/21 Depreciation Charge		Potential Useful Life of Asset Years	Actual Useful Life of Asset Years	2021/22 Depreciation Charge
£'000				£'000
13,830	Council Dwellings	10 - 85 *	10 - 85 *	14,864
13,186	Other Properties	20 - 60 **	20 - 60 **	12,751
6,133	Vehicles, Plant and Equipment	3 - 40 ***	3 - 40 ***	5,516
0	Leased VPE	3 - 40 ***	3 - 40 ***	0
33,149	Total PPE (Note 22.1) Depreciation			33,131
7,460	Infrastructure	5 - 120****	5 - 120****	13,542
40,609	Total PPE Depreciation			46,673
5	Heritage Assets	20 - 60 **	20 - 60 **	4
40,614	Total Depreciation			46,677

* 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.

**** The useful life varies from 5 to 120 years depending on the estimated life of each asset.

Please see Accounting Policy T and U 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 2022, including those with a commitment of less than £2.0m totalled £33.738m.

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 2022 with a commitment of £2.0m or more are shown in the table.

Segment: Scheme Name	Scheme Description	2021/22	Period of Investments
		£'000	Years
MK East	Infrastructure work for Housing Development	2,413	3
Agora	Agora Development	2,101	3
Fishermead	Modular Housing	6,395	2
Glebe Farm School	Construction of New School	6,743	2
Calverton Lane Primary School	Construction of New School	8,718	2
Total		26,370	

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 2021/22 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 2021/22 valuations was carried out by Mark Aldis and Guy Harbord MRICS Registered Valuers 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 2021/22 are £2.400m per ha, compared to £2.250m in 2020/21 a £0.150m 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 2021 based on a desk top review and a full property review has been undertaken as at 31 March 2022. 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£14.864m.
- Derecognition of Components £8.855m.

The year-end valuation created a total £9.900m Impairments

These impairments resulted from:

- Capital expenditure of £5.004m purchasing of 24 dwelling properties, the change in valuation basis has resulted in impairment of £3.366m.
- Capital expenditure of £2.167m new build and conversions creating 7 new dwelling properties, the change in valuation basis has resulted in impairment of £1.625m.
- £4.168m further Impairment was recognised for the Mellish Court and the Gables tower blocks following health and safety work and the lease hold buy backs to enable the demolition of these building.
- Impairment dwellings awaiting capital expenditure to reinstate resulted in additional impairment of £0.741m.

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	7,158	6,257	0	13,415
Valued at current value as at:						
31/03/2022	789,513	439,745	77,470	0	3,993	1,310,721
31/03/2021	0	53,248	0	0	0	53,248
31/03/2020	0	48,538	0	0	0	48,538
31/03/2019	0	16,756	0	0	0	16,756
31/03/2018	0	31,864	0	0	0	31,864
Total Cost or Valuation	789,513	590,151	84,628	6,257	3,993	1,474,542

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 2021/22 there were no schools that transferred to foundation status. There was however two community schools that converted to academy status - Langland Community Primary School and Queen Eleanor Primary School. There was also one school relocation as Watling Academy (which opened to pupils in 2020/21 from a temporary site) moved into its newly built campus on Whitehouse.

Impairment

The following table shows the impairment charges for non-current assets in 2021/22:

	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	9,909	0	0	(1,891)	0	8,018
Other Land & Buildings	2,002	1,510	0	(3,930)	(18,783)	0	(1,928)	(17,273)
Vehicles, Plant, Furniture and Equipment	0	0	0	7,627	(7,627)	0	7,627	(7,627)
Surplus Assets	0	0	0	58	(58)	0	58	(58)
Total Property Plant and Equipment	2,002	1,510	9,909	3,755	(26,468)	(1,891)	5,757	(16,940)
Total Impairment	2,002	1,510	9,909	3,755	(26,468)	(1,891)	5,757	(16,940)

Material impairment losses

During 2021/22, the council has recognised material impairment losses totalling £9.909m in relation to Council Dwellings. The council reversed material impairment losses of £18.715m on Land and Building assets in Adults, Children Services, Planning & Placemaking and Environment and Property in 2021/22. Further details can be found in the table below:

Assets		Material Impairment Loss - Recognised in year £'000
Housing Revenue Account	Council Dwellings	8,018
Adult Services	Simpson Care & Response Centre	(1,157)
Children Services	Brooklands Farm Primary School	(1,882)
	Slated Row School	(1,045)
	Falconhurst Combined School	(586)
Planning & Placemaking	Emmerson Valley Community Sports Pavilion	(2,472)
	Wolverton Swimming Pool	(1,360)
Environment & Property	Cripps Lodge	1,941
	Wolverton Waste Depot	(1,379)
	Whitehouse Health Facility	(1,745)
	Brooklands Medical Centre	(7,089)
Various	Various Properties	(2,427)
Total		(11,183)

Note 22.3 – Assets Held for Sale

2020/21		2021/22
£'000		£'000
9,341	Balance outstanding at start of year	7,774
	Assets newly classified as held for sale:	
0	- Property Plant and Equipment	0
(1,567)	Revaluation losses	0
0	Assets Sold	0
7,774	Balance Outstanding year end	7,774

The most significant Assets held for sale at the 31 March 2022 includes Saxon Court the Councils offices valued at £7.260m. The asset has exchanged contracts and due to complete during 2022/23.

Note 23 – Investment Properties

In 2021/22 the annual rental income from investment properties is £0.084m (£0.055m in 2020/21).

The movement in the fair value of investment properties during 2021/22 comprised of:

2020/21		2021/22
£'000		£'000
100,493	Balance at start of year	86,182
	Additions:	
0	- Purchases	4,042
249	- Subsequent Expenditure	1,278
(23,333)	Disposals	(10,951)
8,773	Net Gain/losses from fair value adjustment	(6,531)
	Transfers to/from:	
0	- Property Plant and Equipment	13,543
86,182	Balance Outstanding year end	87,563

In 2021/22 the significant asset transfers from Property Plant and Equipment was Elder Gate Station Multi Storey Car Park £13.445m which was then impaired by £7.996m. There were operational expenses for this investment asset of £0.372m for 2021/22.

A significant addition for the Agora in Wolverton; acquisition costs of £4.042m and development project costs of £1.076m, resulting in further impairment of £1.207m.

The total Impairment of £9.203m is offset in part by valuation gains of £2.672m resulting in the overall asset revaluation loss of £6.531m.

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 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 consensus is the uncertainty created by the UK leaving the EU will lead to a slowdown. The length and depth of this slowdown will depend on various political decisions. Whilst the deal provides a more certain position in relation to the UK's future relationship with the EU the full implications will take some time to realise. We therefore remain in a period of uncertainty in relation to many factors that impact the construction markets, supply & demand and, costs associated with this market.

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.

The Russian invasion of Ukraine has added to the levels of global uncertainty during the period. As a response the international community has been united in applying sanctions against the Russian state. There are currently no known specific impact to the value of the assets within the

portfolio because of the invasion, this will continue to be monitor as the crisis develops. The values of the assets within the portfolio will be kept under regular review.

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

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 24 – 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.

2020/21 £'000	Note		2021/22 £'000
688,080		Opening Capital Financing Requirement	688,507
		Capital Investment:	
94,636		Assets	97,330
10,382	30.2c	Revenue Expenditure Funded from Capital under Statute	14,086
105,018		Total Capital Spending	111,416
Sources of Finance:			
(5,763)	30.1a	Capital Receipts	(4,108)
(57,066)	30.1c	Other Government Grants & Contributions	(62,031)
(22,088)	30.1b	Major Repairs Reserves	(23,248)
Sums set aside from revenue:			
(6,640)	30.2c	Revenue Contributions	(9,097)
(398)	30.1a	HRA Additional Voluntary Payment of Debt	(1,040)
(5,117)		GF Additional Voluntary Provision	0
(7,519)		Minimum Revenue Provision	(11,244)
(104,591)		Total Sources of Finance	(110,768)
688,507		Closing Capital Financing Requirement	689,155
Explanation of movements in year:			
(398)	30.1a	Decrease in underlying need to borrow (supported by government financial assistance)	(1,040)
825		Increase in underlying need to borrow (unsupported by government financial assistance)	1,688
427		Increase/(Decrease) in Capital Financing Requirement	648

Note 25 – Debtors

a) Long Term Debtors

2020/21 £'000		2021/22 £'000
10	Bodies External to Central Government	0
3,689	Other Long Term Debtors	12,313
3,699	Total	12,313

b) Short Term Debtors

2020/21 restated* £'000		2021/22 £'000
20,433	Trade Receivables	30,995
66,640	Other Receivable Amounts	67,924
(20,882)	Provision for Bad Debts	(18,811)
66,191	Total	80,108

* The 2020/21 position has been restated to list separately the Provision for Bad Debts from the Other Receivables

Note 26 – Creditors

2020/21 £'000		2021/22 £'000
(10,643)	Trade payables	(15,825)
(126,353)	Other payables	(179,498)
(136,996)	Total Creditors	(195,323)

Note 27 – Borrowing Repayable

Analysis of Loans by type:

2020/21 £'000	Source of Loan	Range of Interest Rates - 31 March 2022	2021/22 £'000
(445,043)	Public Works Loan Board	Lowest: 3.37% / Highest: 10.875%	(435,276)
(15,259)	Market Loans	Lowest: 3.75% / Highest: 6.62%	(15,257)
(460,302)	Total		(450,533)

Analysis of Loans by maturity:

2020/21 £'000		2021/22 £'000
	Borrowing repayable on demand or within 12 months	
(14,869)	Borrowing repayable on demand or within 12 months	(15,235)
(1,794)	Accrued interest on borrowing repayable within a period in excess of 12 months	(1,756)
(16,663)	Total Borrowing repayable on demand or within 12 months	(16,991)
	Borrowing repayable within a period in excess of 12 months	
(10,097)	Maturing in 1 to 2 years	(16,215)
(43,517)	Maturing in 2 to 5 years	(36,399)
(59,910)	Maturing in 5 to 10 years	(59,151)
(149,755)	Maturing in 10 to 20 years	(141,417)
(20,000)	Maturing in 20 to 30 years	(30,000)
(116,000)	Maturing in 30 to 40 years	(123,000)
(44,360)	Maturing in 40 to 50 years	(27,360)
(443,639)	Total Borrowing repayable within a period in excess of 12 months	(433,542)
(460,302)	Total	(450,533)

Note 28 – Provisions

Current Provisions

2021/22	Appeals Provision	Other Provisions	Total
	£'000	£'000	£'000
Opening Balance	0	(6,755)	(6,755)
Increase in provision during year	0	(1,537)	(1,537)
Utilised during year	0	262	262
Unused Amounts Reversed	0	222	222
Closing Balance	0	(7,808)	(7,808)

2020/21	Appeals Provision	Other Provisions	Total
	£'000	£'000	£'000
Opening Balance	0	(9,042)	(9,042)
Increase 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)

Long Term Provisions

2021/22	Appeals Provision	Other Provisions	Total
	£'000	£'000	£'000
Opening Balance	(11,292)	0	(11,292)
Increase in provision during year	(8,263)	0	(8,263)
Utilised during year	4,267	0	4,267
Closing Balance	(15,288)	0	(15,288)

2020/21	Appeals Provision	Other Provisions	Total
	£'000	£'000	£'000
Opening Balance	(22,929)	(583)	(23,512)
Increase 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)

Total Provisions

2020/21	Total Provisions	2021/22
£'000		£'000
(32,554) Opening Balance		(18,047)
8,391 Increase in provision during year		(9,801)
5,024 Utilised during year		4,529
1,092 Unused Amounts Reversed		222
(18,047) Closing Balance		(23,096)

Appeals Provision

Under NDR retention, the Council has a percentage share of all business rates income net of any backdated reductions. Rate payers can appeal a valuation and they have up to the end of the current Rating List (31 March 2023). This appeals provision has been calculated based on information provided by the Valuation Office Agency and external bodies, combined with local knowledge of the Rating List. The Council has undertaken a detailed review of the provision based on a detailed external assessment from an external rating expert.

Other Provisions

a) Insurance Provision

At the 31 March 2022 the council has outstanding insurance liabilities (estimated claims for which liability was accepted) totalling £4.123m. A provision has been charged to the Comprehensive Income & Expenditure Account to fund this and recognises this liability with funding met through reserves.

b) 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 – Councillors signed off the agreed settlement by delegated decision in February 2020. There were a number of settlements made during the year totalling £0.139m in addition to the £2.462m paid in 2019/20 and an estimation of £1.324m for further settlements has been included in the 2021/22 accounts.

c) Planning Appeals Provision

Provision to cover possible future liabilities relating to planning appeals

Note 29 – Contingent Liabilities

The most significant contingent gains and losses disclosed in the council's accounts for the year ending 31 March 2022 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 £6.596m.
- 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 2022 we have allocated all receipts to date to specific projects.
- c) Due to the uncertainty in terms of both timing and amounts Milton Keynes Council have estimated a provision for future losses to business rates income as a result of business rate appeals against the 2010 and 2017 rating lists. 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) The Council entered into a development agreement with Redlawn Ltd in 2019, where it agreed to the disposal of various parcels of land that it owned in the Western Expansion Area. Part of the land that was included in this agreement was subject to a successful adverse possession claim and the Council has subsequently transferred the legal title to that land to another 3rd party. Whilst the Council has de-recognised the land value from its balance sheet, it is not yet possible at this stage to assess the wider financial impact of this decision as this will be dependent upon a number of different factors and possible outcomes. Therefore, the potential liability to the council and the loss of share in future capital receipts cannot be estimated at this time.
- e) The Council was awarded Housing Infrastructure Funding Grant totalling £94.6m by Homes England to fund two separate packages of Highways and Social Infrastructure in MK East. The Council has agreed to directly procure the construction of a new Primary School and

Health Hub Centre. A total of £15m has been set aside from the overall grant to deliver these projects.

In March 2022 MKCC entered into a grant sharing agreement with St James Group Ltd in relation to the Housing Infrastructure Fund Grant Determination Agreement. The grant sharing agreement has a provision for overruns whereby both parties are liable for 50% of any infrastructure expenditure more than the grant of £79.557m up to a cost cap of £19.133m. A procurement exercise is currently being carried out. Berkley St James Group have agreed subject to the agreement of Homes England, that they will fund the costs above the cost cap. A deed of variation for these changes will be entered into by the end of August 2023.

As part of the development area the Council has set up a Tariff Scheme to fund other infrastructure that the area will need because of the development in MK East.

Note 30.1 – Usable Reserves

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

2020/21	Note		2021/22
£'000			£'000
(30,412)		General Fund Balance	(29,188)
(139,305)	10	Earmarked General Fund Reserves	(112,690)
(10,007)	10	Schools Balance Reserve	(11,832)
(7,259)		Housing Revenue Account	(7,259)
(67,188)	10	Earmarked HRA Reserves	(63,603)
(24,116)	30.1a	Capital Receipts Reserve	(30,366)
(8,210)	30.1b	Major Repairs Reserve	0
(51,228)	30.1c	Capital Grants Unapplied	(39,770)
(337,725)	Total		(294,708)

a) Capital Receipts Reserve

2020/21		2021/22
£'000		£'000
(22,683)	Balance 1 April	(24,116)
(8,429)	Capital Receipts in year	(8,232)
(1)	Deferred Receipts realised	(4,000)
836	Capital Receipts Pooled	834
398	Capital Receipts transferred to Capital Adjustment Account to repay debt	1,040
5,763	Capital Receipts used for financing	4,108
(24,116)	Balance 31 March	(30,366)

b) Major Repairs Reserve

2020/21		2021/22
£'000		£'000
(16,280)	Balance 1 April	(8,210)
(14,018)	Depreciation and Amortisation	(15,038)
22,088	Application to finance capital expenditure	23,248
(8,210)	Balance 31 March	0

c) Capital Grants Unapplied

2020/21		2021/22
£'000		£'000
(66,665)	Balance 1 April	(51,228)
(41,629)	Capital grants recognised in year	(50,573)
57,066	Capital grants and contributions applied	62,031
(51,228)	Balance 31 March	(39,770)

Note 30.2 – Unusable Reserves

2020/21	Note		2021/22
£'000			£'000
(206,320)	30.2a	Revaluation Reserve	(276,357)
226	30.2b	Pooled Investment Funds Adjustment Account	(2,098)
(842,574)	30.2c	Capital Adjustment Account	(906,449)
541	30.2d	Financial Instruments Adjustment Account	497
488,506	30.2e	Pension Reserve	373,718
(12,072)	30.2f	Deferred Capital Receipts Reserve	(30,755)
184	30.2g	Collection Fund Adjustment Account	(37,447)
1,285	30.2h	Accumulated Absences Account	1,253
(570,224)	Total		(877,638)

a) Revaluation Reserve

2020/21		2021/22
£'000		£'000
(194,807)	Balance 1 April	(206,320)
(20,656)	Upward revaluation of assets	(102,630)
2,583	Downward revaluation of assets and impairment losses not charged to the (Surplus) or Deficit on the Provision of Services	22,715
(18,073)	(Surplus) or deficit on revaluation of non-current assets not charged to the (Surplus) or Deficit on the Provision of Services	(79,915)
5,384	Difference between fair value depreciation and historical cost depreciation	5,299
1,176	Accumulated gains on assets sold or scrapped	4,579
6,560	Amount written off to the Capital Adjustment Account	9,878
(206,320)	Balance 31 March	(276,357)

b) Pooled Investment Funds Adjustment Account

2020/21		2021/22
£'000		£'000
120	Balance 1 April	226
0	Opening balance adjustments on adoption of IFRS9	0
120	Revised Opening Balance	226
106	Upward (downward) revaluation of investments	(2,324)
106	Total Changes in revaluation and impairment	(2,324)
226	Balance 31 March	(2,098)

c) Capital Adjustment Account

2020/21	Note		2021/22
£'000			£'000
(754,074)		Balance 1 April	(842,574)
53,806		Charges for depreciation and impairment of non-current assets	41,173
(66,142)		Revaluation losses on non-current assets	(76,821)
173		Amortisation of intangible assets	264
10,382	24	Revenue expenditure funded from capital under statute	14,086
33,218		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	71,538
31,437		Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	50,240
(6,560)		Adjusting Amounts written out of the Revaluation Reserve	(9,878)
24,877		Net written out amount of the cost of non-current assets consumed in the year	40,362
(5,763)	30.1a	Use of Capital Receipts Reserve to finance new capital expenditure	(4,108)
(22,088)	30.1b	Use of Major Repairs Reserve to finance new capital expenditure	(23,248)
(57,066)	30.1c	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(62,031)
(12,649)		Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(11,244)
(6,640)	24	Capital expenditure charged against the General Fund and HRA balances	(9,097)
(104,206)		Capital financing applied in year:	(109,728)
(398)	30.1a	Borrowing or liabilities met from the UCRR	(1,040)
(8,773)	23	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	6,531
0		Other movements	0
(842,574)		Balance 31 March	(906,449)

d) Financial Instruments Adjustment Account

2020/21		2021/22
£'000		£'000
584	Balance 1 April	541
(43)	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(44)
0	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	0
(43)	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	(44)
0	Other movements	0
541	Balance 31 March	497

e) Pension Reserve

2020/21		2021/22
£'000		£'000
323,552	Balance 1 April	488,506
131,698	Remeasurements of the net defined benefit (liability)/asset	(162,609)
58,202	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	70,962
(24,946)	Employer's pensions contributions and direct payments to pensioners payable in the year	(23,141)
488,506	Balance 31 March	373,718

f) Deferred Capital Receipts Reserve

2020/21		2021/22
£'000		£'000
(157)	Balance 1 April	(12,072)
(11,916)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(22,683)
1	Transfer to the Capital Receipts Reserve upon receipt of cash	4,000
(12,072)	Balance 31 March	(30,755)

g) Collection Fund Adjustment Account

2020/21		2021/22
£'000		£'000
(24,705)	Balance 1 April	184
24,889	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	(37,631)
184	Balance 31 March	(37,447)

h) Accumulated Absences Account

2020/21		2021/22
£'000		£'000
953	Balance 1 April	1,285
(953)	Settlement or cancellation of accrual made at the end of the preceding year	(1,285)
1,285	Amounts accrued at the end of the current year	1,253
332	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	(32)
1,285	Balance 31 March	1,253

Note 31 – Cash and Cash Equivalents

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

2020/21		2021/22
£'000		£'000
(1,640)	Cash and Bank balances	2,946
116,511	Short Term Deposits	233,533
114,871	Total Cash and Cash Equivalents	236,479

At the 31 March 2022, the council held £233.533m invested with various financial institutions as short term deposits (£116.511m at the 31 March 2021). 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 32.1 – Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

2020/21		2021/22
£'000		£'000
(3,420)	Interest received	(1,786)
20,745	Interest paid	19,654
17,325	Total	17,868

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

2020/21		2021/22
£'000		£'000
21,109	Depreciation & Impairment and downward valuations	37,199
(173)	Amortisation	(264)
(4,406)	(Increase)/decrease in impairment for bad debts	2,071
(53,424)	(Increase)/decrease in creditors	(126,211)
(77)	Increase/(decrease) in debtors	1,219
(12)	Increase/(decrease) in inventories	38
(33,256)	Movement in pension liability	(47,821)
(33,088)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(71,538)
(943)	Other non-cash movements charged to the surplus or deficit on provision of services	(6,590)
(104,270)	Total	(211,897)

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

2020/21		2021/22
£'000		£'000
20,215	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	30,915
41,629	Any other items for which the cash effects are investing or financing cash flows	50,573
61,844	Total	81,488

Note 32.2 – Cash Flow from Investing Activities

2020/21		2021/22
£'000		£'000
92,596	Purchase of property, plant and equipment, investment property and intangible assets	88,644
2,004,492	Purchase of short-term and long-term investments	1,850,118
(8,429)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(12,232)
(2,036,112)	Proceeds from short-term and long-term investments	(1,890,117)
(39,574)	Other receipts from investing activities	(49,879)
12,973	Net cash flows from investing activities	(13,466)

Note 32.3 – Cash Flow from Financing Activities

2020/21		2021/22
£'000		£'000
29,825	Other receipts from financing activities	29,824
7,027	Repayments of short-term and long-term borrowing	9,733
4,583	Other payments for financing activities	4,583
41,435	Net cash flows from financing activities	44,140

Note 33 – 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	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised cost	0	0	0	0	185,306	145,356	44,014	69,716	114,871	233,533
Fair Value through Profit or Loss	14,774	17,098	0	0	164	162	0	0	0	0
Total financial assets	14,774	17,098	0	0	185,470	145,518	44,014	69,716	114,871	233,533
Non-financial assets	0	0	0	0	0	0	0	0	0	0
Total	14,774	17,098	0	0	185,470	145,518	44,014	69,716	114,871	233,533

The debtor's lines on the Balance Sheet include £20.900m (£22.177m in 20/21) short-term and £4.468m (£3.699m in 2020/21) long-term debtors that do not meet the definition of a financial asset. See note 25 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	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised cost	(443,639)	(433,542)	0	0	(16,663)	(16,991)	(47,633)	(51,063)
Total financial liabilities	(443,639)	(433,542)	0	0	(16,663)	(16,991)	(47,633)	(51,063)
Non-financial liabilities	0	0	0	0	0	0	0	0
Total	(443,639)	(433,542)	0	0	(16,663)	(16,991)	(47,633)	(51,063)

The short-term creditor's lines on the Balance Sheet include £144.236m (£89.363m in 2020/21) that does not meet the definition of a financial liability. See note 26 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 is not in receipt of any soft loans advanced to us.

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:

2020/21		Financial Liabilities	Financial Assets		2021/22
Total		Amortised Cost	Amortised Cost	Fair Value through Profit or Loss	Total
£'000		£'000	£'000	£'000	£'000
(20,156)	Interest expense	(20,178)	0	0	(20,178)
(20,156)	Interest payable and similar charges	(20,178)	0	0	(20,178)
682	Interest income	0	1,069	0	1,069
741	Dividend income	0	0	670	670
1,423	Interest and investment income	0	1,069	670	1,739
(106)	Gains/(Loss) on revaluation	0	0	2,324	2,324
(106)	Impact in Other Comprehensive Income	0	0	2,324	2,324
(18,839)	Net Interest or Gain/(Loss) for the year.	(20,178)	1,069	2,994	(16,115)

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 2022, 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:

2020/21				2021/22	
Balance Sheet	Fair Value		Fair Value levels	Balance Sheet	Fair Value
£'000	£'000			£'000	£'000
<i>Financial liabilities held at amortised cost:</i>					
445,043	576,047	Loans from PWLB	2	435,277	521,537
15,259	23,843	Market Loans	2	15,257	21,812
460,302	599,890	Total Financial Liabilities		450,534	543,349
47,633		Liabilities for which fair value is not disclosed		51,062	
507,935	599,890	Total Financial Liabilities		501,596	543,349
<i>Recorded on Balance Sheet as:</i>					
47,633		Short-term creditors		51,063	
16,663		Short-term borrowing		16,991	
443,639		Long-term borrowing		433,542	
507,935		Total Financial Liabilities		501,596	

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:

2020/21				2021/22	
Balance Sheet	Fair Value		Fair Value levels	Balance Sheet	Fair Value
£'000	£'000			£'000	£'000
<i>Financial assets held at fair value:</i>					
66,511	66,511	Liquid Instruments (Money market funds & bank call accounts)	1	83,519	83,519
0	0	Certificates of Deposit	1	20,021	20,021
200,004	200,004	Deposits with UK Government	1	210,038	210,038
14,938	14,938	Property funds	1	17,260	17,260
0	0	Fixed Term Deposits (Banks and Building Societies)	2	25,025	25,025
0	0	Bank 35d notice account	1	10,000	10,000
<i>Financial assets held at amortised cost:</i>					
5,000	5,000	Short-term loans to local authorities	2	0	0
30,303	30,303	Long-term loans to companies	2	30,286	30,286
316,756	316,756	Total		396,149	396,149
42,373		Assets for which fair value is not disclosed		69,716	
359,129	316,756	Total Financial Assets		465,865	396,149
<i>Recorded on Balance Sheet as:</i>					
44,014		Short-term debtors		69,716	
185,470		Short-term investments		145,518	
14,774		Long-term investments		17,098	
114,871		Cash and Cash Equivalents		233,533	
359,129		Total Financial Assets		465,865	

Holdings in the CCLA Local Authority Property Fund are classified as Fair Value through Profit and Loss. Gains and losses on the fund would ordinarily be charged to the Comprehensive Income and Expenditure Statement, however a statutory override effective until 31 March 2023 requires that gains and losses on pooled investment funds must be reversed out through the Movement in Reserves Statement to the Pooled Investment Funds Adjustment Account.

The fair value of investment financial assets held at amortised cost is considered approximate to the carrying amount as they all mature in less than a year.

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	
	2020/21	2021/22	2020/21	2021/22
	£'000	£'000	£'000	£'000
12-Month expected credit losses:				
AAA	0	0	49,470	77,052
AA+	0	0	0	0
AA	0	0	10,007	10,008
AA-	0	0	0	5,007
A+	0	0	7,034	36,491
A	0	0	0	5,003
A-	0	0	0	5,004
UK Government	0	0	200,004	210,038
Unrated Local Authorities	0	0	5,000	0
Unrated Building Societies	0	0	0	0
Unrated Companies	0	0	30,303	30,286
Unrated Pooled Fund*	14,774	17,098	164	162
Total Investments	14,774	17,098	301,982	379,051

* 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, adjusted for current and forecast economic conditions. A two year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when downgraded to a "D" credit rating or equivalent.

At 31st March 2022 the Council assessed its credit loss exposure as £0.127m compared to £0.247m in 2020/21, which reflects the strategic approach given market conditions during the year to hold more investments with the UK Debt Management Office and in liquid money market funds. No loss provision has been charged to the revenue account as this amount is considered immaterial and, if the eventuality arose, the cost could be met from earmarked reserves. This position is kept under annual review.

Exposure to Risk

Unimpaired Past Due Amount Analysed by Age:

2020/21		2021/22
£'000		£'000
3,524	Less than three months	11,081
360	Three to six months	144
127	Six months to one year	297
545	More than one year	174
4,556	Total	11,697

Impaired Past Due Amount Analysed by Age:

2020/21		2021/22
£'000		£'000
1,335	Less than three months	4,003
1,041	Three to six months	442
1,084	Six months to one year	770
3,101	More than one year	2,444
6,561	Total	7,659

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:

2020/21		2021/22
£'000		£'000
16,663	Less than one year	16,991
10,097	Between one and two years	16,215
43,517	Between two and five years	36,399
59,911	Between five and ten years	59,151
149,755	Between ten and twenty years	141,417
20,000	Between twenty years and thirty years	30,000
116,000	Between thirty years and forty years	123,000
44,360	Over forty years	27,360
460,302	Total	450,533

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:

2020/21		2021/22
£'000		£'000
19,537	Less than one year	19,002
18,962	Between one and two years	18,011
51,807	Between two and five years	49,646
71,428	Between five and ten years	67,986
96,598	Between ten and twenty years	91,011
66,079	Between twenty years and thirty years	65,083
37,736	Between thirty years and forty years	32,901
2,379	Over forty years	1,390
364,526	Total	345,030

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 2022, with all other variables held constant:

2020/21		2021/22
£'000		£'000
0	Increase/(Decrease) in interest payable on variable rate borrowings	0
(415)	(Increase)/Decrease in interest receivable on variable rate investments	(839)
(1,753)	(Increase)/Decrease in government grant receivable for financing costs	(1,683)
(2,168)	Impact on Surplus or Deficit on the Provision of Services	(2,522)
(104)	Notional share of overall impact on HRA	(210)
(713)	Increase/(Decrease) in fair value of investments held at Fair Value through Profit or Loss	0
(700)	Increase/(Decrease) in fair value of financial assets	0
(77,369)	Increase/(Decrease) in fair value of financial liabilities	66,687
(78,069)	Impact on fair value of fixed rate borrowings liabilities	66,687

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 34 – 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:

2020/21		2021/22	
£'000		£'000	
2,083	Not later than one year	2,074	
6,417	Later than one year and not later than five years	6,457	
13,759	Later than five years	14,918	
22,259	Total	23,449	

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 2021/22 £0.204m contingent rents were receivable by the council (£0.084m in 2020/21).

Authority as Lessee - Operating Leases

2020/21		2021/22	
£'000		£'000	
17	Not later than one year	123	
69	Later than one year and not later than five years	372	
1,199	Later than five years	1,182	
1,285	Total	1,677	

Authority as Lessee - Finance Lease

2020/21				2021/22		
Minimum Lease Payment	Finance Charges	Present Value		Minimum Lease Payment	Finance Charges	Present Value
£'000	£'000	£'000		£'000	£'000	£'000
206	192	14	Not later than one year	206	192	14
822	761	61	Later than one year and not later than five years	822	758	64
10,891	6,919	3,972	Later than five years	10,686	6,731	3,955
11,919	7,872	4,047	Total	11,714	7,681	4,033

Note 35 – 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 21 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 18.

c) Councillors

Councillors have direct control over the council's financial and operating policies. The total of councillors' allowances paid during 2021/22 is shown in note 15. During 2021/22, works and services to the value of £1.363m were commissioned from organisations in which 13 councillors had an interest.

In addition, the council paid grants totalling £0.945m to voluntary and charitable organisations in which 12 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 2021/22 totalled £0.031m (£0.011m in 2020/21) from 4 organisations in which 9 councillors had an interest.

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

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

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 2022 totalled £0.028m (£0.000m at 31 March 2021).

The outstanding amount owed to related parties at the end of 31 March 2022 totalled £0.030m (£0.008m at 31 March 2021).

Details of all transactions are included elsewhere in the 2021/22 accounts.

f) Council Owned Companies

The Council owns the Milton Keynes Development Partnership (MKDP) LLP with DevelopMK Ltd which was formed in March 2020

as a part owner of Milton Keynes Development Partnership. Further details of these bodies can be found in the Group Accounts note. A previous partnership with Mears Group PLC called YourMK has now been fully wound up and there have been no transactions in the 2021/22 year concerning YourMK.

g) 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 36 – 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 1 member remains. 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.

2020/21		General Fund Transactions	2021/22	
LGPS £'000	Total £'000		LGPS £'000	Total £'000
Comprehensive Income and Expenditure Statement				
Cost of Services				
		Service cost comprising:		
50,221	50,221	Current service cost	59,544	59,544
273	273	Past service cost	1,501	1,501
(945)	(945)	(Gain) / loss from settlements and / or transfers	(489)	(489)
581	581	Administration expenses	632	632
		Other Operating Expenditure:	0	0
8,072	8,072	Net interest expense	9,774	9,774
58,202	58,202	Total charged to Surplus and Deficit on Provision of Services	70,962	70,962

2020/21		Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	2021/22	
LGPS £'000	Total £'000		LGPS £'000	Total £'000
138,821	138,821	Return on plan assets (excluding the amount included in the net interest expense)	40,987	40,987
10,286	10,286	Actuarial gains and losses arising on changes in demographic assumptions	39,983	39,983
(293,332)	(293,332)	Actuarial gains and losses arising on changes in financial assumptions	74,500	74,500
0	0	Other actuarial gains/(losses) on assets	1,177	1,177
12,527	12,527	Experience gain/ (loss) on defined benefit obligation	5,962	5,962
(131,698)	(131,698)	Total charged to Other Comprehensive Income and Expenditure Statement	162,609	162,609
189,900	189,900	Total charged to the Comprehensive Income and Expenditure Statement	(91,647)	(91,647)

2020/21		Movement in Reserves Statement	2021/22	
LGPS £'000	Total £'000		LGPS £'000	Total £'000
(58,202)	(58,202)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(70,962)	(70,962)
24,946	24,946	Employers' contributions payable to scheme	23,141	23,141

Pensions Assets and Liabilities Recognised in the Balance Sheet

2020/21			2021/22	
LGPS	Total		LGPS	Total
£'000	£'000		£'000	£'000
(1,268,984)	(1,268,984)	Present value of the defined obligation	(1,214,033)	(1,214,033)
780,478	780,478	Fair value of plan assets	840,315	840,315
(488,506)	(488,506)	Value of Assets / (Liabilities)	(373,718)	(373,718)
(488,506)	(488,506)	Net (liability) / asset arising from the defined benefit obligation	(373,718)	(373,718)

Movement in the Value of Scheme Assets

2020/21			2021/22	
LGPS	Total		LGPS	Total
£'000	£'000		£'000	£'000
621,478	621,478	Opening fair value of scheme assets	780,478	780,478
10,575	10,575	Interest income	14,492	14,492
138,821	138,821	The return on plan assets, excluding the amount included in the net interest expense	40,987	40,987
24,946	24,946	Contributions from employer	23,141	23,141
6,737	6,737	Contributions from employees into the scheme	7,141	7,141
0	0	Other actuarial gains/(losses)	1,177	1,177
(20,556)	(20,556)	Benefits / transfers paid	(26,027)	(26,027)
(581)	(581)	Administration expenses	(632)	(632)
(942)	(942)	Assets Extinguished on Settlement	(442)	(442)
780,478	780,478	Closing value of scheme assets	840,315	840,315

Movements in the Fair Value of Scheme Liabilities

2020/21			2021/22	
LGPS	Total		LGPS	Total
£'000	£'000		£'000	£'000
(945,030)	(945,030)	Opening balance at 1 April	(1,268,984)	(1,268,984)
(50,221)	(50,221)	Current service cost	(59,544)	(59,544)
(18,647)	(18,647)	Interest cost	(24,266)	(24,266)
(6,737)	(6,737)	Contributions from scheme participants	(7,141)	(7,141)
10,286	10,286	- Actuarial gains / (losses) from changes in demographic assumptions	39,983	39,983
(293,332)	(293,332)	- Actuarial gains / (losses) from changes in financial assumptions	74,500	74,500
(273)	(273)	Past service cost	(1,501)	(1,501)
0	0	Liabilities assumed on entity combinations	0	0
12,527	12,527	Experience loss/(gain) on defined benefit obligation	5,962	5,962
20,556	20,556	Benefits / transfers paid	26,027	26,027
1,887	1,887	Liabilities extinguished on settlements	931	931
(1,268,984)	(1,268,984)	Balance as at 31 March	(1,214,033)	(1,214,033)

The significant assumptions used by the actuary have been:

2020/21		LGPS	2021/22
Long term expected rate of return on assets			
9%		Gilts	10%
59%		Equities	54%
15%		Other Bonds	14%
6%		Property	6%
1%		Cash	3%
1%		Alternative Assets	3%
5%		Hedge Funds	0%
4%		Absolute Return Portfolio	0%
0%		Multi assets	9%
0%		Private debt	1%
Mortality assumptions			
Longevity at retirement for current pensioners			
21.6		Men	21.0
25.0		Women	24.5
Longevity at retirement for future pensioners			
22.9		Men	22.3
26.4		Women	25.9
Other assumptions			
3.85%		Rate of increase in salaries	4.20%
2.85%		Rate of increase in pensions	3.20%
2.00%		Rate for discounting scheme liabilities	2.60%

The Asset breakdown percentages are:

2020/21			2021/22	
Quoted	Unquoted		Quoted	Unquoted
0.2%	0.0%	Fixed Interest Government Securities - UK		
2.4%	6.5%	Index Linked Government Securities - UK	10.0%	0.0%
		Corporate Bonds		
8.7%	3.9%	UK	14.0%	0.0%
2.0%	0.0%	Overseas	0.0%	0.0%
		Equity		
0.0%	0.0%	UK	0.0%	0.0%
0.7%	54.6%	Overseas	50.0%	0.0%
5.9%	0.0%	Property	6.0%	0.0%
		Others		
0.0%	4.4%	Absolute return portfolio	0.0%	0.0%
0.0%	4.7%	Hedge Fund	0.0%	0.0%
	0.0%	Multi Asset / Diversified Income	9.0%	0.0%
0.0%	3.4%	Private Equity	0.0%	4.0%
0.0%	1.2%	Infrastructure	0.0%	3.0%
	0.0%	Private Debt	0.0%	1.0%
0.0%	1.2%	Cash/Temporary Investments	0.0%	3.0%
		Net Current Assets		
0.0%	0.2%	Debtors	0.0%	0.0%
19.9%	80.1%	Total	89.0%	11.0%

Impact of assumptions on the obligation:

Increase by 0.1%	LGPS	Decrease by 0.1%
£'000	Assumption	£'000
49,661	Longevity	45,444
47,538	Rate of increase in salaries	47,486
49,268	Rate of increase in pensions	45,822
45,810	Rate for discounting scheme liabilities	49,283

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 2022.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The latest actuarial valuation was undertaken at 31 March 2022 and the next actuarial valuation of the Fund will be carried out as at 31 March 2025 and will set contributions for the period from 1 April 2026 to 31 March 2029. 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.

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 2021/22, the council paid £11.371m (£11.462m in 2020/21) to Teachers Pensions in respect of teachers' retirement benefits. This was equivalent to 23.68% (23.68% in 2020/21) 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.

2020/21			2021/22			
Business Rates	Council Tax	Total	Collection Fund	Business Rates	Council Tax	Total
£'000	£'000	£'000		£'000	£'000	£'000
INCOME:						
0	(160,621)	(160,621)	Council Tax Receivable	0	(170,348)	(170,348)
(104,967)	0	(104,967)	Business Rates Receivable	(148,280)	0	(148,280)
(104,967)	(160,621)	(265,588)	Total amounts to be credited	(148,280)	(170,348)	(318,628)
EXPENDITURE:						
Apportionment of Previous Year Surplus/Deficit:						
5,326	0	5,326	Central Government	(39,719)	0	(39,719)
5,220	2,788	8,008	Billing Authority	(38,924)	(60)	(38,984)
107	122	229	Fire Authority	(794)	(3)	(797)
0	390	390	Police Authority	0	(9)	(9)
Precepts, demands and shares:						
81,723	0	81,723	Central Government	78,245	0	78,245
80,088	132,456	212,544	Billing Authority	76,680	135,420	212,100
1,634	5,709	7,343	Fire Authority	1,565	5,790	7,355
0	18,749	18,749	Police Authority	0	19,940	19,940
Charges to Collection Fund:						
597	424	1,021	Write-offs of uncollectable amounts	170	1,087	1,257
1,070	1,370	2,440	Increase/(decrease) in allowance for impairment	(590)	(17)	(607)
(23,749)	0	(23,749)	Increase/(decrease) in allowance for appeals	8,156	0	8,156
392	0	392	Charge to General Fund for allowable collection costs for non-domestic rates	396	0	396
926	0	926	Disregarded amounts	383	0	383
153,334	162,008	315,342	Total amounts to be debited	85,568	162,148	247,716
48,367	1,387	49,754	(Surplus)/Deficit arising during the year	(62,712)	(8,200)	(70,912)
(43,445)	(4,046)	(47,491)	(Surplus)/Deficit b/f at 1 April 2021	4,922	(2,659)	2,263
4,922	(2,659)	2,263	(Surplus)/Deficit c/f at 31 March 2022	(57,790)	(10,859)	(68,649)

Tax Base, Rateable Value and Write offs

The Council Tax base for 2021/22, 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	10.15
A	6/9	9,512.86
B	7/9	22,552.62
C	8/9	23,702.22
D	9/9	13,908.25
E	11/9	13,774.16
F	13/9	8,598.04
G	15/9	4,759.59
H	18/9	256.50
		97,074.39
Anticipated changes during the year		1,451.50
Provision for non-collection		(2,561.70)
		95,964.19
Impact of Council Tax Reductions		(9,750.44)
Council Tax Base		86,213.75

Collection Fund Balance Apportionment

2020/21 Total £'000		2021/22 Council Tax £'000	2021/22 NDR £'000	2021/22 Total £'000
184	Milton Keynes Council	(9,130)	(28,317)	(37,447)
2,461	Central Government	0	(28,895)	(28,895)
(336)	Thames Valley Police Authority	(1,336)	0	(1,336)
(46)	Buckinghamshire and Milton Keynes Fire Authority	(393)	(578)	(971)
2,263	Total	(10,859)	(57,790)	(68,649)

Precepts & Demands on Collection Fund

2020/21 Total £'000		2021/22 Council Tax Precept / Demand £'000	2021/22 NDR Precept / Demand £'000	2021/22 Total Precept / Demand £'000	Council Tax Share of 2021/22 Surplus £'000	NDR Share of 2021/22 Deficit £'000	Total Share of 2021/22 (Surplus)/ Deficit £'000	2021/22 Total £'000
212,728	Milton Keynes Council	135,420	76,680	212,100	(9,130)	(28,317)	(37,447)	174,653
84,184	Central Government	0	78,245	78,245	0	(28,895)	(28,895)	49,350
18,413	Police & Crime Commissioner for Thames Valley	19,940	0	19,940	(1,336)	0	(1,336)	18,604
7,297	Buckinghamshire and Milton Keynes Fire Authority	5,790	1,565	7,355	(393)	(578)	(971)	6,384
322,622	Total	161,150	156,490	317,640	(10,859)	(57,790)	(68,649)	248,991

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.

2020/21 £'000		2021/22 £'000
	Expenditure	
11,273	Repairs & Maintenance	11,607
13,827	Supervision & Management	14,855
1,259	Rents, Rates, Taxes and other charges	2,099
(39,913)	Depreciation, impairments and revaluation losses of non-current assets	(42,687)
850	Debt Management Costs	272
1,027	Movement in the allowance for bad debts	574
(11,677)	Total Expenditure	(13,280)
	Income	
(53,124)	Dwelling rents	(53,540)
(198)	Non-dwelling rents	(172)
(4,028)	Charges for services and facilities	(3,097)
(57,350)	Total Income	(56,809)
(69,027)	Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	(70,089)
313	HRA Services Share of Corporate & Democratic Core	313
(68,714)	Net Expenditure of HRA Services	(69,776)
2,929	(Gains)/loss on sale of HRA Fixed Assets	5,227
6,773	Interest Payable and Similar Charges	10,144
(75)	HRA Interest and Investment Income	(68)
203	Net interest on the defined benefit liability/asset	245
(58,884)	(Surplus) or Deficit for Year on HRA Services	(54,228)

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.

2020/21 £'000	Movement on the HRA Statement	2021/22 £'000
(7,259)	Balance on the HRA at the end of the previous year	(7,259)
(58,884)	(Surplus) or Deficit on the HRA Income and Expenditure Statement	(54,228)
49,321	Adjustments between accounting basis and funding basis under statute	57,813
(9,563)	Net (increase) or decrease before transfers to or from reserves	3,585
9,563	Transfer to/(from) reserves	(3,585)
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)

2020/21 £'000	Adjustment between accounting basis	2021/22 £'000
0	Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	0
38,527	Transfers to/(from) the Capital Adjustment Account	42,710
(2,929)	Gain or (loss) on sale of non-current assets	(5,228)
(835)	Contributions to or (from) the Pension Reserve	(1,198)
(18)	Transfers to/(from) the Accumulated Absences Account	(2)
14,018	Transfers to/(from) Major Repairs Reserve	15,038
558	Capital expenditure funded by the HRA	6,493
0	Transfers to/(from) Capital Grants Unapplied	0
49,321	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	57,813

2020/21 £'000	Transfer to/from Reserves	2021/22 £'000
11,575	Transfers to earmarked reserves	2,908
(2,012)	Transfers from earmarked reserves	(6,493)
9,563	Total Transfers	(3,585)

The Reserves held at 31 March 2022 are included in Note 10 to the accounts.

Notes to the HRA Account

Housing Stock

At 1 April 2021 the HRA housing stock was 12,096. During the 2021/22 financial year stock numbers increased as 26 dwellings were acquired from the private sector, 52 properties were sold to tenants (includes part-sales of shared ownership dwellings), Mellish Court and Gables tower blocks were decommissioned for demolition (composed of 195 flats, of which 31 leasehold flats were acquired to enable decommissioning of the blocks), 7 dwellings were built by the council, 1 office unit was converted to a residential property and 1 property was transferred from council general fund into housing. Therefore as at 31 March 2022 the Council HRA was responsible for managing a housing stock of 11,915 dwellings of which 943 is the council's portion of shared ownership dwellings. The analysis of the remaining 10,972 dwellings is as shown below:

Main Rented Stock	Houses	Flats	Total	Houses Built	No. of Houses
1 Bedroom	1,468	2,180	3,648	Pre 1919	42
2 Bedrooms	1,793	763	2,556	1919 - 1944	328
3 or more Bedrooms	4,592	176	4,768	1945 - 1964	1,451
				Post 1964	6,032
Total	7,853	3,119	10,972		7,853

Capital Expenditure

2020/21		2021/22
£'000		£'000
	Capital Spending:	
37,590	Dwellings	42,507
2	Other HRA Assets	0
1,385	Revenue expenditure funded from capital under statute	188
38,977	Total Capital Expenditure	42,695
	Funded By:	
(3,797)	Usable Capital Receipts	(3,381)
(11,845)	Prudential Borrowing	(8,895)
(22,088)	Major Repairs Allowance	(23,248)
(689)	Government Grant	(678)
0	Third Party Contributions	0
(558)	Revenue Contributions	(6,493)
(38,977)	Total Capital Financing	(42,695)

Capital Receipts

2020/21			2021/22	
£'000			£'000	
		Sale of Dwellings*:		
3,122		Council Houses		6,108
843		Shared Ownership		546
0		Land		0
0		Recovered Discount		21
196		Non Right to Buy Receipts		442
4,161		HRA Receipts in Year		7,117
(836)		Less: Statutory Pooling		(834)
3,325		Total HRA Usable Receipts in year		6,283

* 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 increased by £0.747m from 2020/21 value of £1.021m to £1.768m in 2021/22. The increase in loss was due to decommissioning Mellish Court and Gables Tower blocks and higher number of empty properties during the year. At 31 March 2022, 1.79% of the housing stock was vacant (2.28% at 31 March 2021).

Rents are expressed in terms of a 50-week year and were increased in April 2021 by an average of 1.50%. The average weekly rent at the end of 2021/22 was £91.20 (£89.50 in 2020/21).

The Housing Revenue Account shows rent income and other miscellaneous charges (for example service charges). Arrears of all charges at 31 March 2022 amounted to £5.579m (£4.702m at 31 March 2021). During the year ending 31 March 2022 arrears of £0.514m were written off as irrecoverable, of which £0.289m was in respect of rent debts and £0.225m relating to leasehold major works.

The council has made a total provision against all housing-related debts of £2.008m. This figure includes a provision against rent arrears, in the sum of £1.699m.

Depreciation and Impairment of Non-Current Assets

2020/21			2021/22	
Depreciation	Impairment		Depreciation	Impairment
£'000	£'000		£'000	£'000
(13,830)	(13,400)	Council Dwellings	(14,864)	(7,769)
(156)	0	Other Land and Buildings	(157)	0
(31)	0	Vehicles, Plant, Furniture and Equipment	(17)	0
(14,017)	(13,400)	Total	(15,038)	(7,769)

Asset Values

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

	31-Mar-21	01-Apr-21	31-Mar-22
	£'000	£'000	£'000
Operational Assets			
Council Dwellings	720,248	705,383	789,513
Other Land & Buildings	5,502	5,345	3,516
Equipment	17	0	0
Non Operational Assets			
Surplus Assets	328	198	203
Assets Under Construction	7,384	7,384	11,361
Assets Held for Sale	0	0	0
Investment Properties	0	0	0
Total	733,479	718,310	804,593

As at 31 March 2022, the vacant possession value of the operational council's dwellings is estimated at £2,390.690m compared with the Balance Sheet value of £788.928m. 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 £85.769m between 1 April 2021 and 31 March 2022 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 (£1.200m). Details of the background to, and reasons for this adjustment, may be found in note h to the Statement of Accounting Policies, and note 36 to the Financial Statements.

Group Accounts

Introduction

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

MKC set up DevelopMK Ltd; the directors of this new organisation are three senior MKC staff members. DevelopMK is part of owner MKDP and was dormant throughout 2021/22.

DevelopMK

DevelopMK Ltd was formed in March 2020 as a part owner of Milton Keynes Development Partnership.

DevelopMK is ceased its dormant status during 21/22. It received a dividend from Milton Keynes Development Partnership (MKDP) as its status changed from dormant to trading.

The council has determined that we do not consider DevelopMK to be material to consolidate in the Group Accounts for 2021/22.

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 2022 was a profit of £47.161m. This includes revaluation gains of £46.626m; IAS19 pensions (£0.084m), Gain on disposal £0.683m to be used for future capital development and a trading loss from operations of (£0.064m).

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

Milton Keynes Housing Company Ltd (MKHC)

Milton Keynes Housing Company Ltd (MKHC) has been created as a company limited by guarantee. Its sole Member is Milton Keynes Development Partnership LLP (MKDP)

MKHC was incorporated on 26 November 2021 the company has not started trading, the first accounting period ended on 31 March 2023 and a set of dormant company accounts will be submitted.

MKHC submitted the final detailed application for registration as a Provider of Social Housing with in December 2022.

YourMK

The council had previously disclosed an interest in YourMK. A decision was made to dissolve your MK in July 2020.

There was no activity in the 2021/22 year with YourMK so no further disclosure is required concerning this body.

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 2022, and;
- Group Cash Flow Statement, which summarises the changes in cash and cash equivalents of the council during the reporting period.

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

Notes to the Group Financial Statements

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

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

Material Item of Income and Expense

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

Interest in Subsidiaries

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

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

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

Group Movement in Reserves Statement

2021/22	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 2021 Restated*	(219,175)	(74,447)	(24,116)	(8,210)	(51,228)	(377,176)	(641,768)	(1,018,944)
Movement in reserves during 2021/22								
Surplus or deficit on the provision of services	(13,586)	(54,228)	0	0	0	(67,814)	0	(67,814)
Other Comprehensive Income / Expenditure	0	0	0	0	0	0	(242,712)	(242,712)
Total Comprehensive Income and Expenditure	(13,586)	(54,228)	0	0	0	(67,814)	(242,712)	(310,526)
Adjustments between accounting basis and funding basis under regulations	32,006	57,813	(6,250)	8,210	11,458	103,237	(103,237)	0
(Increase) or Decrease in 2021/22	18,420	3,585	(6,250)	8,210	11,458	35,423	(345,949)	(310,526)
Balance at 31 March 2022	(200,755)	(70,862)	(30,366)	0	(39,770)	(341,753)	(987,717)	(1,329,470)

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	(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 Restated *	(219,175)	(74,447)	(24,116)	(8,210)	(51,228)	(377,176)	(641,768)	(1,018,944)

Group Comprehensive Income and Expenditure Statement

2020/21 Restated*				2021/22		
Expenditure	Income	Net		Expenditure	Income	Net
£'000	£'000	£'000		£'000	£'000	£'000
132,864	(58,319)	74,545	Adult Social Care and Health	142,627	(59,096)	83,531
11,141	(12,223)	(1,082)	Public Health	13,134	(13,126)	8
241,365	(176,562)	64,803	Children and Families	268,467	(186,075)	82,392
3,429	(2,221)	1,208	Customer & Community	8,666	(5,226)	3,440
1,061	(382)	679	Strategy & Futures	0	0	0
1,836	(761)	1,075	Housing and Regeneration	1,188	0	1,188
(11,364)	(57,350)	(68,714)	Housing Revenue Account	(12,968)	(56,810)	(69,778)
10,646	(10,930)	(284)	Growth, Economy and Culture	10,679	(9,319)	1,360
84,088	(17,740)	66,348	Environment & Property	70,911	(19,941)	50,970
80,201	(79,635)	566	Finance & Resources	66,832	(67,551)	(719)
9,444	(3,073)	6,371	Resources delegated to LGSS	9,613	(3,637)	5,976
2,817	(413)	2,404	Law & Governance	3,484	(499)	2,985
8,108	(8,134)	(26)	Corporate Items	10,219	(7,957)	2,262
575,636	(427,743)	147,893	Cost of Services	592,852	(429,237)	163,615
		23,141	Other Operating Expenditure			51,331
		6,810	Financing and Investment Income and Expenditure			(16,159)
		(272,726)	Taxation and Non Specific Grant Income			(266,601)
		(94,882)	(Surplus) or Deficit on Provision of Services			(67,814)
		(20,656)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(102,630)
		2,583	Impairment losses on non-current assets charged to the Revaluation Reserve			22,715
		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
		132,204	Remeasurement of the net defined benefit liability / asset			(162,797)
		114,131	Other Comprehensive Income and Expenditure			(242,712)
		19,249	Total Comprehensive Income and Expenditure			(310,526)

Group Balance Sheet

2020/21 Restated*	Note		2021/22
£'000			£'000
1,641,891		Property, Plant and Equipment	1,774,461
839		Heritage Assets	835
161,223	G3	Investment Property	177,447
727		Intangible Assets	1,340
14,774		Long Term Investments	17,098
3,699		Long Term Debtors	12,313
1,823,153		Long Term Assets	1,983,494
155,167		Short-term Investments	115,232
46,085		Assets Held for Sale	76,277
51		Inventories	89
65,597	G4	Short Term Debtors	80,272
142,653		Cash and Cash Equivalents	264,549
409,553		Current Assets	536,419
(16,663)		Short-Term Borrowing	(16,991)
(139,028)	G5	Short-Term Creditors	(197,345)
(6,755)		Provisions	(7,808)
(56,949)		Grants Receipts in Advance - Revenue	(64,761)
(5,983)		Grants Receipts in Advance - Capital	(9,565)
(225,378)		Current Liabilities	(296,470)
(11,292)	G6	Provisions	(15,288)
(443,639)		Long Term Borrowing	(433,542)
(489,749)		Other Long-Term Liabilities	(374,926)
(41,122)		Grants Receipts in Advance - Revenue	(66,626)
(2,582)		Grants Receipts in Advance - Capital	(3,591)
(988,384)		Long Term Liabilities	(893,973)
1,018,944		Net Assets	1,329,470
(377,176)	G7	Usable Reserves	(341,753)
(641,768)	G7	Unusable Reserves	(987,717)
(1,018,944)		Total Reserves	(1,329,470)

Group Cash Flow Statement

Group 2020/21 £'000			Group 2021/22 £'000
(94,882)		Net (surplus) or deficit on the provision of services	(67,814)
(105,789)	G8.1	Adjustment to surplus or deficit on the provision of services for noncash movements	(166,349)
72,170	G8.1	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	81,488
(128,501)		Net cash flows from operating activities	(152,675)
4,866	G8.2	Net cash flows from investing activities	(14,150)
42,266	G8.3	Net cash flows from financing activities	44,929
(81,369)		Net (increase) or decrease in cash and cash equivalents	(121,896)
61,284		Cash and cash equivalents at the beginning of the reporting period	142,653
142,653		Cash and cash equivalents at the end of the reporting period	264,549

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):

		Milton Keynes Council	Milton Keynes Development Partnership	Intra- Company Transactions	Group Total
2020/21		2021/22	2021/22	2021/22	2021/22
£'000		£'000	£'000	£'000	£'000
1,823,153	Long Term Assets	1,893,610	90,469	(585)	1,983,494
155,167	Short Term Investments	145,518	0	(30,286)	115,232
46,085	Assets held for sale	7,774	68,503	0	76,277
51	Inventories	89	0	0	89
65,597	Short Term Debtors	80,108	2,262	(2,098)	80,272
142,653	Cash and Cash Equivalents	236,479	28,070	0	264,549
(16,663)	Short Term Borrowing	(16,991)	0	0	(16,991)
(139,028)	Short Term Creditors	(195,323)	(32,896)	30,874	(197,345)
(6,755)	Short Term Provisions	(7,808)	0	0	(7,808)
(62,932)	Short Term Grants & Contributions Receipts in Advance	(74,326)	0	0	(74,326)
(11,292)	Long Term Provisions	(15,288)	0	0	(15,288)
(443,639)	Long Term Borrowing	(433,542)	0	0	(433,542)
0	Long Term Borrowing	(4,019)	0	4,019	0
(489,749)	Other Long-Term Liabilities	(373,718)	(1,208)	0	(374,926)
(43,704)	Long Term Grants & Contributions Receipts in Advance	(70,217)	0	0	(70,217)
1,018,944	Net Assets	1,172,346	155,200	1,924	1,329,470

G3 – Investment Properties

The movement in the fair value of investment properties during 2021/22 comprised of:

Group Total		Milton Keynes Council	Milton Keynes Development Partnership	Intra-Company Transactions	Group Total
2020/21		2021/22	2021/22	2021/22	2021/22
£'000		£'000	£'000	£'000	£'000
209,459	Balance at start of year	86,182	76,101	(1,060)	161,223
	Additions:				
0	- Purchases	4,042	4,547	0	8,589
2,468	- Subsequent Expenditure	1,278	227	0	1,505
(28,872)	Disposals	(10,951)	0	0	(10,951)
16,479	Net Gain/losses from fair value adjustment	(6,531)	46,626	475	40,570
	Transfers to/from:				
0	- Property Plant and Equipment	13,543	0	0	13,543
(38,311)	- Assets Held For Sale	0	(37,032)	0	(37,032)
161,223	Balance Outstanding year end	87,563	90,469	(585)	177,447

See Note 23 Investment Properties for the Milton Keynes Council details

In 2021/22 the significant asset transfers to Assets Held for Sale included the Science & Tech Park, Site 2, Simpson Road, Walton Manor and Pineham, Milton Keynes.

A significant addition for The Brunel Centre, Bletchley; purchase costs of £4.547m

G4 – Debtors

Group Total restated*		Milton Keynes Council	Milton Keynes Development Partnership	Intra-Company Transactions	Group Total
2020/21		2021/22	2021/22	2021/22	2021/22
£'000		£'000	£'000	£'000	£'000
20,803	Trade Receivables	30,995	1,771	0	32,766
65,676	Other Receivable Amounts	67,924	492	(2,098)	66,317
(20,882)	Provision for Bad Debts	(18,811)	0	0	(18,811)
65,597	Total Short Term Debtors	80,108	2,262	(2,098)	80,272

* The 2020/21 position has been restated to list separately the Provision for Bad Debts from the Other Receivables

G5 – Creditors

Group Total		Milton Keynes Council	Milton Keynes Development Partnership	Intra-Company Transactions	Group Total
2020/21		2021/22	2021/22	2021/22	2021/22
£'000		£'000	£'000	£'000	£'000
(11,801)	Trade payables	(15,825)	(1,707)	0	(17,532)
(127,227)	Other payables	(179,498)	(31,189)	30,874	(179,813)
(139,028)	Total Short Term Creditors	(195,323)	(32,896)	30,874	(197,345)

G6 – Provisions

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

G7 – 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
2020/21		2021/22	2021/22	2021/22
£'000		£'000	£'000	£'000
(337,725)	Milton Keynes Council's Usable Reserves	(294,708)	0	(294,708)
(39,451)	LLP Retained Earnings	0	(47,045)	(47,045)
(377,176)	Total Usable Reserves	(294,708)	(47,045)	(341,753)
(570,224)	Milton Keynes Council's Unusable Reserves	(877,638)	0	(877,638)
(71,544)	LLP Non-Distributed Reserves	0	(110,079)	(110,079)
(641,768)	Total Unusable Reserves	(877,638)	(110,079)	(987,717)
(1,018,944)	Total Reserves	(1,172,346)	(157,124)	(1,329,470)

G8.1 – Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

2020/21			2021/22	
Milton Keynes	Group		Milton Keynes	Group
£'000	£'000		£'000	£'000
(3,420)	(3,420)	Interest received	(1,786)	(1,786)
20,745	20,763	Interest paid	19,654	19,654
17,325	17,343	Total	17,868	17,868

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

2020/21			2021/22	
Milton Keynes	Group		Milton Keynes	Group
£'000	£'000		£'000	£'000
21,109	28,741	Depreciation	37,199	84,970
(173)	(173)	Amortisation	(264)	(264)
(4,406)	(5,166)	(Increase)/decrease in impairment for bad debts	2,071	2,071
(53,424)	(54,627)	(Increase)/decrease in creditors	(126,211)	(126,193)
(77)	(1,638)	Increase/(decrease) in debtors	1,219	(98)
(12)	(12)	Increase/(decrease) in inventories	38	(29)
(33,256)	(33,344)	Movement in pension liability	(47,821)	(47,905)
(33,088)	(38,626)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(71,538)	(71,538)
(944)	(944)	Other non-cash movements charged to the surplus or deficit on provision of services	(6,590)	(7,363)
(104,271)	(105,789)	Total	(211,897)	(166,349)

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

2020/21			2021/22	
Milton Keynes	Group		Milton Keynes	Group
£'000	£'000		£'000	£'000
20,215	30,541	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	30,915	30,915
41,629	41,629	Any other items for which the cash effects are investing or financing cash flows	50,573	50,573
61,844	72,170	Total	81,488	81,488

G8.2 – Cash Flow from Investing Activities

2020/21			2021/22	
Milton Keynes	Group		Milton Keynes	Group
£'000	£'000		£'000	£'000
92,596	94,815	Purchase of property, plant and equipment, investment property and intangible assets	88,644	97,509
2,004,492	2,004,492	Purchase of short-term and long-term investments	1,850,118	1,850,118
0	0	Other payments from investing activities	0	0
(8,429)	(18,755)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(12,232)	(21,781)
(2,036,112)	(2,036,112)	Proceeds from short-term and long-term investments	(1,890,117)	(1,890,117)
(39,574)	(39,574)	Other receipts from investing activities	(49,879)	(49,879)
12,973	4,866	Net cash flows from investing activities	(13,466)	(14,150)

G8.3 – Cash Flow from Financing Activities

2020/21			2021/22	
Milton Keynes	Group		Milton Keynes	Group
£'000	£'000		£'000	£'000
29,825	29,825	Other receipts from financing activities	29,824	29,824
7,027	7,027	Repayments of short-term and long-term borrowing	9,733	9,733
4,583	5,414	Other payments for financing activities	4,583	5,372
41,435	42,266	Net cash flows from financing activities	44,140	44,929

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.