



**Milton Keynes**  
City Council

# **Milton Keynes City Council**

**Statement of Accounts for the year  
2022/23**

## Contents

Narrative Report .....	3
Independent Auditor's Report to the Members of Milton Keynes Council .....	20
Statement of Responsibilities .....	24
Accounting Policies .....	25
Comprehensive Income and Expenditure Statement .....	53
Movement in Reserves Statement .....	54
Balance Sheet .....	56
Cash Flow Statement .....	57
Note 1 – Expenditure and Funding Analysis .....	58
Note 2 – Note to the Expenditure and Funding Analysis .....	59
Note 3 – Expenditure and Income Analysed by Nature .....	61
Note 4 – Adjustments between Accounting Basis and Funding Basis under Regulations .....	61
Note 5 – Accounting Standards Issued, Not Adopted .....	65
Note 6 – Critical Judgements in Applying Accounting Policies .....	65
Note 7 – Assumptions made about the future and other Major Sources of Estimation Uncertainty .....	66
Note 8 – Material Items of Income and Expense .....	68
Note 9 – Events After the Balance Sheet Date .....	68
Note 10 – Transfers to/from Earmarked Reserves .....	69
Note 11 – Other Operating Expenditure .....	71
Note 12 – Financing and Investment Income and Expenditure .....	71
Note 13 – Taxation and Non-Specific Grant Income .....	71
Note 14 – Trading Operations .....	72
Note 15 – Members' Allowances .....	73
Note 16 – External Audit Costs .....	73
Note 17 – Road Charging Schemes .....	74
Note 18 – Pooled Budgets .....	75
Note 19 – Officers' Remuneration .....	76
Note 20 – Dedicated Schools Grant .....	78
Note 21 – Grant Income .....	78
Note 22.1 – Property, Plant and Equipment .....	80
Note 22.2 – Infrastructure Assets .....	82
Note 22.3 – Assets Held for Sale .....	86
Note 23 – Investment Properties .....	87
Note 24 – Capital Expenditure and Capital Financing .....	88
Note 25 – Debtors .....	89
Note 26 – Creditors .....	89
Note 27 – Borrowing Repayable .....	90
Note 28 – Provisions .....	90
Note 29 – Contingent Liabilities .....	92
Note 30.1 – Usable Reserves .....	93
Note 30.2 – Unusable Reserves .....	94
Note 31 – Cash and Cash Equivalents .....	97
Note 32.1 – Cash Flow from Operating Activities .....	97

Note 32.2 – Cash Flow from Investing Activities .....	98
Note 32.3 – Cash Flow from Financing Activities .....	98
Note 33 – Financial Instruments.....	98
Note 34 – Leases .....	107
Note 35 – Related Parties .....	108
Note 36 – Defined Benefit Pension Scheme .....	110
Collection Fund .....	116
Housing Revenue Account Income and Expenditure Statement .....	118
Movement on the HRA Statement .....	119
Notes to the HRA Account .....	120
Group Accounts .....	123
Group Movement in Reserves Statement .....	125
Group Comprehensive Income and Expenditure Statement .....	126
Group Balance Sheet .....	127
Group Cash Flow Statement.....	128
G1 – Accounting Policies.....	128
G2 – Summary of Subsidiaries Transactions included in the Group Balance Sheet .....	128
G3 – Investment Properties.....	129
G4 – Debtors .....	130
G5 – Creditors .....	130
G6 – Provisions .....	130
G7 – Reserves .....	130
G8.1 – Cash Flow from Operating Activities .....	131
G8.2 – Cash Flow from Investing Activities .....	132
G8.3 – Cash Flow from Financing Activities.....	132
Glossary.....	133

## Narrative Report

### Introduction

This document presents the statutory financial statements for Milton Keynes Council (the council) for the period 1 April 2022 to 31 March 2023 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 2022/23 (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 2022/23 in line with the priorities set out in the 2022-2026 Council Plan. The Plan sets out a vision and desired outcomes for Milton Keynes, together with a series of corporate priority actions to provide a shared framework for both the council and its partner organisations.

The Council Plan 2022-2026 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)

The Council comprises 57 Councillors with one third elected three years in four. Milton Keynes City Council is currently under **no overall control** which means that no one political party has over half of the available seats required for an overall majority.

Milton Keynes is a Unitary Authority with a growing population of c287,000 and is the landlord for over c12,000 properties of which 938 is the council's portion of shared ownership dwellings, whose income and expenditure is operated through a Housing Revenue Account (HRA).

## The Council's 2022/23 Financial Position

### Service Expenditure – General Fund

The Council's 2022/23 reported outturn shows an underspend of £0.526m for the year. This has been added to the Political Priorities reserve.

The table on the following page shows the General Fund outturn position for the year ending 31 March 2023.

## General Fund - Income & Expenditure Summary at 31 March 2023

General Fund High Level Revenue Summary	Outturn Position		
	2022/23 Full Year Budget	Actual	Variance
Service	£m's	£m's	£m's
Adult Social Care	89.209	89.991	0.782
Public Health	12.122	12.122	0.000
Children's Services	56.533	58.776	2.243
Customer and Community	7.821	7.129	(0.692)
Planning and Placemaking	4.170	4.606	0.436
Environment & Property	72.114	71.341	(0.773)
Resources - Retained MKC	6.107	5.876	(0.231)
Resources - Shared Services	(0.469)	(0.469)	0.000
Law & Governance	4.162	5.357	1.195
Corporate Codes & Debt Financing	(4.110)	(7.565)	(3.455)
Assets Management	(27.992)	(27.992)	0.000
<b>General Fund Requirement</b>	<b>219.667</b>	<b>219.172</b>	<b>(0.495)</b>
New Homes Bonus	(5.997)	(5.997)	0.000
NNDR	(55.098)	(55.098)	0.000
RSG	(5.801)	(5.801)	0.000
Public Health	(12.126)	(12.126)	0.000
Other Government Grants	(3.566)	(3.597)	(0.031)
Council Tax	(137.079)	(137.079)	0.000
<b>Total Financing</b>	<b>(219.667)</b>	<b>(219.698)</b>	<b>(0.031)</b>
<b>Net Surplus / Deficit</b>	<b>0.000</b>	<b>(0.526)</b>	<b>(0.526)</b>
Transfer to Political Priority Reserve	0.000	0.526	0.526
<b>Net Total</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

### Significant Overall Revenue Variances

#### Adult Services – £0.782m overspend

- There was an overspend in Homelessness of £2.624m. This is due to the delay in delivery of the invest to save project introduced in 20/21 which aimed to reduce the overall costs to Temporary Accommodation by increasing prevention, move-on's and Assured Shorthold Tenancies. Additionally, the cost of repairs (including repairs after properties become void) was £0.997m. During 22/23, the average rate per night increased by 35% from £56 to £75 due to inflationary pressures, resulting in overall spend for the year on hotels being £0.634m. However, hotel use has decreased substantially by 90% from 80 households in April 22 to 8 in April 23.
- Assessment, Review and Hospital Discharge overspent by £0.490m, due to a 14% increase in the average cost of a support at home care package for older people (from £0.015m in April 22 to £0.017m in March 23).
- Mental Health overspent by £0.475m, due to an overall increase in packages of 24% since April 22. Supported Living overspent by £0.379m due to an additional 24

placements; and Nursing home placements overspent by £0.164m due to an additional 2 placements, compared to budget.

- Learning Disability underspent by (£1.407m). This is due to 4 fully funded CHC packages (£0.304m), and 10 transition packages starting later than expected (£0.658m), as well as the recovery of unutilised Direct Payments during the COVID period from service users (£0.465m). In addition, Day Care underspent by (£0.243m), reflecting the numbers using the service being 12% (25 packages) lower than budget, and several service users not reaching anticipated levels of care need. The underspend is offset by an additional 15 External Support at Home packages, resulting in a £0.245m overspend.
- This are staffing vacancies across the service £1.240m. Whilst this service area is experiencing difficulties in recruiting to the vacant posts, a recruitment plan is in place, which has included a recruitment campaign and ongoing recruitment adverts.

#### Children's Services – £2.243m overspend

- Corporate Parenting Service overspent by £1.187m. Demand for placements nationally is high and there is not enough capacity in the market to meet this demand. There have been significant placement requests for children with complex needs and the market is not set up to meet this level of complexity and as a result we are struggling to place some young people in foster care.
- Home to School Transport overspent by £1.170m mainly due to an increase in demand for home to school travel. There has been an increase of 10% (144 children) receiving transport over the last year from 1,399 to 1,543. Work continues to rationalise existing routes; however, this is against pressure from some providers requesting an increase in rates given the current cost of fuel.

#### Customer and Community – (£0.692m) underspend

- The Council received a Grants towards Home Office Citizenship Ceremonies totaling (£0.091m) which was not anticipated.
- Salary savings due to vacancies across the service c(£0.400m)

#### Planning and Placemaking – £0.436m overspend

- Due to the decrease in construction and property sales, planning application income was less than planned by £0.531m and land charges income reduced by £0.127m. These were partly offset by an increase in planning obligation income of (£0.079m).

#### Environment & Property – (£0.773m) underspend

- Rising inflation resulted in additional pressures within Environment & Property of £1.419m which is mainly due to an increase of £0.643m for electricity costs in relation to street lighting & MKCC buildings based on the revised energy contract prices, £0.300m increased contractual inflation across waste and other environment contracts, and £0.404m for highways maintenance inflation.

- Income from car parking was (£1.945m) above budget which is mainly due to pay and display (P&D) and employee permits.
- The Residual Waste Treatment Facility (RWTF) was (£1.257m) underspent due to a reduction in the tonnage of waste; there has been a continuing decline in tonnage throughout 22/23.
- The Waste Transfer Station (WTS) was £0.384m overspent. However, the service had to fund a pressure of £0.700m from a loss of rental income because of a variation to the contract in relation to site rental. The rental pressure was addressed in the MTFP in 23/24. This income pressure is being partly offset in the new contract arrangements by MKCC receiving an 80% rebate on the glass and dry mixed recycling income.
- A one-off Communication Plan transfer to reserves results in a pressure of £0.450m. The communication plan is required to support the new wheeled bin roll out programme in order to maximise both the efficiency of the new waste collection contract implementation and highlight to residents the most effective ways to dispose of household waste which could have long term benefits for MKCC's costs and recycling income. In addition, the cost to commission the integrated environment and waste contract has been more complex and lengthier than originally anticipated and, as a consequence, the one-off costs associated are £0.251m more than budget.
- The delay in the completion of the sale of Saxon Court has resulted in a pressure of £0.282m for the continuing NNDR liability after allowing for three-month empty property relief. In addition, there have been heating, boiler and repairs costs to corporate properties (including CMK Library) which have resulted in a pressure of £0.173m. Furthermore, there are staffing costs of £0.137m relating to urgent school inspections and the resulting remediation work requested by the Department for Education.

#### Resources MKC – £0.231m underspend

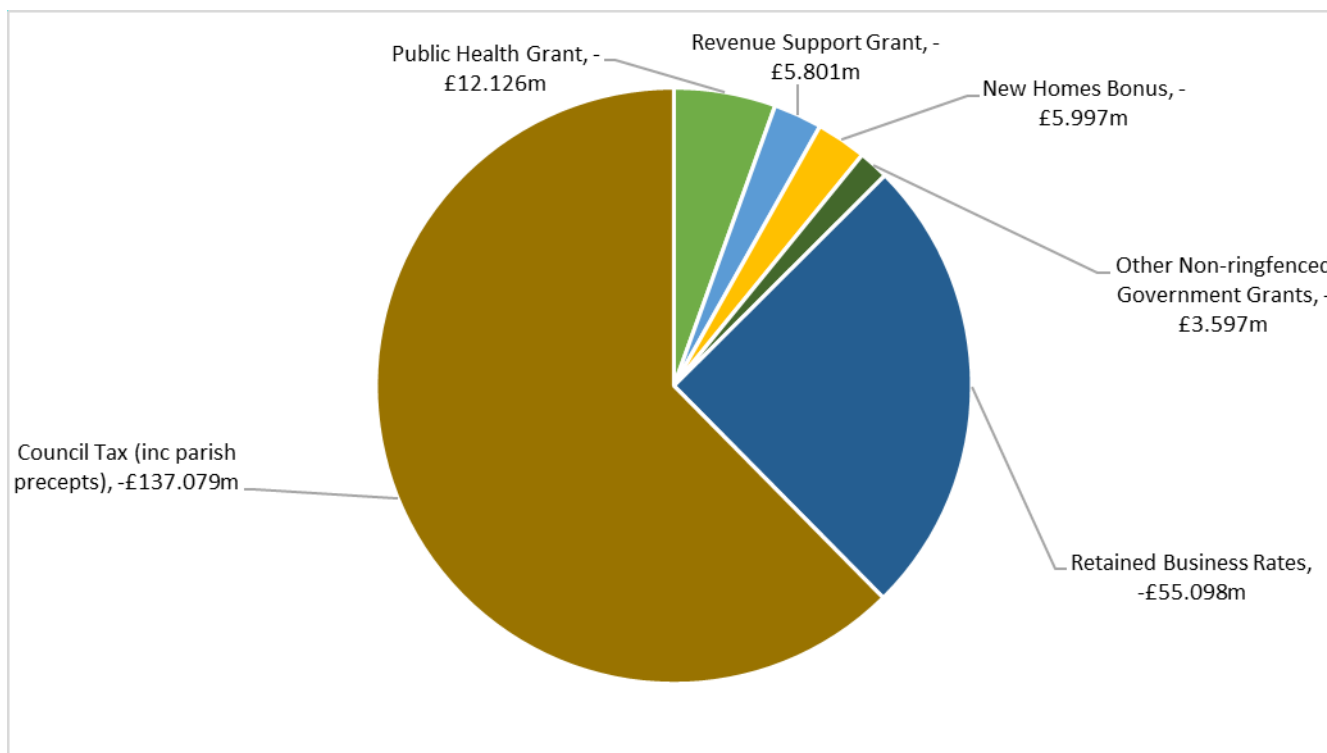
- Pressure on housing benefit subsidy recovery is £0.346m. The ongoing pressure in the main is due to the lack of opportunity to recover costs via Ongoing Benefit Recovery due to the Universal Credit migration and an increase in specified exempt accommodation costs. There is an underspend of (£0.219m) on the Overpayments Debtor due to a reduction in the bad debt provision required as the number of overpayments reduce as cases migrate to Universal Credit.
- An underspend of (£0.344m) occurred in the service mainly due to staff vacancies

#### Debt Financing & Corporate Codes – £3.445m underspend

Use of (£3.030m) contingency to cover pressures within the service areas budgets.

Milton Keynes Council's net cost of service is funded through Council Tax, Business Rates and Grants. The chart below details how the 2022/23 budget requirement of £219.698m 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 budget is reporting a contribution to the Public Health reserve of £0.402m. The underspend is as a result of using £0.265m for one-off projects, offset by a continued underspend in Sexual Health service (£0.192m) due to the re-prioritisation of GP appointments during and following Covid, additionally there is low spend for Out of Area costs. There also continues to be an underspend in Smoking Cessation (£0.131m) and NHS Check Programme (£0.091m) due to low take up of these services and re-prioritisation of primary care activity.

### Dedicated Schools Grant (DSG)

When the budget was set, it was anticipated that there would be a surplus carry forward of £2.515m into 2022/23, however the carry forward is a surplus of £6.790m. There was a significant favourable movement of £2.621m (11%) in the Early Years block and £1.200m (2%) in the High Needs block mainly due to the volatility on both of these blocks and delays with DSG funding being confirmed due to census data at points throughout the academic year.

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

which to deal with the pressures should they arise. Pending education reforms also add to the uncertainty to future funding levels.

### Housing Revenue Account (HRA)

The HRA has underspent by £1.434m. There will also be a transfer between reserves (RCCO to Major Repairs Reserve) of £2.611m to reflect the increased value in depreciation linked to our stock values. The effect of this 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 £3.371m, (£1.171m) less than budgeted. Key variance include:

- Essential compliance works to our council homes to ensure that we continue to deliver to the standards required by regulation and safety standards in social housing properties and to catch up on backlogs caused by Covid-19 caused a pressure of £2.6m.
- Additional interest rate income applied to cash balance mainly due to delays in the programme (£1.513m).
- Tenant bad debt provision has reduced by (£0.487m) - the budget was set to include the impact of universal credit, (which has been delayed) together with the ongoing economic impact of Covid, but collection and recovery has been better than expected.
- And (£0.500m) of contingency was not needed this year causing a favourable movement in year.
- There have been staff vacancies across the service which has caused an underspend

### Service Expenditure – Cost Reductions and Income in 2022/23

Savings of £5.256m were approved for implementation in 2022/23, and £0.646m savings were carried forward from 2021/22, resulting in a total of target of £5.902m to deliver in 2022/23. £4.691m (79%) has been delivered in year, and £1.211m (21%) 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 2023/24 budget.

### Service Expenditure – Capital

In 2022/23 £108.365m was spent against a budget of £225.280m, a £116.915m underspend, which after slippage of £104.679m, will result in an underspend of £12.236m in year.

The main areas of underspend are:

- Housing Revenue Account £10.784m underspend - The majority of the in-year underspend is within the HRA regeneration and new council housing programmes where projects have been paused pending sufficient headroom within the HRA business plan.
- Children's services £0.799m underspend – these are due to a number of projects being completed at a lower cost than previously anticipated.

- Resources £0.512m - there were not any requirements for the IT Improvement Fund in 2022/23 as further funding is built into future years this allocation has been released.

#### 2022/23 Key Slippage to later Years:

- HRA New Build Programme £7.283m – a number of projects are to slip into 2023/24 because the Project delivery is behind schedule. The Pipeline 2 Programme is under review in light of the HRA in year funding position and uncommitted schemes will now need to be paused pending sufficient headroom in the HRA Business Plan.
- Fishermead – Modular £6.501m – Project is required to slip into 2023/24. There has been further delays to the handover of the Modular housing units by the Councils contractor.
- The Lakes Estate Regeneration £12.987m – Project slip into future years. The forecast spend includes main construction budget, subject to tender prices; forecast timescales are subject to agreements with the successful tenderer but likely to be delayed and the project.
- Netherfield Decarbonisation £8.853m – The project is requesting slippage into 2023/24. The project design has had additional complexities along with planning application considerations which has delayed the project. The majority of site works will now fall during 2023/24. This project is expected to come in line with budget.
- Lakes Estate - Commercial Development £3.000m – Slippage into future years. This is the part of Lakes Estates redevelopment for building commercial property funded from General Fund. Expected to start on site 2023/24 with commercial element planned for 2024/25.
- Towns Fund £7.181m - to be slipped into 2023/24. Summary Business cases have passed DLUHC to review & process. Programme will be rephased.
- Housing Infrastructure Fund £14.180m – The project is expected to slip into future years. Highway procurement led by Berkeley Group and Project funding utilising HIF. Preliminary work completed in December 2022. Detailed technical design stage, main works commencement in mid-2023, project extended to 2025 and delivery profile updated
- Purchase of Wheeled Bins for new Waste Collection contract £5.372m - The project was expected to slip, and the completion is in line with the commencement of the new service for the wheeled bins. Payment will be made on the delivery of bins to MK in 2023.
- Purchase of Fleet for new Waste Collection contract £9.600m – the project is slipping into 2023/24. The commencement of the Waste & Environmental Services Contract is in September 2023 to allow for supply chain issues of manufacturers. Build slots have been reserved, and payment will be in 2023.

- Improvements to Waste Services Depot £3.186m – Slippage expected. One site has now been acquired with works still on going with a property swap for another. The construction works have been slipped into 2023/24 financial year.

A review of all projects in the 2023/24 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 2023/24 year Programme of £230.987m and £539.061m agreed programme over the medium term. This programme is fully funded.

The main capital schemes in 2023/24 Programme are:

- MK East – Housing Infrastructure Fund (HIF) Social Infrastructure £23.496m
- Housing Infrastructure Fund £66.236m - Highways
- HRA Lakes Estate Regeneration £57.206m
- HRA - Other New Build & Regeneration programme £11.777m
- HRA Asset Management £34.266m
- Agora Regeneration £29.662m
- Waste Initiatives £36.206m
- Towns Fund projects £18.653m
- Street Lighting LED Upgrade Programme £9.020m

Details of the 2022/23 Outturn reported can be found on the Council website on the following link [Agenda for Delegated Decisions on Tuesday 11th July, 2023, 5.30 pm | Milton Keynes City Council \(modern.gov.co.uk\)](https://www.miltonkeynes.gov.uk/agenda-for-delegated-decisions-on-tuesday-11th-july-2023-5.30-pm)

## Financial Outlook

The Council Medium Term Financial Plan 2023/24 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 fifth consecutive year where local government has received an annual financial settlement from government. Taken together with the impact of the pandemic and challenging economic challenges including sharp increases to inflation and demand, 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 from the pandemic and the changes in the economy 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 £15.6m of projected financial pressures over the next four years.

However, significant uncertainty over this forecast exist due to the lack of any clear policy for local government funding and the wider economic, social and environmental risks over which the Council has limited control.

The table below, shows the financial pressures we must address over the next four years. So far, we have identified specific proposals which is expected to address up to £10.9m of these financial pressures but there is still significant work for the Council to do to close the gap, particularly in 2025/26, when we are modelling the reset of the business rates system and loss of 50% growth above our projected baseline funding position and to ensure that it remains financially sustainable.

## Medium Term Financial Plan Gap

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Government Funding Adjustments	(26.873)	(1.410)	10.528	(2.000)	(19.755)
Other Funding Sources	(12.974)	(10.547)	(7.868)	(7.579)	(38.968)
Pay, Contract & Other Inflation	21.074	11.440	8.908	10.184	51.607
Budget Service Pressures	15.496	4.990	3.999	3.375	27.860
Budget Delivery	3.324	(3.175)	(1.190)	(0.375)	(1.416)
Corporate Measures	3.702	(0.019)	(0.135)	0.000	3.548
Capital Financing Costs	(4.760)	0.015	0.145	0.205	(4.395)
One-off Pressures	6.272	1.727	0.729	0.350	9.078
<b>Total Pressures</b>	<b>5.261</b>	<b>3.021</b>	<b>15.117</b>	<b>4.160</b>	<b>27.559</b>
Budget Reductions & Income Proposals	(7.723)	(2.513)	(0.528)	(0.173)	(10.937)
Less Reserves applied to one-off pressures	(6.272)	(1.727)	(0.729)	(0.350)	(9.078)
<b>Budget Gap</b>	<b>(8.734)</b>	<b>(1.219)</b>	<b>13.860</b>	<b>3.637</b>	<b>7.544</b>
<b>Use Of Reserves</b>	<b>8.734</b>	<b>(0.642)</b>	<b>0.000</b>	<b>0.000</b>	<b>8.092</b>
<b>Net Ongoing Position</b>	<b>0.000</b>	<b>(1.861)</b>	<b>13.860</b>	<b>3.637</b>	<b>15.636</b>

## Risks

The key external risks are as follows:

**Inflationary Pressures** – Our most significant risk is that inflation is higher than our current assumptions. There remains uncertainty over the level of pay award for 2023/24. Labour shortages could if these continue increase pressure from some of our external costs to increase further, e.g. social care provider services etc.

**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.

**Contract Sustainability** – The Council hold 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 MTFP.

**Wider Government Funding** – The Provisional Local Government settlement has provided clarity for 2023/24 and given some direction over 2024/25. However, from 2025/26 significant public spending cuts have been assumed in the Governments Medium Term Financial Plan. These public spending cuts will be made after the next general election, and it is therefore extremely uncertain how and when these reductions will be made. There is now no clear view over the fair funding review or the future of business rates which could be replaced, continuation or reform of the New Homes Bonus scheme or future of social care reform. It is clear that funding will be extremely challenging and that further significant savings are likely to be required from 2025/26.

**Social Care funding** - Social Care Reform (SCR) has now been delayed from October 2023 to October 2025. Both demand and costs are rising fast reflecting the lack of capacity in the system, particularly with Care Homes. In the short term the government has provided additional funding and given Councils the ability to increase Council Tax further to mitigate immediate cost pressures. The original SCR funding has been repurposed and baselined for 2023/24. However, there is continuing uncertainty on the future funding system for social care, whilst short term pressures need to be managed.

**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. 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.

Further details of the Council 2023/24 Budget and Medium Term Financial Plan can be found on the Council’s Website here [Agenda for Cabinet on Tuesday 7th February, 2023, 6.30 pm | Milton Keynes City Council \(moderngov.co.uk\)](#)

## 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 £29.668m which was above the minimum recommended level for 2022/23.

The council's overall reserves have decreased in 2022/23 from £224.572m to £172.493m. 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.

<b>Reserve Summary</b>	<b>Balance 31/03/23 £m</b>	<b>Forecast Balance 31/03/24 £m</b>
GF Working Balance	29.668	30.068
% Net Revenue Budget	<b>13.63%</b>	<b>12.34%</b>
GF Risk Reserves	32.341	20.291
<b>Total: Reserves Available to meet known and unknown risks</b>	<b>62.009</b>	<b>50.359</b>
<b>% Net Revenue Budget</b>	<b>28.48%</b>	<b>20.67%</b>

Risk Reserves are forecast to drop in 2023/24 due to the delivery of the General Fund and HRA Capital Programme and funding of planned one-off expenditure.

## 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 7 March 2023, details of which can be found on the Councils Internet page: [Agenda for Audit Committee on Tuesday 7th March, 2023, 7.00 pm | Milton Keynes City Council \(modern.gov.co.uk\)](#)

## Workforce

In order to meet the above aims, Milton Keynes Council had a total establishment of 2,169 FTE at 31 March 2023. This workforce reflects the diversity of the residents of the City.

## The 2022/23 Statement of 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 53 to 57 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 £341m in 2022/23. 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.

## 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](http://www.mkdp.org.uk)

MKC set up a company called DevelopMK Ltd; the directors of this 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.

### Non-Current asset Disposals

Major non-current asset disposals during the year included:

- Transfer newly built Glebe Farm Primary & Secondary School campus to Academy Inspire Futures Through Learning £33.194m
- Conversion of Priory Rise School to Academy Status £10.752m
- Transfer of Manor Road YOT and Red Cross Day Care to the Bridge Academy £1.136m
- Western Expansion Area - Disposal of part of Shenley Grounds & Weald Leys Farmlands £3.709m
- Transfer of Broughton Pavilion to Broughton & Milton Keynes Parish Council £2.264m
- Transfer of Bradville Hall to Stantonbury Parish Council £0.969m

- Transfer of Stacey Bushes Meeting Place to Woughton & Greenleys Town Council  
£0.515m

Other non-current asset disposals include the sale of council dwellings main stock of 58 properties for £4.224m and council dwellings shared ownership stock of 4.7 properties for £0.357m.

### Contingencies, Provisions and Material Write-offs

During 2022/23 Milton Keynes Council raised general debts (including adult social care, rents and traded services) totalling £90.565m. The in-year collection rate is 92.68% based on the value of invoices raised and cleared by year end. The total debt written off in 2022/23 is £0.820m.

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 2023 were £13.881m, of which £7.380m relates to the business rate appeals provisions, £4.321m Insurance Provisions, £0.905m for planning appeals provision and £0.771m Term Time Only Provision. Further details can be found in note 28 to the Account.

### 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 2022/23, which included the Annual Investment Strategy, was approved by Council on 16 February 2022. It set our investment priorities as being:

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

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, UK interest rates have been volatile right across the curve – from Bank of England base rate (Bank Rate) through to 50-year gilt yields, for all of 2022/23.

Bank rate increased steadily throughout 2022/23, starting at 0.75% and rising to 4.25% by 31 March 2023. Investment rates also increased and a laddering approach to investments was employed so to take immediate advantage of improved rates and incorporate a steady flow of regular maturities thereby able to be reinvested at further improved rates.

At the 31 March 2023, the council held £460.856m invested with various financial institutions (including total accrued interest of £4.171m); of this amount £225.174m has been classified as cash equivalents in accordance with Accounting Policy F, £221.403m has been classified as short-term investments, and £14.279m 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 2022/23, principal repayments on annuity loans £3.097m were made to the Public Works Loan Board (PWLB) in line with loan agreements, and further £7.000m 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 £440.413m. This full amount (including accrued interest of £1.870m) 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 2023 and no borrowing planned in 2023/24.

### Further Information

For information please contact: [CorporateFinance@milton-keynes.gov.uk](mailto: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









## 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:

### 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 2023.

Steve Richardson

Director of Finance and Resources

Date:

## Accounting Policies

### a) General Principles

---

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The authority is required to prepare an annual Statement of Accounts in accordance with the Accounts and Audit Regulations 2015 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 2022/23, 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.

#### 2022/23 Financial year

The Council's 2022/23 budget and Medium Term Financial Plan 2022/23 – 2025/26 was approved by Council on the 22 February 2022. Details of which can be found here [Meeting of Council on Wednesday 16th February, 2022, 7.30 pm | Milton Keynes City Council \(modern.gov.co.uk\)](#)

The Council's 2022/23 reported outturn shows an underspend of £0.526m for the year. This has been added to the Political Priority Reserve.

## 2023/24 Budget

Our Budget and Medium-Term Financial Planning is based on 12 core principles, which have and continue to be endorsed by the Cabinet:

- Emerging pressures are managed, where possible within existing budgets.
- Spending is aligned to key priorities as set out in the Council Plan.
- Income is only included in the budget, where supported by robust proposals and is deliverable.
- Future liabilities are anticipated.
- Budgets are sustainable.
- Base Budget / one-off expenditure/ capital expenditure are distinguished.
- Savings proposals are supported by implementation plans and the impact on service delivery is clear.
- The allocation of capital resources is separate from expenditure approval.
- Capital and revenue planning needs to be integrated to ensure implications are fully anticipated.
- The use of specific grant funding does not lead to revenue budget pressures.
- The Council's reserves (and other one-off resources) are not to be used as a primary method to balance the ongoing pressures in the budget.
- Earmarked reserves are used for specific one-off purposes to support the delivery of corporate objectives and to mitigate risks.

The Councils approach to budget planning aims to balance the uncertainty from both government funding decisions and general economic factors through a measured approach to delivering new savings, holding prudent levels of reserves and putting in place change programmes which can deliver future efficiencies over a longer timescale. It is recognised that if government support is withdrawn or the wider economic impact is worse than predicted then the Council would need to reconsider the scope of services that it can provide. Given the heightened level of uncertainty over the future trajectory of the council's budget, we are holding £10m in reserves which can be used to manage any unexpected adverse movements over the life of this plan.

Over the Medium Term the Council had a projected budget gap of £15.636m, with most of this falling in 2025/26.

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 of 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 key external risks are summarised below:

- Inflationary Pressures
- Commissioning Risks
- Contract Sustainability
- Wider Government Funding
- Social Care funding
- Rising Demand on key front line services across Adults and Children’s Social Care and Homelessness

Further details on these external risks is included in the narrative report page 12 and 13.

### Medium Term Financial Plan Forecasted Gap

Summarised below our current view on the MTFP position which shows that by 2026/27 we have a projected gap of £15.636m.

2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
0.000	(1.861)	13.860	3.637	15.636

The position will be updated on a quarterly basis in 2023/24 as new pressures and funding assumptions change.

### Reserves

The Council continues to hold a strong level of financial reserves and has increased further its General Fund Working Balance. In addition to this the Council also holds separate risk reserves for a number of other key business areas providing a further risk buffer. Full details of the Councils Reserves were reported to Cabinet as part of the budget report on 1 February 2023 and the final reserves position for 2022/23 at the 31 March 2023 went to Delegated Decision along with the draft outturn on 11 July 2023.

Reserve	Balance at 31/3/2023 £m	Forecast Balance at 31/3/2024 £m	Forecast Balance at 31/3/2025 £m
GF Working Balance	29.668	30.068	30.068
% Net Revenue Budget	<b>13.63%</b>	<b>12.34%</b>	<b>12.34%</b>
Specific Risk Reserves	32.341	20.291	17.893
Total Reserves Available to meet known and unknown budget risks	<b>62.009</b>	<b>50.359</b>	<b>47.961</b>
% Net Revenue Budget	<b>28.48%</b>	<b>20.67%</b>	<b>19.69%</b>

The reduction in specific risk reserves is due to the delivery of the General Fund and HRA Capital Programme and funding of planned one-off expenditure. There is no use of reserves to fund the core budget for 2023/24.

### Commercial Activity

The Council has very limited commercial income within its General Fund budget 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 facility of up to £22m, with the loan amount outstanding at 31/03/2023 standing at £8m. During 2022/23 the Council received loan interest payments of £0.773m and a dividend payment of £1.203m. From 2023/24 onwards, the Council has budgeted to receive £0.460m in loan interest payments and £1.203m in dividend payments. There are no concerns about MKDP's ability to service the loan commitment or dividend payment, which are paid in full and on time.

### 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 2023 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 1 member 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 4.80% (-1.95% 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 2022/23).

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 2022/23.

### 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 has been extended and is currently due to expire on 31 March 2025. At 31 March 2023 the bid price of the Council's holding (excluding accrued interest) in the CCLA LAPF was £14.4m (£17.1m in 2021/22).

#### 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.

## 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 2023. 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.

	<b>Maximum Self Retention Each Claim</b>	<b>Maximum Self Retained Amount Each Policy Period</b>	<b>Notes</b>
	<b>(£)</b>	<b>(£)</b>	
Casualty - Public & Employers Liability	100,000	3,000,000	
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	10,000,000	
Computer	50,000	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;

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.

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

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

#### 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:

<b>Average NBV of Asset Group</b>	<b>De-minimus Threshold for Componentisation</b>
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:

<b>Type of Property Component</b>	<b>Component Useful Life</b>
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 charges as an expense to the appropriate service line in the Comprehensive Income and expenditure Statement when the authority has an obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

### Contingent Liabilities

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

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

### Contingent Assets

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

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

## 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 2022/23 the fund received £29.131 million for BCF; improved Better Care Fund; Hospital Discharge and Dedicated Facilities Grant 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.

2021/22			Note	2022/23		
Expenditure £'000	Income £'000	Net £'000		Expenditure £'000	Income £'000	Net £'000
142,627	(59,196)	83,431		150,132	(60,559)	89,573
13,134	(13,154)	(20)		13,089	(13,625)	(536)
268,467	(186,075)	82,392		259,073	(193,995)	65,078
8,666	(5,226)	3,440		13,517	(6,336)	7,181
1,188	0	1,188		0	0	0
(12,968)	(56,810)	(69,778)		44,374	(59,492)	(15,118)
10,679	(9,332)	1,347		8,771	(10,016)	(1,245)
71,150	(20,844)	50,306		86,592	(24,706)	61,886
66,832	(67,613)	(781)		71,984	(66,282)	5,702
9,613	(3,658)	5,955		1,523	(1,988)	(465)
3,484	(533)	2,951		5,825	(381)	5,444
10,219	(9,165)	1,054		2,635	(5,101)	(2,466)
<b>593,091</b>	<b>(431,606)</b>	<b>161,485</b>		<b>657,515</b>	<b>(442,481)</b>	<b>215,034</b>
		51,331	11			55,979
		31,912	12			(13,175)
		(266,601)	13			(278,620)
		<b>(21,873)</b>				<b>(20,782)</b>
		(102,630)	30.2a			(37,175)
		22,715	30.2a			7,551
		0	30.2d			0
		(162,609)	30.2e			(346,458)
		<b>(242,524)</b>				<b>(376,082)</b>
		<b>(264,397)</b>				<b>(396,864)</b>

## 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
<b>Balance at 31 March 2022</b>	(153,710)	(70,862)	(30,366)	0	(39,770)	<b>(294,708)</b>	(877,638)	<b>(1,172,346)</b>
<b>Movement in reserves during 2022/23</b>								
Surplus or deficit on the provision of services	(20,974)	192	0	0	0	<b>(20,782)</b>	0	<b>(20,782)</b>
Other Comprehensive Income / Expenditure	0	0	0	0	0		(376,082)	<b>(376,082)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(20,974)</b>	<b>192</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(20,782)</b>	<b>(376,082)</b>	<b>(396,864)</b>
Adjustments between accounting basis and funding basis under regulations	54,791	18,070	(23,459)	0	(5,823)	<b>43,579</b>	(43,579)	<b>0</b>
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>33,817</b>	<b>18,262</b>	<b>(23,459)</b>	<b>0</b>	<b>(5,823)</b>	<b>22,797</b>	<b>(419,661)</b>	<b>(396,864)</b>
Transfers to / from Earmarked Reserves	0	0	0	0	0	<b>0</b>	0	<b>0</b>
<b>Increase or Decrease in 2022/23</b>	<b>33,817</b>	<b>18,262</b>	<b>(23,459)</b>	<b>0</b>	<b>(5,823)</b>	<b>22,797</b>	<b>(419,661)</b>	<b>(396,864)</b>
<b>Balance at 31 March 2023</b>	<b>(119,893)</b>	<b>(52,600)</b>	<b>(53,825)</b>	<b>0</b>	<b>(45,593)</b>	<b>(271,911)</b>	<b>(1,297,299)</b>	<b>(1,569,210)</b>

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



## 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.

2021/22	Note		2022/23
£'000			£'000
1,520,883	22.1	Property, Plant and Equipment	1,533,525
253,578	22.2	Infrastructure Assets	254,780
835		Heritage Assets	830
87,563	23	Investment Property	109,052
1,340		Intangible Assets	1,147
17,098	33a	Long-Term Investments	14,279
12,313	25a	Long-Term Debtors	11,111
<b>1,893,610</b>		<b>Long Term Assets</b>	<b>1,924,724</b>
145,518	33a	Short-Term Investments	221,403
7,774	22.3	Assets Held for Sale	9,521
89		Inventories	71
80,108	25b	Short-Term Debtors	114,203
236,479	31	Cash and Cash Equivalents	226,419
<b>469,968</b>		<b>Current Assets</b>	<b>571,617</b>
(16,991)	27b	Short-Term Borrowing	(23,085)
(195,323)	26	Short-Term Creditors	(229,552)
(7,808)	28	Provisions	(6,531)
(64,761)	21	Grants Receipts in Advance - Revenue	(83,566)
(9,565)	21	Grants Receipts in Advance - Capital	(12,155)
<b>(294,448)</b>		<b>Current Liabilities</b>	<b>(354,889)</b>
(15,288)	28	Provisions	(7,350)
(433,542)	27b	Long-Term Borrowing	(417,328)
(4,019)	34	Other Long-Term Liabilities - Finance Lease	(4,004)
(373,718)	36	Other Long-Term Liabilities - Pensions Liability	(33,249)
(66,626)	21	Grants Receipts in Advance - Revenue	(101,089)
(3,591)	21	Grants Receipts in Advance - Capital	(9,222)
<b>(896,784)</b>		<b>Long Term Liabilities</b>	<b>(572,242)</b>
<b>1,172,346</b>		<b>Net Assets</b>	<b>1,569,210</b>
(294,708)	30.1	Usable Reserves	(271,911)
(877,638)	30.2	Unusable Reserves	(1,297,299)
<b>(1,172,346)</b>		<b>Total Reserves</b>	<b>(1,569,210)</b>

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.

2021/22 £'000	Note		2022/23 £'000
(21,873)		Net (surplus) or deficit on the provision of services	(20,782)
(211,897)	32.1	Adjustment to surplus or deficit on the provision of services for noncash movements	(135,906)
81,488	32.1	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	77,495
<b>(152,282)</b>		<b>Net cash flows from operating activities</b>	<b>(79,193)</b>
(13,466)	32.2	Net cash flows from investing activities	102,832
44,140	32.3	Net cash flows from financing activities	(13,579)
<b>(121,608)</b>		<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>10,060</b>
114,871		Cash and cash equivalents at the beginning of the reporting period	236,479
<b>236,479</b>	<b>31</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>226,419</b>

## 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.

Net Expenditure Chargeable to the General Fund and HRA Balance	2021/22			Outturn Reported to Cabinet	Contribution to/from reserves	Net Expenditure Chargeable to the General Fund and HRA Balance	2022/23		Net Expenditure in the Comprehensive Income and Expenditure Statement
	Adjustments (Note 2)	Net Expenditure in the Comprehensive Income and Expenditure Statement					Adjustments between services^	Adjustments (Note 2)	
£'000	£'000	£'000				£'000		£'000	£'000
79,429	4,002	83,431	Adult Social Care	89,991	0	89,991	(224)	(194)	89,573
(129)	109	(20)	Public Health	12,122	(562)	11,560	(12,126)	30	(536)
55,545	26,847	82,392	Children Services	58,776	212	58,988	99	5,991	65,078
6,724	(3,284)	3,440	Customer & Community	7,129	3	7,132	(316)	365	7,181
0	0	0	Strategy & Futures	0	0	0	0	0	0
242	946	1,188	Housing and Regeneration	0	0	0	0	0	0
(6,491)	(63,287)	(69,778)	Housing Revenue Account	0	18,263	18,263	(9,050)	(24,331)	(15,118)
(1,757)	3,104	1,347	Planning & Placemaking	4,606	(6,266)	(1,660)	111	304	(1,245)
54,314	(4,008)	50,306	Environment & Property	71,341	(2,547)	68,794	(12,325)	5,417	61,886
(187)	(594)	(781)	Finance & Resources	5,876	224	6,100	94	(492)	5,702
4,759	1,196	5,955	Resources - LGSS	(469)	0	(469)	0	4	(465)
2,535	416	2,951	Law & Governance	5,357	0	5,357	(1)	88	5,444
(12,469)	13,523	1,054	Corporate Items	(35,031)	4,517	(30,514)	9,678	18,370	(2,466)
<b>182,515</b>	<b>(21,030)</b>	<b>161,485</b>	<b>Net Cost of Services</b>	<b>219,698</b>	<b>13,844</b>	<b>233,542</b>	<b>(24,060)</b>	<b>5,552</b>	<b>215,034</b>
(152,916)	(30,442)	(183,358)	Other Income and Expenditure	(219,698)	38,235	(181,463)	24,060	(78,413)	(235,816)
<b>29,599</b>	<b>(51,472)</b>	<b>(21,873)</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>0</b>	<b>52,079</b>	<b>52,079</b>	<b>0</b>	<b>(72,861)</b>	<b>(20,782)</b>
(254,171)			Opening Combined General Fund and HRA Balance			(224,572)			
29,599			Plus / less Surplus or Deficit on the General Fund and HRA Balance for the Year (Statutory basis)			52,079			
<b>(224,572)</b>			<b>Closing Combined General Fund and HRA Balance</b>			<b>(172,493)</b>			

## Note 2 – Note to the Expenditure and Funding Analysis

	2022/23			
	Net Capital Statutory Adjustments	Net Pensions Statutory Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Adult Social Care	(930)	844	(108)	(194)
Public Health	0	29	1	30
Children Services	737	5,282	(28)	5,991
Customer & Community	342	18	5	365
Housing and Regeneration	0	0	0	0
Housing Revenue Account	(24,517)	189	(3)	(24,331)
Planning & Placemaking	194	115	(5)	304
Environment & Property	4,637	778	2	5,417
Finance & Resources	(491)	4	(5)	(492)
Resources - LGSS	0	4	0	4
Law & Governance	0	83	5	88
Corporate Items	15,592	2	2,776	18,370
<b>Net Cost of Services</b>	<b>(4,436)</b>	<b>7,348</b>	<b>2,640</b>	<b>5,552</b>
Other Income and Expenditure	(25,561)	(1,359)	(51,493)	(78,413)
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>(29,997)</b>	<b>5,989</b>	<b>(48,853)</b>	<b>(72,861)</b>

	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
<b>Net Cost of Services</b>	<b>(56,677)</b>	<b>38,047</b>	<b>(2,400)</b>	<b>(21,030)</b>
Other Income and Expenditure	(2,585)	9,774	(37,631)	(30,442)
<b>Difference between the Statutory Charge and the Surplus or Deficit in the Comprehensive Income and Expenditure Statement</b>	<b>(59,262)</b>	<b>47,821</b>	<b>(40,031)</b>	<b>(51,472)</b>

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

2021/22	Note	Nature of Expenditure or Income	2022/23
£'000			£'000
(103,688)		Fees, charges and other service income	(113,196)
2,448	12	Interest and investment income	(31,482)
(198,710)	13	Income from local taxation	(221,614)
(391,934)	13 & 21	Government grants and contributions	(379,194)
(3,875)		Other income	(7,097)
261,137		Employee benefits expenses	242,325
(35,384)		Depreciation, amortisation and impairment	37,875
29,464	12	Interest payments	18,307
9,874	11	Precepts and levies	10,692
834	11	Payments to Housing Capital Receipts Pool	0
40,623	11	Gain or loss on disposal of non-current assets	45,287
367,338		Other expenditure	377,315
<b>(21,873)</b>		<b>Surplus or Deficit for Year</b>	<b>(20,782)</b>

## 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.

	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	
<b>Reversal of items Impacting the Usable Capital Reserves</b>						
Charges for depreciation, impairment and Revaluation Losses of non-current assets	(25,183)	(12,152)	0	0	0	37,335
Movements in the market value of Investment Properties	23,239	0	0	0	0	(23,239)
Amortisation of intangible fixed assets	(540)	0	0	0	0	540
Capital grants and contributions applied	0	0	0	0	41,785	(41,785)
Revenue Expenditure Funded from Capital Under Statute	(9,432)	(1,866)	0	0	0	11,298
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(59,174)	(16,000)	0	0	0	75,174
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	16,411	0	(16,411)
HRA Self Financing	0	0	0	0	0	0
Statutory provision for the financing of capital investment	12,399	369	0	0	0	(12,768)
Capital expenditure charged against the General Fund and HRA balance	2,677	21,754	0	0	0	(24,431)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	46,921	687	0	0	(47,608)	0
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	702	9,018	(9,720)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	5,272	0	0	(5,272)
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	0	0	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	20,167	0	(19,011)	0	0	(1,156)
Other Capital receipts in year	0	0	0	0	0	0
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Notional Major Repairs Allowance credited to the HRA	0	16,411	0	(16,411)	0	0
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(29,244)	(770)	0	0	0	30,014
Employers pensions contributions and direct payments to pensioners payable in year	23,408	617	0	0	0	(24,025)
<b>Adjustments impacting Other Reserves</b>						
Reversal of Accrued Employee benefits	134	2	0	0	0	(136)
Council's share of Movement in Collection Fund Surplus/(Deficit)	51,493	0	0	0	0	(51,493)
Financial Instruments	(2,776)	0	0	0	0	2,776
<b>Total Adjustments</b>	<b>54,791</b>	<b>18,070</b>	<b>(23,459)</b>	<b>0</b>	<b>(5,823)</b>	<b>(43,579)</b>



	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
<b>Reversal of items Impacting the Usable Capital Reserves</b>						
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
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
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
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Notional Major Repairs Allowance credited to the HRA	0	15,038	0	(15,038)	0	0
<b>Adjustments primarily involving the Pensions Reserve:</b>						
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)
<b>Adjustments impacting Other Reserves</b>						
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)
<b>Total Adjustments</b>	<b>(6,341)</b>	<b>57,813</b>	<b>(6,250)</b>	<b>8,210</b>	<b>11,458</b>	<b>(64,890)</b>

## 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.
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

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 31 December. A full property review was also carried out as at the 31 March 2023 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 Z.

## 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
<b>Defined Benefit Pension Scheme – Pension Liability</b>	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 £827,433m. An adjustment to the long-term salary assumption by +0.1% would result in the present value of the total obligation increasing by £1.013m. Sensitivity to some of the key assumptions is provided in note 36. The carrying amount of the liability is £33,249m.
<b>Provisions</b>	The most significant provision the council has disclosed is a provision of £7.350m 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.
<b>Allowance for Non-Payment of Debt</b>	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 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

	The current allowance for doubtful debts is £20.118m.	debtor, the likelihood of the debtor entering bankruptcy and the impact on Customers from the impact on the economy. The value of the allowance is calculated based on a review of all debts and a judgement of the probability of collection for each.
<b>Property, Plant and Equipment – Depreciation</b>	Depreciation is charged on a Useful Economic Life basis ranging from 3-120 years depending on the asset. In 2022/23 the charge is shown as £43.862m.	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 Infrastructure Assets, and non-current asset values are provided in note 22 to the Financial Statements.
<b>Valuation of operational property</b>	<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.</p> <p>Accordingly, the valuations as a whole are not reported as being subject to ‘material valuation uncertainty’ as per the RICS Red Book Global</p> <p>The Valuations at 31 March 2023 were:</p> <ul style="list-style-type: none"> <li>• Assets Held for Sale £8.1m</li> <li>• Surplus Assets £3.3m</li> <li>• Investment Properties £109.1m (see below)</li> </ul>	<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 £60m.</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><b>Council Dwellings</b></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 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 £80m.</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><b>Fair value measurement of investment property</b></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 30 June 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 2023, 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 2021 £'000	Transfers In 2021/22 £'000	Transfers Out 2021/22 £'000	Balance at 31 March 2022 £'000	Transfers In 2022/23 £'000	Transfers Out 2022/23 £'000	Balance at 31 March 2023 £'000
<b>General Fund Reserves:</b>							
Bereavement reserve	(3,150)	(627)	147	<b>(3,630)</b>	(1,044)	0	<b>(4,674)</b>
Capital Reserve - General Fund	(12,460)	(4,234)	2,604	<b>(14,090)</b>	(7,697)	14,702	<b>(7,085)</b>
Council Plan Reserve	(5,863)	0	3,072	<b>(2,791)</b>	0	1,290	<b>(1,501)</b>
Corporate Property Reserve	(3,072)	(45)	273	<b>(2,844)</b>	(33)	201	<b>(2,676)</b>
Covid-19 Expanded Retail Relief Reserve	(44,404)	0	38,924	<b>(5,480)</b>	0	2,740	<b>(2,740)</b>
Covid-19 Reserves	0	(7,064)	1,204	<b>(5,860)</b>	0	5,592	<b>(268)</b>
HR Manpower Planning Reserve	(2,093)	(60)	481	<b>(1,672)</b>	0	210	<b>(1,462)</b>
Infrastructure Reserve	(17,474)	0	976	<b>(16,498)</b>	0	1,072	<b>(15,426)</b>
Internal Insurance Fund	(2,257)	(994)	994	<b>(2,257)</b>	(671)	681	<b>(2,247)</b>
Local Government Reorganisation Debt Reserve	(2,099)	0	2,099	<b>0</b>	0	0	<b>0</b>
NDR Funding Volatility Reserve	(953)	(16,025)	3,060	<b>(13,918)</b>	(26,714)	40,631	<b>(1)</b>
New Homes Bonus Reserve	(3,888)	(5,903)	6,591	<b>(3,200)</b>	(8,486)	9,880	<b>(1,806)</b>
Other Earmarked Reserves	(12,647)	(2,280)	3,315	<b>(11,612)</b>	(6,416)	5,360	<b>(12,668)</b>
Political Priorities Reserve	(8,100)	(4,700)	4,085	<b>(8,715)</b>	(3,087)	4,184	<b>(7,618)</b>
Tariff & HCA Risk Reserve	(6,044)	(580)	28	<b>(6,596)</b>	(580)	29	<b>(7,147)</b>
Social Care grant reserve (earmarked in MTFP)	(3,489)	0	1,889	<b>(1,600)</b>	0	1,600	<b>0</b>
Strategic Service Investment Fund	(1,530)	(1,375)	328	<b>(2,577)</b>	0	539	<b>(2,038)</b>
Waste Cashflow Reserve	(1,785)	0	893	<b>(892)</b>	0	789	<b>(103)</b>
Legal Fees Reserve	(2,069)	(500)	472	<b>(2,097)</b>	0	138	<b>(1,959)</b>
Pension fund Reserve	(3,550)	(510)	136	<b>(3,924)</b>	(510)	0	<b>(4,434)</b>
Public Health Reserve	(2,378)	(59)	0	<b>(2,437)</b>	(562)	160	<b>(2,839)</b>
Schools Balances	(10,007)	(1,825)	0	<b>(11,832)</b>	0	299	<b>(11,533)</b>
<b>Total General Fund</b>	<b>(149,312)</b>	<b>(46,781)</b>	<b>71,571</b>	<b>(124,522)</b>	<b>(55,800)</b>	<b>90,097</b>	<b>(90,225)</b>
<b>Housing Revenue Account Reserves:</b>							
Capital Reserve - HRA	(67,061)	(2,863)	6,393	<b>(63,531)</b>	(3,371)	21,754	<b>(45,148)</b>
Other Earmarked Reserves	(127)	(45)	100	<b>(72)</b>	0	0	<b>(72)</b>
<b>Total Housing Revenue Account</b>	<b>(67,188)</b>	<b>(2,908)</b>	<b>6,493</b>	<b>(63,603)</b>	<b>(3,371)</b>	<b>21,754</b>	<b>(45,220)</b>
<b>Total Earmarked Reserves</b>	<b>(216,500)</b>	<b>(49,689)</b>	<b>78,064</b>	<b>(188,125)</b>	<b>(59,171)</b>	<b>111,851</b>	<b>(135,445)</b>

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

2021/22		2022/23
£'000		£'000
9,391	Precepts	10,182
483	Levies	510
834	Payments to the Government Housing Capital Receipts Pool	0
40,623	(Gains)/losses on the Disposal of Non-Current Assets	45,287
<b>51,331</b>	<b>Total Other Operating Expenditure</b>	<b>55,979</b>

## Note 12 – Financing and Investment Income and Expenditure

2021/22	Note	2022/23
£'000		£'000
19,690	Interest payable and similar charges	19,666
(2,324)	(Gain)/Loss on Pooled Investment Funds	2,819
9,774	Net interest on the net defined benefit liability (asset)	(1,359)
(1,739)	Interest receivable and similar income	(11,064)
6,447	Income and expenditure in relation to investment properties and changes in their fair value	(23,293)
64	14 Trading operations	56
<b>31,912</b>	<b>Total</b>	<b>(13,175)</b>

## Note 13 – Taxation and Non-Specific Grant Income

2021/22	Note	2022/23
£'000		£'000
(142,291)	Council tax income	(152,042)
(56,419)	Non-domestic rates income and expenditure	(69,572)
(17,318)	21 Non-ringfenced government grants	(9,398)
(50,573)	Capital grants and contributions	(47,608)
<b>(266,601)</b>	<b>Total</b>	<b>(278,620)</b>



## 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.

2021/22 £'000	Emberton Park	2022/23 £'000
(290)	Income	(298)
310	Expenditure	402
<b>20</b>	<b>Net Surplus/Deficit for year</b>	<b>104</b>

2021/22 £'000	IT Service Desk and Technical Support Services	2022/23 £'000
(292)	Income	(226)
165	Expenditure	161
<b>(127)</b>	<b>Net Surplus/Deficit for year</b>	<b>(65)</b>

2021/22 £'000	Building Control	2022/23 £'000
(408)	Income	(510)
565	Expenditure	550
<b>157</b>	<b>Net Surplus/Deficit for year</b>	<b>40</b>

2021/22 £'000	HR Advisory and Payroll Services	2022/23 £'000
(94)	Income	(44)
108	Expenditure	21
<b>14</b>	<b>Net Surplus/Deficit for year</b>	<b>(23)</b>

2021/22 £'000	Trading Operations Total Income and Expenditure	2022/23 £'000
(1,084)	Income	(1,078)
1,148	Expenditure	1,134
<b>64</b>	<b>Net Surplus/Deficit for year</b>	<b>56</b>

2021/22 £'000	Analysis of Inclusion in The Comprehensive Income and Expenditure Statement	2022/23 £'000
64	Net Surplus on Trading Operations	56
<b>64</b>	<b>Net surplus/deficit included in Financing and Investment Income and Expenditure</b>	<b>56</b>

## Note 15 – Members’ Allowances

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

2021/22		2022/23
£'000		£'000
638	Salaries	622
186	Allowances	207
0	Expenses	1
<b>824</b>	<b>Total Members' Allowances</b>	<b>830</b>

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:

2021/22		2022/23
£'000		£'000
131	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year*	196
54	Fees payable to external auditors for the certification of grant claims and returns for the year	40
<b>185</b>	<b>Total</b>	<b>236</b>

\*The fees payable for external audit services includes the 2022/23 audit fee £0.135m. In addition, £0.090m has been projected for the additional overrun charges of the 2022/23 audit based on the previous year’s figures, a further £0.020m has been estimated for the 21/22 audit than previously estimated and £0.024m additional fees for 2020/21 audit that has been agreed by the PSAA. These are offset by a grant from the PSAA to cover these additional charges £0.070m.

## 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.

2021/22 £'000		2022/23 £'000
	<b>Expenditure</b>	
1,221	Contractors Management Fee	1,365
217	Pay and Display Installation Costs	220
185	Staffing Cost	164
35	Supplies and Services	11
94	Support Costs	52
11	Surveys and Fees	0
5	Decriminalised Costs	10
174	Signing Costs	10
<b>1,942</b>	<b>Total Expenditure</b>	<b>1,832</b>
	<b>Income</b>	
(1,065)	Excess Charge/Penalty Charge Notices	(1,230)
(1,623)	Permits	(1,692)
(330)	Suspensions	(187)
(5,185)	Pay and Display Income	(6,867)
<b>(8,203)</b>	<b>Total Income</b>	<b>(9,976)</b>
<b>(6,261)</b>	<b>Surplus achieved in year</b>	<b>(8,144)</b>
0	Transfer to Special Parking Reserve	350
(171)	Transfer from Special Parking Reserve	0
<b>(6,432)</b>	<b>Surplus for the year</b>	<b>(7,794)</b>

The surplus of (£7.794m) is significantly higher than the budgeted (£5.916m). With no covid restrictions in 2022/23, the recovery of parking income to nearer pre-pandemic levels was higher than expected. The notional spend that the surplus was expected to cover was £13.925m in 2022/23 and as such, 55% was covered with the remainder funded by the General Fund. The notional costs covered are the highways and street lighting costs of on-street parking as well as the landscaping and cleansing costs. All off-street parking costs are covered and 94% of passenger transport costs.

## 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.

2021/22 £'000	Integrated Community Equipment Service (ICES)	2022/23 £'000
	<b>Gross Funding</b>	
(551)	Milton Keynes Council	(551)
(1,030)	Milton Keynes Clinical Commissioning Group (CCG)	(1,030)
<b>(1,581)</b>	<b>Total Funding</b>	<b>(1,581)</b>
1,727	Expenditure	1,923
<b>1,727</b>	<b>Total Expenditure</b>	<b>1,923</b>
<b>146</b>	<b>Net (Surplus)/Deficit</b>	<b>342</b>
(78)	MKC share of underspend/ (overspend)	(182)
(68)	CCG share of underspend/ (overspend)	(160)
<b>0</b>	<b>Net (Surplus) / Deficit Carried Forward</b>	<b>0</b>

### Learning Disability

The Learning Disability pooled budget supports the integrated Learning Disability service (Council and Clinical Commissioning Group), allowing greater flexibility and economies of scale in funding 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:

2021/22 £'000	Learning Disability	2022/23 £'000
	<b>Gross Funding</b>	
(24,909)	Milton Keynes Council	(26,920)
(1,504)	Milton Keynes Clinical Commissioning Group (CCG)	(1,539)
<b>(26,413)</b>	<b>Total Funding</b>	<b>(28,459)</b>
	<b>Expenditure</b>	
26,391	Pooled Expenditure	26,572
<b>26,391</b>	<b>Total Expenditure</b>	<b>26,572</b>
<b>(22)</b>	<b>Net (Surplus)/Deficit*</b>	<b>(1,887)</b>
21	MKC share of underspend/ (overspend)	1,785
1	CCG share of underspend/ (overspend)	102
<b>0</b>	<b>Net (surplus) / Deficit Carried Forward</b>	<b>0</b>

## 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.

2021/22 £'000	Better Care Fund	2022/23 £'000
	<b>Gross Funding</b>	
(1,268)	Milton Keynes Council - Capital Funding	(1,268)
(7,116)	Improved Better Care Funding	(8,391)
(17,593)	Milton Keynes Clinical Commissioning Group (CCG)	(18,588)
(1,317)	Winter Pressures grant - MKC	0
(1,310)	Hospital Discharge	(2,152)
<b>(28,604)</b>	<b>Total Funding</b>	<b>(30,399)</b>
	<b>Expenditure</b>	
28,596	Expenditure	30,399
<b>28,596</b>	<b>Total Expenditure</b>	<b>30,399</b>
<b>(8)</b>	<b>Net (Surplus)/Deficit</b>	<b>0</b>
3	MKC share of underspend/ (overspend)	0
5	CCG share of underspend/ (overspend)	0
<b>0</b>	<b>Net (surplus) / Deficit Carried Forward</b>	<b>0</b>

## Note 19 – Officers' Remuneration

### Officer Remuneration

The remuneration paid to the council's senior employees during 2022/23 whose salary was above £50,000 is as follows:

2021/22		Salary	Expenses Allowance	Pension Contribution	2022/23
£		£	£	£	£
227,664	Chief Executive	189,149	0	40,856	230,005
175,436	Deputy Chief Executive	146,156	185	31,570	177,911
155,508	Director Adult Services	129,160	251	27,899	157,310
154,718	Director Children's Services	129,160	0	27,899	157,059
154,849	Director Environment and Property	129,160	216	27,899	157,275
154,741	Director Finance & Resources	129,160	43	27,899	157,102
137,055	Director Law & Governance	92,257	0	19,927	112,184
137,230	Director of Customer & Community Services	115,034	68	24,858	139,960
131,957	Director of Planning & Placemaking	110,442	136	23,855	134,433

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	
	2021/22	2022/23
£50,001 to £55,000	109	143
£55,001 to £60,000	92	93
£60,001 to £65,000	49	62
£65,001 to £70,000	27	33
£70,001 to £75,000	23	23
£75,001 to £80,000	15	22
£80,001 to £85,000	9	9
£85,001 to £90,000	10	15
£90,001 to £95,000	6	5
£95,001 to £100,000	1	4
£100,001 to £105,000	7	4
£105,001 to £110,000	1	4
£110,001 to £115,000	4	1
£115,001 to £120,000	2	2
£120,001 to £125,000	0	2
£125,001 to £130,000	4	4
£130,001 to £135,000	0	0
£135,001 to £140,000	1	0
£140,001 to £145,000	1	0
£145,001 to £150,000	0	1
£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	0	0
£185,001 to £190,000	1	1
<b>Total</b>	<b>362</b>	<b>428</b>

## 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)	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£0 - £20,000	20	10	2	7	22	17	184	134
£20,001 - £40,000	7	5	3	2	10	7	278	177
£40,001 - £60,000	2	0	0	0	2	0	97	0
£60,001 - £80,000	0	1	0	0	0	1	0	77
£80,001 - £100,000	3	0	0	0	3	0	274	0
£100,001 - £150,000	2	0	0	0	2	0	240	0
£150,001 - £200,000	1	0	0	0	1	0	154	0
<b>Total</b>	<b>35</b>	<b>16</b>	<b>5</b>	<b>9</b>	<b>40</b>	<b>25</b>	<b>1,227</b>	<b>388</b>

The total cost of £0.388m 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 2022/23 are as follows:

2021/22		2022/23		
Total		Central Expenditure	ISB	Total
£'000		£'000	£'000	£'000
292,288	Final DSG for 2022/23 before academy recoupment			310,298
137,079	Less: Academy figure recouped for 2022/23			147,944
155,209	Total DSG after academy recoupment for 2022/23			162,354
3,794	Plus: Brought forward from 2021/22			2,858
(3,481)	Less: Carry forward to 2023/24 agreed in advance			(3,393)
<b>155,522</b>	<b>Final Allocation in 2022/23</b>	<b>0</b>	<b>0</b>	<b>161,819</b>
<b>155,522</b>	<b>Agreed initial budgeted distribution in 2022/23</b>	44,759	117,060	<b>161,819</b>
(862)	In year adjustments	0	(942)	<b>(942)</b>
<b>154,660</b>	<b>Final budgeted distribution for 2022/23</b>	<b>44,759</b>	<b>116,118</b>	<b>160,877</b>
39,462	Less: Actual central expenditure	43,378		<b>43,378</b>
115,821	Less: Actual ISB deployed to schools		113,995	<b>113,995</b>
0	Plus: Local Authority contributions for 2022/23	0	0	<b>0</b>
<b>2,858</b>	<b>Carry forward to 2023/24</b>	<b>1,381</b>	<b>2,123</b>	<b>6,897</b>

## Note 21 – Grant Income

The council has been credited with the following grants and contributions in the Comprehensive Income and Expenditure Statements during 2022/23.

Credited to Taxation and Non-Specific Grant Income:

2021/22	Note	2022/23
£'000		£'000
(5,623)	Revenue Support Grant	(5,801)
(7,064)	Local Authority Support Grant	0
(1,466)	Income Support Scheme Grant	0
(2,828)	Local council tax support schemes grant	0
(337)	Lower Tier Services Grant	(302)
0	Services Grant	(3,264)
0	Council Tax Discount for Family Annexes	(31)
<b>(17,318)</b>	<b>13 Total Non-Ringfenced Government Grants</b>	<b>(9,398)</b>

## Credited to service:

2021/22		2022/23
£'000		£'000
(155,283)	Dedicated Schools Grant	(157,351)
(43,633)	Mandatory Rent Allowance: Subsidy	(40,194)
(18,756)	Mandatory Rent Rebates	(17,846)
(1,310)	NHS Discharge Funding	(3,012)
(5,327)	New Homes Bonus	(5,997)
(11,795)	Public Health Grant	(12,126)
(5,094)	Pupil Premium Grant	(5,521)
(3,795)	Infection Control Fund	0
(57)	Lateral Flow Device Testing Fund (Rapid Testing)	0
(5,786)	Business Support Grant (Covid-19) - Discretionary element	(914)
(2,090)	Contain Outbreak Management Fund - Covid-19	(1,952)
(3,367)	Young People's Learning Agency	(3,412)
(2,016)	Universal Infant Free School Meals	(2,173)
(5,260)	Social Care Grant	(7,307)
(1,990)	Homelessness Prevention Grant	(2,344)
(15,078)	Other Grants	(16,150)
(1,116)	Other Grants - Covid-19 Related	(20)
(783)	Benefits Administration Grant	(755)
(1,194)	Community Learning (16-19+)	(1,138)
(5,555)	Improved Better Care Fund	(5,409)
(17,593)	Better Care Fund Contributions	(18,588)
(8,469)	Social Care Client Contributions	(11,331)
(6,220)	Milton Keynes Hospital NHS Foundation Trust and Clinical Commissioning	(6,960)
(2,476)	Other Contributions	(1,688)
<b>(324,043)</b>	<b>Total</b>	<b>(322,188)</b>

## 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 2023 are £95.721m. This includes:

- Revenue receipts in advance of £83.566m, of which is mainly £44.411m Developer Tariff contributions; £7.144m Dedicated Schools Grant, £6.338m Hospital Discharge Funding, £4.633m is Developer S106 contributions, £3.206m Homes for Ukraine Grant and £2.328m Improve Better Care Fund.
- Capital receipts in advance of £12.155m including the Social Housing Decarbonisation Fund – Wave 1 £2.621m, Special Education and High Needs Grants £5.325m, Potholes Grants of £1.235m and Active Travel fund Grant £1.183m.

The long-term Grants and Contributions receipts in advance at the 31 March 2023 are £110.311m. This includes Revenue receipts in advance of £101.089m which is mainly from Developer S106 Contributions £66.845m, Developer Tariff contributions £33.994m and Capital receipts in advance of £9.222m.



## Note 22.1 – Property, Plant and Equipment

The tables on the following pages show the movements in year for PPE in 2022/23 and the 2021/22 comparative movement.

Movements to 31 March 2023	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
<b>Cost or Valuation</b>							
<b>at 1 April 2022</b>	832,988	598,537	107,140	7,386	5,944	46,341	1,598,336
Additions	35,428	13,702	2,746	0	107	32,044	84,027
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	15,389	9,091	0	(658)	0	23,822
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	3,431	7,935	1,122	0	(323)	0	12,165
Derecognition – disposals	(4,933)	(54,171)	(725)	0	0	0	(59,829)
Derecognition – other	(12,083)	(1,092)	(1,216)	0	0	0	(14,391)
Reclassifications and transfer	6,522	40,804	260	0	1,757	(50,706)	(1,363)
Assets reclassified (to)/from Held for Sale	0	(54)	0	0	(1,433)	0	(1,487)
<b>at 31 March 2023</b>	<b>861,353</b>	<b>621,050</b>	<b>118,418</b>	<b>7,386</b>	<b>5,394</b>	<b>27,679</b>	<b>1,641,280</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>at 1 April 2022</b>	(43,475)	(8,386)	(22,512)	(1,129)	(1,951)	0	(77,453)
Depreciation charge	(16,366)	(10,940)	(5,481)	(165)	(10)	0	(32,962)
Depreciation written out to the Revaluation Reserve	21	2,306	4,274	0	240	0	6,841
Depreciation written out to the Surplus/Deficit on the Provision of Services	15,646	(865)	(661)	0	0	0	14,120
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(37)	(2,123)	0	1,121	0	(1,039)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(14,885)	(7,334)	2,123	0	(235)	0	(20,331)
Derecognition – disposals	351	709	723	0	0	0	1,783
Derecognition – other	665	55	566	0	0	0	1,286
Reclassifications and transfer	0	(7)	11	0	(4)	0	0
Eliminated on reclassification to Held for Sale	0	0	0	0	0	0	0
<b>at 31 March 2023</b>	<b>(58,043)</b>	<b>(24,499)</b>	<b>(23,080)</b>	<b>(1,294)</b>	<b>(839)</b>	<b>0</b>	<b>(107,755)</b>
<b>Net Book Value</b>							
<b>at 31 March 2023</b>	<b>803,310</b>	<b>596,551</b>	<b>95,338</b>	<b>6,092</b>	<b>4,555</b>	<b>27,679</b>	<b>1,533,525</b>
<b>at 31 March 2022</b>	<b>789,513</b>	<b>590,151</b>	<b>84,628</b>	<b>6,257</b>	<b>3,993</b>	<b>46,341</b>	<b>1,520,883</b>

**Movements to 31 March 2022**

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

## 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.

2021/22		2022/23
£'000		£'000
247,183	Net book value (modified historic cost) at 1 April	253,578
11,663	Additions	10,782
8,274	Reclassifications and transfer	1,315
0	Derecognitions	0
(13,542)	Depreciation	(10,895)
0	Impairment	0
<b>253,578</b>	<b>Net Book Value at 31 March</b>	<b>254,780</b>

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.

For the 2021/22 accounts the Council completed a thorough review of our Accounting Policy for all Infrastructure assets, the revised policy can be found in the Accounting Policy U.

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.

2021/22 Depreciation Charge		Potential Useful Life of Asset Years	Actual Useful Life of Asset Years	2022/23 Depreciation Charge
£'000				£'000
14,864	Council Dwellings	10 - 85 *	10 - 85 *	16,366
12,751	Other Properties	20 - 60 **	20 - 60 **	11,115
5,516	Vehicles, Plant and Equipment	3 - 40 ***	3 - 40 ***	5,481
0	Leased VPE	3 - 40 ***	3 - 40 ***	0
<b>33,131</b>	<b>Total PPE (Note 22.1) Depreciation</b>			<b>32,962</b>
13,542	Infrastructure	5 - 120****	5 - 120****	10,895
<b>46,673</b>	<b>Total PPE Depreciation</b>			<b>43,857</b>
4	Heritage Assets	20 - 60 **	20 - 60 **	5
<b>46,677</b>	<b>Total Depreciation</b>			<b>43,862</b>

\* 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 2023, including those with a commitment of less than £2.0m totalled £88.115m.

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 2023 with a commitment of £2.0m or more are shown in the table.

Segment: Scheme Name	Scheme Description	2022/23 £'000	Period of Investments Years
HRA Asset Management	Planned Improvement Programme	31,816	1
Fishermead	Modular Housing	6,819	1
MKWRP Investment Programme	New Investment Project	3,973	1
New Wheeled Bin Scheme	Purchase of Wheeled Bins for new Waste Collection contract	5,388	1
Waste Collection Contract Fleet	Purchase of Vehicles for new Waste Collection contract	18,617	1
St Pauls School	Construction of Extension	2,314	1
<b>Total</b>		<b>68,927</b>	

## 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.

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

All 2022/23 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 2022/23 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 2022/23 are £3.280m per ha, compared to £2.400m in 2021/22 a £0.880m 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 (RICS) Valuation – Global Standards and the RICS Valuation – Global Standards 2017: UK National Supplement.
- International Financial Reporting Standards (IFRS).
- Chartered Institute of Public Finance and Accounting Code of Practice on Local Authority Accounting ('The CIPFA Code') 2022/23.

### Council Dwellings

Council Dwellings have been valued as at 1 April 2022 based on a desk top review and a full property review has been undertaken as at 31 March 2023. 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 MHCLG 2016 Guidance on Stock Valuation and the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards 2022.

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

- Depreciation c£16.366m.

- Derecognition of Components £11.418m.

The year-end valuation created a total £15.611m Impairments

These impairments resulted from:

- Capital expenditure of £0.095m purchasing of 1 dwelling properties, the change in valuation basis has resulted in impairment of £0.089m.
- Capital expenditure of £5.923m new build and conversions creating 23 new dwelling properties, the change in valuation basis has resulted in impairment of £4.101m.
- Impairment dwellings awaiting capital expenditure to reinstate resulted in additional impairment of £11.421m.

## 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	7,305	6,092	0	13,397
Valued at current value as at:						
31/03/2023	803,310	174,906	88,033	0	4,555	1,070,804
31/03/2022	0	323,111	0	0	0	323,111
31/03/2021	0	50,824	0	0	0	50,824
31/03/2020	0	37,230	0	0	0	37,230
31/03/2019	0	10,480	0	0	0	10,480
<b>Total Cost or Valuation</b>	<b>803,310</b>	<b>596,551</b>	<b>95,338</b>	<b>6,092</b>	<b>4,555</b>	<b>1,505,846</b>

## 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 2022/23 there were no schools that transferred to foundation status. There was however one community schools that converted to academy status – Priory Rise Primary School. There was also one newly built school which transferred to Academy upon operational status – Glebe Farm School.

## Impairment

The following table shows the impairment charges for non-current assets in 2022/23:

	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	
<b>Property Plant and Equipment</b>								
Council Dwellings	0	0	15,611	0	0	(726)	0	14,885
Other Land & Buildings	2	1,184	0	36	6,150	0	38	7,334
Vehicles, Plant, Furniture and Equipment	350	0	0	1,773	(2,123)	0	2,123	(2,123)
Surplus Assets	0	0	0	(1,121)	235	0	(1,121)	235
<b>Total Property Plant and Equipment</b>	<b>352</b>	<b>1,184</b>	<b>15,611</b>	<b>688</b>	<b>4,262</b>	<b>(726)</b>	<b>1,040</b>	<b>20,331</b>
<b>Total Impairment</b>	<b>352</b>	<b>1,184</b>	<b>15,611</b>	<b>688</b>	<b>4,262</b>	<b>(726)</b>	<b>1,040</b>	<b>20,331</b>

## Material impairment losses

During 2022/23, the council has recognised material impairment losses totalling £14.885m in relation to Council Dwellings. Further details can be found in the table below:

Assets	Material Impairment Loss - Recognised in year	£'000
Housing Revenue Account	Council Dwellings	14,885
Community	Wavendon Heights Pavilion	1,184
Various	Various Properties	5,302
<b>Total</b>		<b>21,371</b>

## Note 22.3 – Assets Held for Sale

2021/22		2022/23
£'000		£'000
7,774	Balance outstanding at start of year	7,774
	Assets newly classified as held for sale:	
0	- Property Plant and Equipment	1,487
0	Revaluation losses	574
0	Assets Sold	(314)
<b>7,774</b>	<b>Balance Outstanding year end</b>	<b>9,521</b>

The most significant Assets held for sale at the 31 March 2023 includes Saxon Court the former Councils offices valued at £8.087m. The contracts were exchanged but have been through renegotiation the sale is now expected in 2023/24.

## Note 23 – Investment Properties

In 2022/23 the annual rental income from investment properties is £0.053m (£0.084m in 2021/22).

The movement in the fair value of investment properties during 2022/23 comprised of:

2021/22		2022/23
£'000		£'000
86,182	Balance at start of year	87,563
	Additions:	
4,042	- Purchases	0
1,278	- Subsequent Expenditure	1,959
(10,951)	Disposals	(3,709)
(6,531)	Net Gain/losses from fair value adjustment	23,239
	Transfers to/from:	
13,543	- Property Plant and Equipment	0
<b>87,563</b>	<b>Balance Outstanding year end</b>	<b>109,052</b>

A significant addition for the Agora in Wolverton; development project costs of £1.810m.

The significant fair value gain of £20.916m relates to the Tickford Fields Farm development land.

### 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 7 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.

2021/22 £'000	Note		2022/23 £'000
<b>688,507</b>		<b>Opening Capital Financing Requirement</b>	<b>689,155</b>
		Capital Investment:	
97,330		Assets	97,067
14,086	30.2c	Revenue Expenditure Funded from Capital under Statute	11,298
<b>111,416</b>		<b>Total Capital Spending</b>	<b>108,365</b>
<b>Sources of Finance:</b>			
(4,108)	30.1a	Capital Receipts	(5,272)
(62,031)	30.1c	Other Government Grants & Contributions	(41,785)
(23,248)	30.1b	Major Repairs Reserves	(16,411)
<b>Sums set aside from revenue:</b>			
(9,097)	30.2c	Revenue Contributions	(24,431)
(1,040)	30.1a	HRA Additional Voluntary Payment of Debt	0
0		GF Additional Voluntary Provision	0
(11,244)		Minimum Revenue Provision	(12,768)
<b>(110,768)</b>		<b>Total Sources of Finance</b>	<b>(100,667)</b>
<b>689,155</b>		<b>Closing Capital Financing Requirement</b>	<b>696,853</b>
<b>Explanation of movements in year:</b>			
(1,040)	30.1a	Decrease in underlying need to borrow (supported by government financial assistance)	0
1,688		Increase in underlying need to borrow (unsupported by government financial assistance)	7,698
0		Assets acquired under finance leases	0
<b>648</b>		<b>Increase/Decrease in Capital Financing Requirement</b>	<b>7,698</b>

## Note 25 – Debtors

### a) Long Term Debtors

2021/22 £'000		2022/23 £'000
12,313	Other Long Term Debtors	11,111
<b>12,313</b>	<b>Total</b>	<b>11,111</b>

### b) Short Term Debtors

2021/22 £'000		2022/23 £'000
30,995	Trade Receivables	22,043
67,924	Other Receivable Amounts	112,278
(18,811)	Provision for Bad Debts	(20,118)
<b>80,108</b>	<b>Total</b>	<b>114,203</b>

## Note 26 – Creditors

2021/22 £'000		2022/23 £'000
(15,825)	Trade payables	(48,769)
(179,498)	Other payables	(180,783)
<b>(195,323)</b>	<b>Total Creditors</b>	<b>(229,552)</b>

## Note 27 – Borrowing Repayable

### a) Analysis of Loans by type:

2021/22 £'000		Range of Interest Rates - 31 March 2023	2022/23 £'000
	<b>Source of Loan</b>		
(435,276)	Public Works Loan Board	Lowest: 3.37% / Highest: 10.875%	(425,156)
(15,257)	Market Loans	Lowest: 3.75% / Highest: 6.62%	(15,257)
<b>(450,533)</b>	<b>Total</b>		<b>(440,413)</b>

### b) Analysis of Loans by maturity:

2021/22 £'000		2022/23 £'000
	<b>Borrowing repayable on demand or within 12 months</b>	
(15,235)	Borrowing repayable on demand or within 12 months	(21,572)
(1,756)	Accrued interest on borrowing repayable within a period in excess of 12 months	(1,513)
<b>(16,991)</b>	<b>Total Borrowing repayable on demand or within 12 months</b>	<b>(23,085)</b>
	<b>Borrowing repayable within a period in excess of 12 months</b>	
(16,215)	Maturing in 1 to 2 years	(13,338)
(36,399)	Maturing in 2 to 5 years	(40,796)
(59,151)	Maturing in 5 to 10 years	(53,920)
(141,417)	Maturing in 10 to 20 years	(128,914)
(30,000)	Maturing in 20 to 30 years	(45,000)
(123,000)	Maturing in 30 to 40 years	(125,360)
(27,360)	Maturing in 40 to 50 years	(10,000)
<b>(433,542)</b>	<b>Total Borrowing repayable within a period in excess of 12 months</b>	<b>(417,328)</b>
<b>(450,533)</b>	<b>Total</b>	<b>(440,413)</b>

## Note 28 – Provisions

### Current Provisions

2022/23	Appeals Provision £'000	Other Provisions £'000	Total £'000
Opening Balance	0	(7,808)	(7,808)
Increase in provision during year	0	(490)	(490)
Utilised during year	0	61	61
Unused Amounts Reversed	0	1,706	1,706
<b>Closing Balance</b>	<b>0</b>	<b>(6,531)</b>	<b>(6,531)</b>

2021/22	Appeals Provision £'000	Other Provisions £'000	Total £'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
<b>Closing Balance</b>	<b>0</b>	<b>(7,808)</b>	<b>(7,808)</b>

## Long Term Provisions

2022/23	Appeals Provision	Other Provisions	Total
	£'000	£'000	£'000
Opening Balance	(15,288)	0	(15,288)
Utilised during year	3,652	0	3,652
Unused Amounts Reversed	4,286	0	4,286
<b>Closing Balance</b>	<b>(7,350)</b>	<b>0</b>	<b>(7,350)</b>

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
Unused Amounts Reversed	0	0	0
<b>Closing Balance</b>	<b>(15,288)</b>	<b>0</b>	<b>(15,288)</b>

## Total Provisions

2021/22	Total Provisions	2022/23
£'000		£'000
(18,047)	Opening Balance	(23,096)
(9,800)	Increase in provision during year	(490)
4,529	Utilised during year	3,713
222	Unused Amounts Reversed	5,992
<b>(23,096)</b>	<b>Closing Balance</b>	<b>(13,881)</b>

## Appeals Provision

Under NDR retention, the Council retains 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 to estimate likely losses.

## Other Provisions

### a) Insurance Provision

At the 31 March 2023 the council has outstanding insurance liabilities (estimated claims for which liability was accepted) totalling £4.321m. 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 settlements made during the year totalling £0.003m in addition to the £2.602m paid in previous years and an estimation of £0.771m for further settlements has been included in the 2022/23 accounts.

#### c) Planning Appeals Provision

Provision to cover possible future liabilities relating to planning appeals £0.905m.

### Note 29 – Contingent Liabilities

The most significant contingent gains and losses disclosed in the council's accounts for the year ending 31 March 2023 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 £7.147m.
- 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 2023 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 3<sup>rd</sup> 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:

2021/22	Note		2022/23
£'000			£'000
(29,188)		General Fund Balance	(29,668)
(112,690)	10	Earmarked General Fund Reserves	(78,692)
(11,832)	10	Schools Balance Reserve	(11,533)
(7,259)		Housing Revenue Account	(7,380)
(63,603)	10	Earmarked HRA Reserves	(45,220)
(30,366)	30.1a	Capital Receipts Reserve	(53,825)
0	30.1b	Major Repairs Reserve	0
(39,770)	30.1c	Capital Grants Unapplied	(45,593)
<b>(294,708)</b>	<b>Total</b>		<b>(271,911)</b>

### a) Capital Receipts Reserve

2021/22		2022/23
£'000		£'000
(24,116)	Balance 1 April	(30,366)
(8,232)	Capital Receipts in year	(9,720)
(4,000)	Deferred Receipts realised	(19,011)
834	Capital Receipts Pooled	0
1,040	Capital Receipts transferred to Capital Adjustment Account to repay debt	0
4,108	Capital Receipts used for financing	5,272
<b>(30,366)</b>	<b>Balance 31 March</b>	<b>(53,825)</b>

## b) Major Repairs Reserve

2021/22		2022/23
£'000		£'000
(8,210)	Balance 1 April	0
(15,038)	Depreciation and Amortisation	(16,411)
23,248	Application to finance capital expenditure	16,411
<b>0</b>	<b>Balance 31 March</b>	<b>0</b>

## c) Capital Grants Unapplied

2021/22		2022/23
£'000		£'000
(51,228)	Balance 1 April	(39,770)
(50,573)	Capital grants recognised in year	(47,608)
62,031	Capital grants and contributions applied	41,785
<b>(39,770)</b>	<b>Balance 31 March</b>	<b>(45,593)</b>

## Note 30.2 – Unusable Reserves

2021/22	Note	2022/23
£'000		£'000
(276,357)	30.2a	(293,189)
(2,098)	30.2b	721
(906,449)	30.2c	(918,800)
497	30.2d	454
373,718	30.2e	33,249
(30,755)	30.2f	(31,911)
(37,447)	30.2g	(88,940)
1,253	30.2h	1,117
<b>(877,638)</b>	<b>Total</b>	<b>(1,297,299)</b>

## a) Revaluation Reserve

2021/22		2022/23
£'000		£'000
(206,320)	<b>Balance 1 April</b>	(276,357)
(102,630)	Upward revaluation of assets	(37,175)
22,715	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	7,551
<b>(79,915)</b>	<b>Surplus or deficit on revaluation of non-current assets not charged to the Surplus or Deficit on the Provision of Services</b>	<b>(29,624)</b>
5,299	Difference between fair value depreciation and historical cost depreciation	4,647
4,579	Accumulated gains on assets sold or scrapped	8,145
<b>9,878</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>12,792</b>
<b>(276,357)</b>	<b>Balance 31 March</b>	<b>(293,189)</b>

## b) Pooled Investment Funds Adjustment Account

2021/22		2022/23
£'000		£'000
226	<b>Balance 1 April</b>	(2,098)
0	Opening balance adjustments on adoption of IFRS9	0
<b>226</b>	<b>Revised Opening Balance</b>	<b>(2,098)</b>
(2,324)	Upward (downward) revaluation of investments	2,819
<b>(2,324)</b>	<b>Total Changes in revaluation and impairment</b>	<b>2,819</b>
<b>(2,098)</b>	<b>Balance 31 March</b>	<b>721</b>

## c) Capital Adjustment Account

2021/22	Note	2022/23
£'000		£'000
(842,574)	<b>Balance 1 April</b>	(906,449)
41,173	Charges for depreciation and impairment of non-current assets	56,736
(76,821)	Revaluation losses on non-current assets	(19,401)
264	Amortisation of intangible assets	540
14,086	24 Revenue expenditure funded from capital under statute	11,298
71,538	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	75,174
50,240	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	124,347
(9,878)	Adjusting Amounts written out of the Revaluation Reserve	(12,792)
<b>40,362</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>111,555</b>
(4,108)	30.1a Use of Capital Receipts Reserve to finance new capital expenditure	(5,272)
(23,248)	30.1b Use of Major Repairs Reserve to finance new capital expenditure	(16,411)
(62,031)	30.1c Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(41,785)
(11,244)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(12,768)
(9,097)	24 Capital expenditure charged against the General Fund and HRA balances	(24,431)
<b>(109,728)</b>	<b>Capital financing applied in year:</b>	<b>(100,667)</b>
(1,040)	30.1a Borrowing or liabilities met from the UCRR	0
6,531	23 Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(23,239)
0	Other movements	0
<b>(906,449)</b>	<b>Balance 31 March</b>	<b>(918,800)</b>



## d) Financial Instruments Adjustment Account

2021/22		2022/23
£'000		£'000
541	<b>Balance 1 April</b>	497
(44)	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(43)
0	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	0
(44)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(43)
0	Other movements	0
<b>497</b>	<b>Balance 31 March</b>	<b>454</b>

## e) Pension Reserve

2021/22		2022/23
£'000		£'000
488,506	<b>Balance 1 April</b>	373,718
(162,609)	Remeasurements of the net defined benefit (liability)/asset	(346,458)
70,962	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	30,014
(23,141)	Employer's pensions contributions and direct payments to pensioners payable in the year	(24,025)
<b>373,718</b>	<b>Balance 31 March</b>	<b>33,249</b>

## f) Deferred Capital Receipts Reserve

2021/22		2022/23
£'000		£'000
(12,072)	<b>Balance 1 April</b>	(30,755)
(22,683)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(20,167)
4,000	Transfer to the Capital Receipts Reserve upon receipt of cash	19,011
<b>(30,755)</b>	<b>Balance 31 March</b>	<b>(31,911)</b>

## g) Collection Fund Adjustment Account

2021/22		2022/23
£'000		£'000
184	<b>Balance 1 April</b>	(37,447)
(37,631)	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	(51,493)
<b>(37,447)</b>	<b>Balance 31 March</b>	<b>(88,940)</b>

## h) Accumulated Absences Account

2021/22		2022/23
£'000		£'000
<b>1,285</b>	<b>Balance 1 April</b>	<b>1,253</b>
(1,285)	Settlement or cancellation of accrual made at the end of the preceding year	(1,253)
1,253	Amounts accrued at the end of the current year	1,117
(32)	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	(136)
<b>1,253</b>	<b>Balance 31 March</b>	<b>1,117</b>

## Note 31 – Cash and Cash Equivalents

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

2021/22		2022/23
£'000		£'000
2,946	Cash and Bank balances	1,245
233,533	Short Term Deposits	225,174
<b>236,479</b>	<b>Total Cash and Cash Equivalents</b>	<b>226,419</b>

At the 31 March 2023, the council held £225.174m invested with various financial institutions as short term deposits (£233.533m at the 31 March 2022). 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:

2021/22		2022/23
£'000		£'000
(1,786)	Interest received	(15,532)
19,654	Interest paid	21,224
<b>17,868</b>	<b>Total</b>	<b>5,692</b>

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

2021/22		2022/23
£'000		£'000
37,199	Depreciation & Impairment and downward valuations	(14,463)
(264)	Amortisation	(173)
2,071	(Increase)/decrease in impairment for bad debts	2,071
(126,211)	(Increase)/decrease in creditors	(75,412)
1,219	Increase/(decrease) in debtors	36,071
38	Increase/(decrease) in inventories	(18)
(47,821)	Movement in pension liability	(5,989)
(71,538)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(75,174)
(6,590)	Other non-cash movements charged to the surplus or deficit on provision of services	(2,819)
<b>(211,897)</b>	<b>Total</b>	<b>(135,906)</b>

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

2021/22		2022/23
£'000		£'000
30,915	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	29,887
50,573	Any other items for which the cash effects are investing or financing cash flows	47,608
<b>81,488</b>	<b>Total</b>	<b>77,495</b>

## Note 32.2 – Cash Flow from Investing Activities

2021/22		2022/23
£'000		£'000
88,644	Purchase of property, plant and equipment, investment property and intangible assets	108,518
1,850,118	Purchase of short-term and long-term investments	2,346,746
(12,232)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(28,731)
(1,890,117)	Proceeds from short-term and long-term investments	(2,273,747)
(49,879)	Other receipts from investing activities	(49,954)
<b>(13,466)</b>	<b>Net cash flows from investing activities</b>	<b>102,832</b>

## Note 32.3 – Cash Flow from Financing Activities

2021/22		2022/23
£'000		£'000
29,824	Other receipts from financing activities	(22,517)
9,733	Repayments of short-term and long-term borrowing	10,096
4,583	Other payments for financing activities	(1,158)
<b>44,140</b>	<b>Net cash flows from financing activities</b>	<b>(13,579)</b>

## 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	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised cost	0	0	0	0	145,356	221,276	69,716	59,700	233,533	225,174
Fair Value through Profit or Loss	17,098	14,279	0	0	162	127	0	0	0	0
<b>Total financial assets</b>	<b>17,098</b>	<b>14,279</b>	<b>0</b>	<b>0</b>	<b>145,518</b>	<b>221,403</b>	<b>69,716</b>	<b>59,700</b>	<b>233,533</b>	<b>225,174</b>
Non-financial assets	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>17,098</b>	<b>14,279</b>	<b>0</b>	<b>0</b>	<b>145,518</b>	<b>221,403</b>	<b>69,716</b>	<b>59,700</b>	<b>233,533</b>	<b>225,174</b>

The debtor's lines on the Balance Sheet include £54.503m (£20.900m in 2021/22) short-term and £11.111m (£4.468m in 2021/22) 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	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amortised cost	(433,542)	(417,328)	0	0	(16,991)	(23,085)	(51,063)	(74,081)
<b>Total financial liabilities</b>	<b>(433,542)</b>	<b>(417,328)</b>	<b>0</b>	<b>0</b>	<b>(16,991)</b>	<b>(23,085)</b>	<b>(51,063)</b>	<b>(74,081)</b>
Non-financial liabilities	0	0	0	0	0	0	0	0
<b>Total</b>	<b>(433,542)</b>	<b>(417,328)</b>	<b>0</b>	<b>0</b>	<b>(16,991)</b>	<b>(23,085)</b>	<b>(51,063)</b>	<b>(74,081)</b>

The short-term creditor's lines on the Balance Sheet include £155.471m (£144.236m in 2021/22) 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:

2021/22		Financial Liabilities	Financial Assets		2022/23
Total		Amortised Cost	Amortised Cost	Fair Value through Profit or Loss	Total
£'000		£'000	£'000	£'000	£'000
(20,178)	Interest expense	(19,666)	0	0	(19,666)
<b>(20,178)</b>	<b>Interest payable and similar charges</b>	<b>(19,666)</b>	<b>0</b>	<b>0</b>	<b>(19,666)</b>
1,069	Interest income	0	10,388	0	10,388
670	Dividend income	0	0	676	676
<b>1,739</b>	<b>Interest and investment income</b>	<b>0</b>	<b>10,388</b>	<b>676</b>	<b>11,064</b>
2,324	Gains/(Loss) on revaluation	0	0	(2,819)	(2,819)
<b>2,324</b>	<b>Impact in Other Comprehensive Income</b>	<b>0</b>	<b>0</b>	<b>(2,819)</b>	<b>(2,819)</b>
<b>(16,115)</b>	<b>Net Interest or Gain/(Loss) for the year.</b>	<b>(19,666)</b>	<b>10,388</b>	<b>(2,143)</b>	<b>(11,421)</b>

#### 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 2023, 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:

2021/22				2022/23	
Balance Sheet	Fair Value		Fair Value levels	Balance Sheet	Fair Value
£'000	£'000			£'000	£'000
<b>Financial liabilities held at amortised cost:</b>					
435,277	521,537	Loans from PWLB	2	425,156	395,877
15,257	21,812	Market Loans	2	15,257	15,033
<b>450,534</b>	<b>543,349</b>	<b>Total Financial Liabilities</b>		<b>440,413</b>	<b>410,910</b>
51,062		Liabilities for which fair value is not disclosed		74,081	
<b>501,596</b>	<b>543,349</b>	<b>Total Financial Liabilities</b>		<b>514,494</b>	<b>410,910</b>
<b>Recorded on Balance Sheet as:</b>					
51,063		Short-term creditors		74,081	
16,991		Short-term borrowing		23,085	
433,542		Long-term borrowing		417,328	
<b>501,596</b>		<b>Total Financial Liabilities</b>		<b>514,494</b>	

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

## Fair Values of Financial Assets:

2021/22				2022/23	
Balance Sheet	Fair Value		Fair Value levels	Balance Sheet	Fair Value
£'000	£'000			£'000	£'000
<b>Financial assets held at fair value:</b>					
83,519	83,519	Liquid Instruments (Money market funds & bank call accounts)	1	69,659	69,659
20,021	20,021	Certificates of Deposit	1	142,180	143,957
210,038	210,038	Deposits with UK Government	1	145,431	145,431
17,260	17,260	Property funds	1	14,406	14,406
25,025	25,025	Fixed Term Deposits (Banks and Building Societies)	2	80,974	80,974
10,000	10,000	Bank 35d notice account	1	0	0
<b>Financial assets held at amortised cost:</b>					
30,286	30,286	Short-term loans to companies	2	8,206	8,206
<b>396,149</b>	<b>396,149</b>	<b>Total</b>		<b>460,856</b>	<b>462,633</b>
69,716		Assets for which fair value is not disclosed		59,700	
<b>465,865</b>	<b>396,149</b>	<b>Total Financial Assets</b>		<b>520,556</b>	<b>462,633</b>
<b>Recorded on Balance Sheet as:</b>					
69,716		Short-term debtors		59,700	
145,518		Short-term investments		221,403	
17,098		Long-term investments		14,279	
233,533		Cash and Cash Equivalents		225,174	
<b>465,865</b>		<b>Total Financial Assets</b>		<b>520,556</b>	

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 2025 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	
	2021/22	2022/23	2021/22	2022/23
	£'000	£'000	£'000	£'000
<b>12-Month expected credit losses:</b>				
AAA	0	0	77,052	68,683
AA+	0	0	0	0
AA	0	0	10,008	10,152
AA-	0	0	5,007	81,447
A+	0	0	36,491	82,190
A	0	0	5,003	20,176
A-	0	0	5,004	30,165
UK Government	0	0	210,038	145,431
Unrated Local Authorities	0	0	0	0
Unrated Building Societies	0	0	0	0
Unrated Companies	0	0	30,286	8,206
Unrated Pooled Fund*	17,098	14,279	162	127
<b>Total Investments</b>	<b>17,098</b>	<b>14,279</b>	<b>379,051</b>	<b>446,577</b>

\* 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 31 March 2023 the Council assessed its credit loss exposure as £0.193m (compared to £0.127m in 2021/22). 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:

2021/22		2022/23
£'000		£'000
11,081	Less than three months	1,994
144	Three to six months	677
297	Six months to one year	190
174	More than one year	104
<b>11,697</b>	<b>Total</b>	<b>2,965</b>

## Impaired Past Due Amount Analysed by Age:

2021/22		2022/23	
£'000		£'000	
4,003	Less than three months	1,577	
442	Three to six months	660	
770	Six months to one year	932	
2,444	More than one year	2,297	
<b>7,659</b>	<b>Total</b>	<b>5,466</b>	

## 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:

2021/22		2022/23	
£'000		£'000	
16,991	Less than one year	23,085	
16,215	Between one and two years	13,338	
36,399	Between two and five years	40,796	
59,151	Between five and ten years	53,920	
141,417	Between ten and twenty years	128,914	
30,000	Between twenty years and thirty years	45,000	
123,000	Between thirty years and forty years	125,360	
27,360	Over forty years	10,000	
<b>450,533</b>	<b>Total</b>	<b>440,413</b>	

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:

2021/22		2022/23
£'000		£'000
19,002	Less than one year	18,057
18,011	Between one and two years	17,159
49,646	Between two and five years	47,406
67,986	Between five and ten years	64,913
91,011	Between ten and twenty years	86,126
65,083	Between twenty years and thirty years	63,615
32,901	Between thirty years and forty years	27,932
1,390	Over forty years	1,005
<b>345,030</b>	<b>Total</b>	<b>326,213</b>

## 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 2023, with all other variables held constant:

2021/22		2022/23
£'000		£'000
0	Increase in interest payable on variable rate borrowings	0
(839)	Increase in interest receivable on variable rate investments	(725)
(1,683)	Increase in government grant receivable for financing costs	(1,616)
<b>(2,522)</b>	<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(2,341)</b>
(210)	Notional share of overall impact on HRA	(181)
<b>0</b>	<b>Increase/Decrease in fair value of investments held at Fair Value through Profit or Loss</b>	<b>0</b>
0	Increase/Decrease in fair value of financial assets	(719)
66,687	Increase/Decrease in fair value of financial liabilities	(41,435)
<b>66,687</b>	<b>Decrease in fair value of fixed rate borrowings liabilities</b>	<b>(42,154)</b>

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:

2021/22		2022/23	
£'000		£'000	
2,074	Not later than one year	1,890	
6,457	Later than one year and not later than five years	6,028	
14,918	Later than five years	13,840	
<b>23,449</b>	<b>Total</b>	<b>21,758</b>	

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 2022/23 £0.160m contingent rents were receivable by the council (£0.204m in 2021/22).

## Authority as Lessee - Operating Leases

2021/22		2022/23	
£'000		£'000	
123	Not later than one year	691	
372	Later than one year and not later than five years	230	
1,182	Later than five years	1,165	
<b>1,677</b>	<b>Total</b>	<b>2,086</b>	

## Authority as Lessee - Finance Lease

2021/22			2022/23		
Minimum Lease Payment	Finance Charges	Present Value	Minimum Lease Payment	Finance Charges	Present Value
£'000	£'000	£'000	£'000	£'000	£'000
206	192	14	206	191	15
822	758	64	822	755	67
10,686	6,731	3,955	10,480	6,543	3,937
<b>11,714</b>	<b>7,681</b>	<b>4,033</b>	<b>11,508</b>	<b>7,489</b>	<b>4,019</b>

## 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 2022/23 is shown in note 15. During 2022/23, works and services to the value of £0.357m were commissioned from organisations in which 18 councillors had an interest.

In addition, the council paid grants totalling £0.319m to voluntary and charitable organisations in which 13 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 2022/23 totalled £0.017m (£0.031m in 2021/22) from 3 organisations in which 6 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 [Your Councillors | Milton Keynes City Council \(moderngov.co.uk\)](https://www.moderngov.co.uk/your-councillors)

#### 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 2023 totalled £0.007m (£0.028m at 31 March 2022).

The outstanding amount owed to related parties at the end of 31 March 2023 totalled £0.000m (£0.030m at 31 March 2022).

Details of all transactions are included elsewhere in the 2022/23 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.

#### 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.

2021/22		General Fund Transactions	2022/23	
LGPS £'000	Total £'000		LGPS £'000	Total £'000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of Services</b>				
		<b>Service cost comprising:</b>		
59,544	59,544	Current service cost	30,579	30,579
1,501	1,501	Past service cost	237	237
(489)	(489)	(Gain) / loss from settlements and / or transfers	(184)	(184)
632	632	Administration expenses	741	741
0	0	<b>Other Operating Expenditure:</b>	0	0
9,774	9,774	Net interest expense	(1,359)	(1,359)
<b>70,962</b>	<b>70,962</b>	<b>Total charged to Surplus and Deficit on Provision of Services</b>	<b>30,014</b>	<b>30,014</b>

2021/22		Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	2022/23	
LGPS £'000	Total £'000		LGPS £'000	Total £'000
40,987	40,987	Return on plan assets (excluding the amount included in the net interest expense)	(83,568)	(83,568)
39,983	39,983	Actuarial gains and losses arising on changes in demographic assumptions	0	0
74,500	74,500	Actuarial gains and losses arising on changes in financial assumptions	534,809	534,809
1,177	1,177	Other actuarial gains/(losses) on assets	0	0
5,962	5,962	Experience gain/ (loss) on defined benefit obligation	(104,783)	(104,783)
<b>162,609</b>	<b>162,609</b>	<b>Total charged to Other Comprehensive Income and Expenditure Statement</b>	<b>346,458</b>	<b>346,458</b>
<b>(91,647)</b>	<b>(91,647)</b>	<b>Total charged to the Comprehensive Income and Expenditure Statement</b>	<b>(316,444)</b>	<b>(316,444)</b>

2021/22		Movement in Reserves Statement	2022/23	
LGPS £'000	Total £'000		LGPS £'000	Total £'000
(70,962)	(70,962)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services	(30,014)	(30,014)
<b>23,141</b>	<b>23,141</b>	<b>Employers' contributions payable to scheme</b>	<b>24,025</b>	<b>24,025</b>



## Pensions Assets and Liabilities Recognised in the Balance Sheet

2021/22			2022/23	
LGPS	Total		LGPS	Total
£'000	£'000		£'000	£'000
(1,214,033)	(1,214,033)	Present value of the defined obligation	(827,433)	(827,433)
840,315	840,315	Fair value of plan assets	794,184	794,184
(373,718)	(373,718)	Value of Assets / (Liabilities)	(33,249)	(33,249)
<b>(373,718)</b>	<b>(373,718)</b>	<b>Net (liability) / asset arising from the defined benefit obligation</b>	<b>(33,249)</b>	<b>(33,249)</b>

## Movement in the Value of Scheme Assets

2021/22			2022/23	
LGPS	Total		LGPS	Total
£'000	£'000		£'000	£'000
<b>780,478</b>	<b>780,478</b>	<b>Opening fair value of scheme assets</b>	<b>840,315</b>	<b>840,315</b>
14,492	14,492	Interest income	33,859	33,859
40,987	40,987	The return on plan assets, excluding the amount included in the net interest expense	(83,568)	(83,568)
23,141	23,141	Contributions from employer	24,025	24,025
7,141	7,141	Contributions from employees into the scheme	7,194	7,194
1,177	1,177	Other actuarial gains/(losses)	0	0
(26,027)	(26,027)	Benefits / transfers paid	(25,362)	(25,362)
(632)	(632)	Administration expenses	(741)	(741)
(442)	(442)	Assets Extinguished on Settlement	(1,538)	(1,538)
<b>840,315</b>	<b>840,315</b>	<b>Closing value of scheme assets</b>	<b>794,184</b>	<b>794,184</b>

## Movements in the Fair Value of Scheme Liabilities

2021/22			2022/23	
LGPS	Total		LGPS	Total
£'000	£'000		£'000	£'000
<b>(1,268,984)</b>	<b>(1,268,984)</b>	<b>Opening balance at 1 April</b>	<b>(1,214,033)</b>	<b>(1,214,033)</b>
(59,544)	(59,544)	Current service cost	(30,579)	(30,579)
(24,266)	(24,266)	Interest cost	(32,500)	(32,500)
(7,141)	(7,141)	Contributions from scheme participants	(7,194)	(7,194)
39,983	39,983	- Actuarial gains / (losses) from changes in demographic assumptions	0	0
74,500	74,500	- Actuarial gains / (losses) from changes in financial assumptions	534,809	534,809
(1,501)	(1,501)	Past service cost	(237)	(237)
0	0	Liabilities assumed on entity combinations	0	0
5,962	5,962	Experience loss/(gain) on defined benefit obligation	(104,783)	(104,783)
26,027	26,027	Benefits / transfers paid	25,362	25,362
931	931	Liabilities extinguished on settlements	1,722	1,722
<b>(1,214,033)</b>	<b>(1,214,033)</b>	<b>Balance as at 31 March</b>	<b>(827,433)</b>	<b>(827,433)</b>

## The significant assumptions used by the actuary have been:

2021/22	LGPS	2022/23
Long term expected rate of return on assets		
10%	Gilts	8%
54%	Equities	56%
14%	Other Bonds	11%
6%	Property	5%
3%	Cash	2%
3%	Alternative Assets	7%
0%	Hedge Funds	0%
0%	Absolute Return Portfolio	0%
9%	Multi assets	9%
1%	Private debt	2%
Mortality assumptions		
Longevity at retirement for current pensioners		
21.0	Men	21.1
24.5	Women	24.6
Longevity at retirement for future pensioners		
22.3	Men	22.3
25.9	Women	26.0
Other assumptions		
4.20%	Rate of increase in salaries	3.85%
3.20%	Rate of increase in pensions	2.85%
2.60%	Rate for discounting scheme liabilities	4.80%

## The Asset breakdown percentages are:

2021/22			2022/23	
Quoted	Unquoted		Quoted	Unquoted
		Fixed Interest Government Securities - UK		
10.0%	0.0%	Index Linked Government Securities - UK	8.0%	0.0%
		Corporate Bonds		
14.0%	0.0%	UK	11.0%	0.0%
0.0%	0.0%	Overseas	0.0%	0.0%
		Equity		
0.0%	0.0%	UK	0.0%	0.0%
50.0%	0.0%	Overseas	51.0%	0.0%
6.0%	0.0%	Property	0.0%	5.0%
		Others		
0.0%	0.0%	Absolute return portfolio	0.0%	0.0%
0.0%	0.0%	Hedge Fund	0.0%	0.0%
9.0%	0.0%	Multi Asset / Diversified Income	9.0%	0.0%
0.0%	4.0%	Private Equity	0.0%	5.0%
0.0%	3.0%	Infrastructure	0.0%	7.0%
0.0%	1.0%	Private Debt	0.0%	2.0%
0.0%	3.0%	Cash/Temporary Investments	0.0%	2.0%
		Net Current Assets		
0.0%	0.0%	Debtors	0.0%	0.0%
<b>89.0%</b>	<b>11.0%</b>	<b>Total</b>	<b>79.0%</b>	<b>21.0%</b>

## Impact of assumptions on the obligation:

Increase by 0.1%	LGPS	Decrease by 0.1%
£'000	Assumption	£'000
21,785	Longevity	20,234
21,013	Rate of increase in salaries	20,985
21,771	Rate of increase in pensions	20,253
20,263	Rate for discounting scheme liabilities	21,761

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 2023. Based on the actuarial valuation of 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 2022/23, the council paid £15.981m (£11.371m in 2021/22) to Teachers Pensions in respect of teachers' retirement benefits. This was equivalent to 23.68% (23.68% in 2021/22) 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.

2021/22			Collection Fund	2022/23		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
<b>INCOME:</b>						
0	(170,348)	(170,348)	Council Tax Receivable	0	(182,764)	(182,764)
(148,280)	0	(148,280)	Business Rates Receivable	(177,857)	0	(177,857)
<b>(148,280)</b>	<b>(170,348)</b>	<b>(318,628)</b>	<b>Total amounts to be credited</b>	<b>(177,857)</b>	<b>(182,764)</b>	<b>(360,621)</b>
<b>EXPENDITURE:</b>						
<b>Apportionment of Previous Year Surplus/Deficit:</b>						
(39,719)	0	(39,719)	Central Government	(25,406)	0	(25,406)
(38,924)	(60)	(38,984)	Billing Authority	(24,898)	6,890	(18,008)
(794)	(3)	(797)	Fire Authority	(508)	293	(215)
0	(9)	(9)	Police Authority	0	1,000	1,000
<b>Precepts, demands and shares:</b>						
78,245	0	78,245	Central Government	66,853	0	66,853
76,680	135,420	212,100	Billing Authority	65,516	147,261	212,777
1,565	5,790	7,355	Fire Authority	1,337	6,521	7,858
0	19,940	19,940	Police Authority	0	21,803	21,803
<b>Charges to Collection Fund:</b>						
170	1,087	1,257	Write-offs of uncollectable amounts	1,169	1,489	2,658
(590)	(17)	(607)	Increase/(decrease) in allowance for impairment	90	(17)	73
8,156	0	8,156	Increase/(decrease) in allowance for appeals	(16,200)	0	(16,200)
396	0	396	Charge to General Fund for allowable collection costs for non-domestic rates	411	0	411
383	0	383	Disregarded amounts	101	0	101
<b>85,568</b>	<b>162,148</b>	<b>247,716</b>	<b>Total amounts to be debited</b>	<b>68,465</b>	<b>185,240</b>	<b>253,705</b>
<b>(62,712)</b>	<b>(8,200)</b>	<b>(70,912)</b>	<b>(Surplus)/Deficit arising during the year</b>	<b>(109,392)</b>	<b>2,476</b>	<b>(106,916)</b>
<b>4,922</b>	<b>(2,659)</b>	<b>2,263</b>	<b>(Surplus)/Deficit b/f at 1 April 2022</b>	<b>(57,790)</b>	<b>(10,859)</b>	<b>(68,649)</b>
<b>(57,790)</b>	<b>(10,859)</b>	<b>(68,649)</b>	<b>(Surplus)/Deficit c/f at 31 March 2023</b>	<b>(167,182)</b>	<b>(8,383)</b>	<b>(175,565)</b>

## Tax Base, Rateable Value and Write offs

The Council Tax base for 2022/23, 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	11.26
A	6/9	9,718.16
B	7/9	22,853.02
C	8/9	24,131.55
D	9/9	14,254.00
E	11/9	14,137.48
F	13/9	8,969.26
G	15/9	4,914.57
H	18/9	279.50
		99,268.80
Anticipated changes during the year		1,493.64
Provision for non-collection		(1,612.18)
		99,150.26
Impact of Council Tax Reductions		(8,785.75)
<b>Council Tax Base</b>		<b>90,364.51</b>

## Collection Fund Balance Apportionment

2021/22 Total £'000		2022/23 Council Tax £'000	2022/23 NDR £'000	2022/23 Total £'000
(37,447)	Milton Keynes Council	(7,021)	(81,919)	(88,940)
(28,895)	Central Government	0	(83,591)	(83,591)
(1,336)	Thames Valley Police Authority	(1,048)	0	(1,048)
(971)	Buckinghamshire and Milton Keynes Fire Authority	(314)	(1,672)	(1,986)
<b>(68,649)</b>	<b>Total</b>	<b>(8,383)</b>	<b>(167,182)</b>	<b>(175,565)</b>

## Precepts & Demands on Collection Fund

2021/22 Total £'000		2022/23 Council Tax Precept / Demand £'000	2022/23 NDR Precept / Demand £'000	2022/23 Total Precept / Demand £'000	Council Tax Share of 2022/23 Surplus £'000	NDR Share of 2022/23 Deficit £'000	Total Share of 2022/23 (Surplus)/ Deficit £'000	2022/23 Total £'000
174,653	Milton Keynes Council	147,261	65,516	212,777	(7,021)	(81,919)	(88,940)	123,837
49,350	Central Government		66,853	66,853	0	(83,591)	(83,591)	(16,738)
18,604	Police & Crime Commissioner for Thames Valley	21,803	0	21,803	(1,048)	0	(1,048)	20,755
6,384	Buckinghamshire and Milton Keynes Fire Authority	6,521	1,337	7,858	(314)	(1,672)	(1,986)	5,872
<b>248,991</b>	<b>Total</b>	<b>175,585</b>	<b>133,706</b>	<b>309,291</b>	<b>(8,383)</b>	<b>(167,182)</b>	<b>(175,565)</b>	<b>133,726</b>

## 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.

2021/22		2022/23
£'000		£'000
	<b>Expenditure</b>	
11,607	Repairs & Maintenance	14,092
14,855	Supervision & Management	14,543
2,099	Rents, Rates, Taxes and other charges	2,962
(42,687)	Depreciation, impairments and revaluation losses of non-current assets	12,152
272	Debt Management Costs	312
574	Movement in the allowance for bad debts	0
<b>(13,280)</b>	<b>Total Expenditure</b>	<b>44,061</b>
	<b>Income</b>	
(53,540)	Dwelling rents	(55,758)
(172)	Non-dwelling rents	(155)
(3,097)	Charges for services and facilities	(3,579)
0	Contributions towards Expenditure	(687)
<b>(56,809)</b>	<b>Total Income</b>	<b>(60,179)</b>
<b>(70,089)</b>	<b>Net Expenditure or Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>	<b>(16,118)</b>
313	HRA Services Share of Corporate & Democratic Core	313
<b>(69,776)</b>	<b>Net Expenditure of HRA Services</b>	<b>(15,805)</b>
5,227	(Gains)/loss on sale of HRA Fixed Assets	6,982
10,144	Interest Payable and Similar Charges	10,632
(68)	HRA Interest and Investment Income	(1,582)
245	Net interest on the defined benefit liability/asset	(35)
<b>(54,228)</b>	<b>(Surplus) or Deficit for Year on HRA Services</b>	<b>192</b>

## 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.

2021/22 £'000	Movement on the HRA Statement	2022/23 £'000
(7,259)	Balance on the HRA at the end of the previous year	(7,259)
(54,228)	(Surplus) or Deficit on the HRA Income and Expenditure Statement	192
57,813	Adjustments between accounting basis and funding basis under statute	18,070
<b>3,585</b>	<b>Net (increase) or decrease before transfers to or from reserves</b>	<b>18,262</b>
(3,585)	Transfer to/(from) reserves	(18,383)
0	(Increase) or decrease on the HRA for the year	(121)
<b>(7,259)</b>	<b>Balance on the HRA at the end of the current year</b>	<b>(7,380)</b>

2021/22 £'000	Adjustment between accounting basis	2022/23 £'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
42,710	Transfers to/(from) the Capital Adjustment Account	(13,649)
(5,228)	Gain or (loss) on sale of non-current assets	(6,982)
(1,198)	Contributions to or (from) the Pension Reserve	(153)
(2)	Transfers to/(from) the Accumulated Absences Account	2
15,038	Transfers to/(from) Major Repairs Reserve	16,411
6,493	Capital expenditure funded by the HRA	21,754
0	Transfers to/(from) Capital Grants Unapplied	687
<b>57,813</b>	<b>Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year</b>	<b>18,070</b>

2021/22 £'000	Transfer to/from Reserves	2022/23 £'000
2,908	Transfers to earmarked reserves	3,371
(6,493)	Transfers from earmarked reserves	(21,754)
<b>(3,585)</b>	<b>Total Transfers</b>	<b>(18,383)</b>

The Reserves held at 31 March 2023 are included in Note 10 to the accounts.



## Notes to the HRA Account

### Housing Stock

At 1 April 2022 the HRA housing stock was 11,915. During the 2022/23 financial year stock numbers decreased as 63 properties were sold to tenants (includes part-sales of shared ownership dwellings), 1 dwelling was acquired from the leasehold and 23 dwellings were built by the council.

Therefore as at 31 March 2023 the Council HRA was responsible for managing a housing stock of 11,876 dwellings of which 938 is the council's portion of shared ownership dwellings.

The analysis of the remaining 10,938 dwellings is as shown below:

Main Rented Stock	Houses	Flats	Total	Houses Built	No. of Houses
1 Bedroom	1,466	2,178	3,644	Pre 1919	41
2 Bedrooms	1,784	779	2,563	1919 - 1944	325
3 or more Bedrooms	4,557	174	4,731	1945 - 1964	1,440
			0	Post 1964	6,001
<b>Total</b>	<b>7,807</b>	<b>3,131</b>	<b>10,938</b>		<b>7,807</b>

### Capital Expenditure

2021/22		2022/23
£'000		£'000
	<b>Capital Spending:</b>	
42,507	Dwellings	43,653
0	Other HRA Assets	794
188	Revenue expenditure funded from capital under statute	1,866
<b>42,695</b>	<b>Total Capital Expenditure</b>	<b>46,313</b>
	<b>Funded By:</b>	
(3,381)	Usable Capital Receipts	(1,191)
(8,895)	Prudential Borrowing	(6,271)
(23,248)	Major Repairs Allowance	(16,411)
(678)	Government Grant	(671)
0	Third Party Contributions	(15)
(6,493)	Revenue Contributions	(21,754)
<b>(42,695)</b>	<b>Total Capital Financing</b>	<b>(46,313)</b>

## Capital Receipts

2021/22			2022/23	
£'000			£'000	
		<b>Sale of Dwellings*:</b>		
6,108		Council Houses		7,726
546		Shared Ownership		405
0		Land		0
21		Recovered Discount		24
442		Non Right to Buy Receipts		863
<b>7,117</b>		<b>HRA Receipts in Year</b>		<b>9,018</b>
(834)		Less: Statutory Pooling		0
<b>6,283</b>		<b>Total HRA Usable Receipts in year</b>		<b>9,018</b>

\* 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 decreased by £0.539m from 2021/22 value of £1.768m to £1.229m in 2022/23. 2021/22 included the decommissioning 164 flats at Mellish Court and Gables Tower blocks. At 31 March 2023, 2.44% of the housing stock was vacant (1.79% at 31 March 2022).

Rents are expressed in terms of a 50-week year and were increased in April 2022 by an average of 4.10%. The average weekly rent at the end of 2022/23 was £95.60 (£91.20 in 2021/22).

The Housing Revenue Account shows rent income and other miscellaneous charges (for example service charges). Arrears of all charges at 31 March 2023 amounted to £6.327m (£5.579m at 31 March 2022). During the year ending 31 March 2023 arrears of £0.298m were written off as irrecoverable, of which £0.260m was in respect of rent debts and £0.038m sundry debts.

The council has made a total provision against all housing-related debts of £2.280m. This figure includes a provision against rent arrears, in the sum of £1.683m.

## Depreciation and Impairment of Non-Current Assets

2021/22			2022/23		
Depreciation	Impairment		Depreciation	Impairment	
£'000	£'000		£'000	£'000	
(14,864)	(7,769)	Council Dwellings	(16,366)	(14,547)	
(157)	0	Other Land and Buildings	(45)	8	
(17)	0	Vehicles, Plant, Furniture and Equipment	0	0	
<b>(15,038)</b>	<b>(7,769)</b>	<b>Total</b>	<b>(16,411)</b>	<b>(14,539)</b>	

## Asset Values

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

	31-Mar-22	01-Apr-22	31-Mar-23
	£'000	£'000	£'000
<u>Operational Assets</u>			
Council Dwellings	789,513	773,148	803,310
Other Land & Buildings	3,516	3,471	6,032
Equipment	0	0	0
<u>Non Operational Assets</u>			
Surplus Assets	203	203	277
Assets Under Construction	11,361	11,361	13,064
Assets Held for Sale	0	0	0
Investment Properties	0	0	0
<b>Total</b>	<b>804,593</b>	<b>788,183</b>	<b>822,683</b>

As at 31 March 2023, the vacant possession value of the operational council's dwellings is estimated at £2,432.502m compared with the Balance Sheet value of £802.726m. 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 £34.479m between 1 April 2022 and 31 March 2023 is due to further revaluations in the year along with additions, disposals and reclassifications.

## Pension Reserve

The transfer to the Pensions Reserve in respect of the Housing Revenue Account is (£0.154m). 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.

MKCC set up DevelopMK Ltd; the directors of this new organisation are three senior MKC staff members. DevelopMK is part owner of MKDP alongside MKCC owning a 0.01% share of MKDP. DevelopMK traded throughout 2022/23 and received a very small dividend from the MKDP.

### DevelopMK

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

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

The council has determined that we do not consider DevelopMK to be material to consolidate in the Group Accounts for 2022/23.

### Milton Keynes Development Partnership

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

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

The financial position of the Milton Keynes Development Partnership for the period ended 31 March 2021 was a loss of (£16.384m). This includes revaluation losses of (£17.618m); IAS19 pensions £0.217m, Gain on disposal £0.406m to be used for future capital development and a trading profit from operations of £0.611m.

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 in December 2022.

## 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 9 of the Financial Statements.

## Interest in Subsidiaries

There are no interests in subsidiaries other than those reported in note 35 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

2022/23	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
<b>Balance at 31 March 2022</b>	(200,755)	(70,862)	(30,366)	0	(39,770)	<b>(341,753)</b>	(987,717)	<b>(1,329,470)</b>
<b>Movement in reserves during 2022/23</b>								
Surplus or deficit on the provision of services	(2,392)	192	0	0	0	<b>(2,200)</b>	0	<b>(2,200)</b>
Other Comprehensive Income / Expenditure	0	0	0	0	0	<b>0</b>	(377,323)	<b>(377,323)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(2,392)</b>	<b>192</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,200)</b>	<b>(377,323)</b>	<b>(379,523)</b>
Adjustments between accounting basis and funding basis under regulations	35,000	18,070	(23,459)	0	(5,823)	<b>23,788</b>	(23,788)	<b>0</b>
<b>Increase or Decrease in 2022/23</b>	<b>32,608</b>	<b>18,262</b>	<b>(23,459)</b>	<b>0</b>	<b>(5,823)</b>	<b>21,588</b>	<b>(401,111)</b>	<b>(379,523)</b>
<b>Balance at 31 March 2023</b>	<b>(168,147)</b>	<b>(52,600)</b>	<b>(53,825)</b>	<b>0</b>	<b>(45,593)</b>	<b>(320,165)</b>	<b>(1,388,828)</b>	<b>(1,708,993)</b>

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

## Group Comprehensive Income and Expenditure Statement

2021/22			2022/23		
Expenditure	Income	Net	Expenditure	Income	Net
£'000	£'000	£'000	£'000	£'000	£'000
142,627	(59,096)	83,531	150,132	(60,659)	89,473
13,134	(13,126)	8	13,089	(13,625)	(536)
268,467	(186,075)	82,392	259,073	(193,995)	65,078
8,666	(5,226)	3,440	13,517	(6,336)	7,181
0	0	0	0	0	0
1,188	0	1,188	0	1	1
(12,968)	(56,810)	(69,778)	44,362	(59,462)	(15,100)
10,679	(9,319)	1,360	8,505	(7,582)	923
70,911	(19,941)	50,970	86,605	(24,887)	61,718
66,832	(67,551)	(719)	71,984	(66,303)	5,681
9,613	(3,637)	5,976	1,523	(1,992)	(469)
3,484	(499)	2,985	5,825	822	6,647
10,219	(7,957)	2,262	2,635	(5,101)	(2,466)
<b>592,852</b>	<b>(429,237)</b>	<b>163,615</b>	<b>657,250</b>	<b>(439,119)</b>	<b>218,131</b>
		51,331			55,979
		(16,159)			2,310
		(266,601)			(278,620)
		<b>(67,814)</b>			<b>(2,200)</b>
		(102,630)			(37,175)
		22,715			7,551
		0			0
		(162,797)			(347,699)
		<b>(242,712)</b>			<b>(377,323)</b>
		<b>(310,526)</b>			<b>(379,523)</b>

## Group Balance Sheet

2021/22	Note		2022/23
£'000			£'000
1,520,883		Property, Plant and Equipment	1,533,525
253,578		Infrastructure Assets	254,780
835		Heritage Assets	830
177,447		Investment Property	202,966
1,340		Intangible Assets	1,147
17,098		Long Term Investments	14,279
12,313		Long Term Debtors	11,111
<b>1,983,494</b>		<b>Long Term Assets</b>	<b>2,018,638</b>
115,232		Short-term Investments	213,212
76,277		Assets Held for Sale	56,370
89		Inventories	71
80,272	G3	Short Term Debtors	114,647
264,549		Cash and Cash Equivalents	230,446
<b>536,419</b>		<b>Current Assets</b>	<b>614,746</b>
(16,991)		Short-Term Borrowing	(23,085)
(197,345)	G4	Short-Term Creditors	(230,632)
(7,808)		Provisions	(6,531)
(64,761)		Grants Receipts in Advance - Revenue	(83,566)
(9,565)		Grants Receipts in Advance - Capital	(12,155)
<b>(296,470)</b>		<b>Current Liabilities</b>	<b>(355,969)</b>
(15,288)	G5	Provisions	(7,350)
(433,542)		Long Term Borrowing	(417,328)
(374,926)		Other Long-Term Liabilities	(33,433)
(66,626)		Grants Receipts in Advance - Revenue	(101,089)
(3,591)		Grants Receipts in Advance - Capital	(9,222)
<b>(893,973)</b>		<b>Long Term Liabilities</b>	<b>(568,422)</b>
<b>1,329,470</b>		<b>Net Assets</b>	<b>1,708,993</b>
(341,753)	G6	Usable Reserves	(320,165)
(987,717)	G6	Unusable Reserves	(1,388,828)
<b>(1,329,470)</b>		<b>Total Reserves</b>	<b>(1,708,993)</b>



## Group Cash Flow Statement

Group 2021/22 £'000			Group 2022/23 £'000
(67,814)		Net (surplus) or deficit on the provision of services	(2,200)
(166,349)	G7.1	Adjustment to surplus or deficit on the provision of services for noncash movements	(156,113)
81,488	G7.1	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	77,495
<b>(152,675)</b>		<b>Net cash flows from operating activities</b>	<b>(80,818)</b>
(14,150)	G7.2	Net cash flows from investing activities	103,378
44,929	G7.3	Net cash flows from financing activities	11,543
<b>(121,896)</b>		<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>34,103</b>
142,653		Cash and cash equivalents at the beginning of the reporting period	264,549
<b>264,549</b>		<b>Cash and cash equivalents at the end of the reporting period</b>	<b>230,446</b>

### 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
2021/22		2022/23	2022/23	2022/23	2022/23
£'000		£'000	£'000	£'000	£'000
1,983,494	Long Term Assets	1,924,724	95,584	(1,670)	2,018,638
115,232	Short Term Investments	221,403	0	(8,191)	213,212
76,277	Assets held for sale	9,521	46,849	0	56,370
89	Inventories	71	0	0	71
80,272	Short Term Debtors	114,203	2,465	(2,021)	114,647
264,549	Cash and Cash Equivalents	226,419	4,027	0	230,446
(16,991)	Short Term Borrowing	(23,085)	0	0	(23,085)
(197,345)	Short Term Creditors	(229,552)	(10,104)	9,024	(230,632)
(7,808)	Short Term Provisions	(6,531)	0	0	(6,531)
(74,326)	Short Term Grants & Contributions Receipts in Advance	(95,721)	0	0	(95,721)
(15,288)	Long Term Provisions	(7,350)	0	0	(7,350)
(433,542)	Long Term Borrowing	(417,328)	0	0	(417,328)
0	Long Term Borrowing	(4,004)	0	4,004	0
(374,926)	Other Long-Term Liabilities	(33,249)	(184)	0	(33,433)
(70,217)	Long Term Grants & Contributions Receipts in Advance	(110,311)	0	0	(110,311)
<b>1,329,470</b>	<b>Net Assets</b>	<b>1,569,210</b>	<b>138,637</b>	<b>1,146</b>	<b>1,708,993</b>

### 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
2021/22		2022/23	2022/23	2022/23	2022/23
£'000		£'000	£'000	£'000	£'000
161,223	Balance at start of year	87,563	90,469	(585)	177,447
	Additions:				
8,589	- Purchases	0	2,610	0	2,610
1,505	- Subsequent Expenditure	1,959	95	0	2,054
(10,951)	Disposals	(3,709)	(3,750)	0	(7,459)
40,570	Net Gain/(losses) from fair value adjustment	23,239	(14,421)	(1,085)	7,733
	Transfers (to)/from:				
13,543	- Property Plant and Equipment	0	0	0	0
(37,032)	- Assets Held For Sale	0	20,581	0	20,581
<b>177,447</b>	<b>Balance Outstanding year end</b>	<b>109,052</b>	<b>95,584</b>	<b>(1,670)</b>	<b>202,966</b>

See Note 23 Investment Properties for the Milton Keynes Council details

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

A significant addition for Elfield Park, Milton Keynes; purchase costs of £2.610m.

## G4 – Debtors

Group Total restated*		Milton Keynes Council	Milton Keynes Development Partnership	Intra-Company Transactions	Group Total
2021/22		2022/23	2022/23	2022/23	2022/23
£'000		£'000	£'000	£'000	£'000
32,766	Trade Receivables	22,043	2,026	0	24,069
66,317	Other Receivable Amounts	112,278	439	(2,021)	110,696
(18,811)	Provision for Bad Debts	(20,118)	0	0	(20,118)
<b>80,272</b>	<b>Total Short Term Debtors</b>	<b>114,203</b>	<b>2,465</b>	<b>(2,021)</b>	<b>114,647</b>

## G5 – Creditors

Group Total		Milton Keynes Council	Milton Keynes Development Partnership	Intra-Company Transactions	Group Total
2021/22		2022/23	2022/23	2022/23	2022/23
£'000		£'000	£'000	£'000	£'000
(17,532)	Trade payables	(48,769)	(1,664)	0	(50,433)
(179,813)	Other payables	(180,783)	(8,440)	9,024	(180,199)
<b>(197,345)</b>	<b>Total Short Term Creditors</b>	<b>(229,552)</b>	<b>(10,104)</b>	<b>9,024</b>	<b>(230,632)</b>

## 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
2021/22		2022/23	2022/23	2022/23
£'000		£'000	£'000	£'000
(294,708)	Milton Keynes Council's Usable Reserves	(271,911)	0	(271,911)
(47,045)	LLP Retained Earnings	0	(48,254)	(48,254)
<b>(341,753)</b>	<b>Total Usable Reserves</b>	<b>(271,911)</b>	<b>(48,254)</b>	<b>(320,165)</b>
(877,638)	Milton Keynes Council's Unusable Reserves	(1,297,299)	0	(1,297,299)
(110,079)	LLP Non-Distributed Reserves	0	(91,529)	(91,529)
<b>(987,717)</b>	<b>Total Unusable Reserves</b>	<b>(1,297,299)</b>	<b>(91,529)</b>	<b>(1,388,828)</b>
<b>(1,329,470)</b>	<b>Total Reserves</b>	<b>(1,569,210)</b>	<b>(139,783)</b>	<b>(1,708,993)</b>

## G8.1 – Cash Flow from Operating Activities

The cash flows for operating activities include the following items:

2021/22			2022/23	
Milton Keynes	Group		Milton Keynes	Group
£'000	£'000		£'000	£'000
(1,786)	(1,786)	Interest received	(15,532)	(15,532)
19,654	19,654	Interest paid	21,224	21,224
<b>17,868</b>	<b>17,868</b>	<b>Total</b>	<b>5,692</b>	<b>5,692</b>

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

2021/22			2022/23	
Milton Keynes	Group		Milton Keynes	Group
£'000	£'000		£'000	£'000
37,199	84,970	Depreciation	(14,463)	(32,774)
(264)	(264)	Amortisation	(173)	(173)
2,071	2,071	(Increase)/decrease in impairment for bad debts	2,071	2,071
(126,211)	(126,193)	(Increase)/decrease in creditors	(75,412)	(97,263)
1,219	(98)	Increase/(decrease) in debtors	36,071	55,964
38	(29)	Increase/(decrease) in inventories	(18)	896
(47,821)	(47,905)	Movement in pension liability	(5,989)	(6,206)
(71,538)	(71,538)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(75,174)	(75,174)
(6,590)	(7,363)	Other non-cash movements charged to the surplus or deficit on provision of services	(2,819)	(3,454)
<b>(211,897)</b>	<b>(166,349)</b>	<b>Total</b>	<b>(135,906)</b>	<b>(156,113)</b>

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

2021/22			2022/23	
Milton Keynes	Group		Milton Keynes	Group
£'000	£'000		£'000	£'000
30,915	30,915	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	29,887	29,887
50,573	50,573	Any other items for which the cash effects are investing or financing cash flows	47,608	47,608
<b>81,488</b>	<b>81,488</b>	<b>Total</b>	<b>77,495</b>	<b>77,495</b>

## G8.2 – Cash Flow from Investing Activities

2021/22			2022/23	
Milton Keynes	Group		Milton Keynes	Group
£'000	£'000		£'000	£'000
88,644	97,509	Purchase of property, plant and equipment, investment property and intangible assets	108,518	113,347
1,850,118	1,850,118	Purchase of short-term and long-term investments	2,346,746	2,346,746
0	0	Other payments from investing activities	0	0
(12,232)	(21,781)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(28,731)	(33,013)
(1,890,117)	(1,890,117)	Proceeds from short-term and long-term investments	(2,273,747)	(2,273,747)
(49,879)	(49,879)	Other receipts from investing activities	(49,954)	(49,954)
<b>(13,466)</b>	<b>(14,150)</b>	<b>Net cash flows from investing activities</b>	<b>102,832</b>	<b>103,378</b>

## G8.3 – Cash Flow from Financing Activities

2021/22			2022/23	
Milton Keynes	Group		Milton Keynes	Group
£'000	£'000		£'000	£'000
29,824	29,824	Other receipts from financing activities	(22,517)	(22,517)
9,733	9,733	Repayments of short-term and long-term borrowing	10,096	32,096
4,583	5,372	Other payments for financing activities	(1,158)	1,964
<b>44,140</b>	<b>44,929</b>	<b>Net cash flows from financing activities</b>	<b>(13,579)</b>	<b>11,543</b>

## 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.