



Auditor's Annual Report for Milton Keynes City Council

Year-ended 31 March 2025

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February 2026

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Our audit reports will be made solely to the members of Milton Keynes City Council (the Council), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the members of Council, as a body, for our audit work, for our auditor's reports, for this Auditor's Annual Report, or for the opinions we have formed.

External auditors do not act as a substitute for the Council's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

01

Executive Summary

Executive Summary

Purpose of the Auditor’s Annual Report

This Auditor’s Annual Report provides a summary of the findings and key issues arising from our 2024-25 audit of Milton Keynes City Council. This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office (the ‘Code of Audit Practice’) and is required to be published by the Council alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014 (the Act). Our responsibilities under the Act, the Code of Audit Practice and International Standards on Auditing (UK) (‘ISAs (UK)’) include the following:



Financial Statements - To provide an opinion as to whether the financial statements give a true and fair view of the financial position of the Milton Keynes City Council and of its income and expenditure during the year and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2024/25 (‘the CIPFA Code’).



Other information (such as the narrative report) - To consider, whether based on our audit work, the other information in the Statement of Accounts is materially misstated or inconsistent with the financial statements or our audit knowledge of the Council.



Value for money - To report if we have identified any significant weaknesses in the arrangements that have been made by the Council to secure economy, efficiency and effectiveness in its use of resources. We are also required to provide a summary of our findings in the commentary in this report.



Other powers - We may exercise other powers we have under the Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to any valid objections received from electors.

Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

Financial statements and other information	<p>We issued a modified opinion on the Milton Keynes City Council’s financial statements on 27 February 2026. This means that we believe the financial statements give a true and fair view of the financial performance and position of the Council, except for the details mentioned on page 7.</p> <p>We have provided further details of the key risks we identified and our response on pages 8-9.</p>
Value for money	<p>We identified no significant weaknesses in respect of the arrangements the Council has put in place to secure economy, efficiency, and effectiveness in the use of its resources. Further details are set out on page 10.</p>
Whole of Government Accounts	<p>We are required to perform procedures and report to the National Audit Office in respect of the Council’s consolidation return to HM Treasury in order to prepare the Whole of Government Accounts.</p> <p>As the National Audit Office has not yet informed us that we are not required to perform any further procedures, we are unable to confirm that we have concluded our work in this area.</p>
Other powers	<p>See overleaf.</p>

Executive Summary

There are several actions we can take as part of our wider powers under the Act:

Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Council is required to consider it and to bring it to the attention of the public.

We have not issued a Public Interest Report this year.

Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Council is taking. We may also apply to the courts for a declaration that an item of expenditure the Council has incurred is unlawful.

We have not applied to the courts.

Recommendations

We can make recommendations to the Council. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Act. If we do this, the Council must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Council does not need to take any action, however should the Council provide us with a response, we will include it within this report.

We made no recommendations under Schedule 7 of the Act.

Advisory notice

We may issue an advisory notice if we believe that the Council has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, the Council is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

We have not issued an advisory notice this year.

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the Council. Where we raise observations we report these to management and the Audit Committee. The Council is not required to take any action to these, however it is good practice to do so.

02

Audit of the financial statements

Audit of the financial statements

Our responsibility is to conduct an audit of the financial statements in accordance with the Local Audit and Accountability Act 2014, Code of Audit Practice and ISAs (UK) and to issue an auditor's report.

However, due to the significance of the matters described below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Milton Keynes City Council financial statements.

We have fulfilled our ethical responsibilities under, and are independent of the council in accordance with, UK ethical requirements including the FRC Ethical Standard.

Our Qualification of opinion on the Milton Keynes City Council's financial statements

We have issued a qualified opinion on the Milton Keynes City Council's financial statements on 27 February 2026. The reason for our modification opinion is as follows:

- The disclosed comparative figures for the Group and Council's Comprehensive Income and Expenditure Statement for the year ended 31 March 2024 in relation to Capital Grant Income; and
- The disclosed comparative figures for the Group and Council's Balance Sheet as at 31 March 2024 in relation to Usable and Unusable Reserves and Short-term and long-term grants for both revenue and capital received in advance

Further information on our audit of the Milton Keynes City Council financial statements is set out overleaf.

Audit of the financial statements

The table below summarises the key financial statement audit risks that we identified as part of our risk assessment and how we responded to these through our audit.

Valuation of land and buildings

The carrying amount of revalued Land & Buildings differs materially from the fair value. We consider this to apply particularly to the Waste Recovery Park as it is a specialised asset.

Our procedures

We have performed the following procedures designed to specifically address the significant risk associated with the valuation:

- We critically assessed the independence, objectivity and expertise of Hilco, the valuer used in developing the valuation of the Waste Recovery Park at 31 March 2025;
- We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We compared accuracy of data provided to the valuers for the development of the valuation to underlying information;
- We agreed the calculations performed of the movements in value of land and buildings and verified that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We used our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised.

Our findings

No significant issues have been identified.

Overall we found the valuations to be appropriate and the overall assumptions to be balanced.

Valuation of Investment Properties

The carrying amount of revalued Investment Property differs materially from the fair value.

Our procedures

We have performed the following procedures designed to specifically address the significant risk associated with the valuation:

- We critically assessed the independence, objectivity and expertise of Kirkby Diamond and Wilkes Head & Eve, the valuers used in developing the valuation of the Council's investment property at 31 March 2025;
- We inspected the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We agreed the calculations performed of the movements and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We used our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised.

Our findings

We identified one audit adjustments as a result of our work. This was corrected by management and did not have any impact on the Council's available reserves. No other significant issues have been identified.

Overall we found the valuations to be appropriate and the overall assumptions to be balanced.

Audit of the financial statements

The table below summarises the key financial statement audit risks that we identified as part of our risk assessment and how we responded to these through our audit.

Management override of controls

Fraud risk related to unpredictable way management override of controls may occur.

Our procedures

Our audit methodology incorporates the risk of management override as a default significant risk. We have performed the following procedures designed to specifically address the significant risk::

- Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias;
- Evaluated the selection and application of accounting policies;
- In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments;
- Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates;
- Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the component's normal course of business, or are otherwise unusual; and
- Analysed all journals through the year using data and analytics and focus our testing on those with a higher risk, such as unusual combinations.

Our findings

No significant issues noted.

Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation.

Our procedures

We have performed the following procedures:

- Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Performed inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirmed that the accounting treatment and entries applied by the Council are in line with IAS19 and the CIPFA Code of Practice.

Our findings

No significant issues have been identified, except one uncorrected misstatement and one corrected disclosure for asset ceiling. The judgements reached in determining the valuation are considered to be balanced.

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Value for Money

Value for Money

Introduction

We are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or ‘value for money’. We consider whether there are sufficient arrangements in place for the Council for the following criteria, as defined by the Code of Audit Practice:



Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services.



Governance: How the Council ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We do not act as a substitute for the Council’s own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. We are also not required to consider whether all aspects of the Council’s arrangements are operating effectively, or whether the Council has achieved value for money during the year.

Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor’s Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council.

Summary of 2024/25 findings

Our 2024/25 work in relation to value for money is complete.

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	9	10	11
Identified risks of significant weakness?	x No	x No	x No
Actual significant weakness identified?	x No	x No	x No
2023/24 Findings	No significant risks identified	No significant risks identified	No significant risks identified
Direction of travel	↔	↔	↔

Value for Money

National context

We use issues affecting Councils nationally to set the scene for our work. We assess if the issues below apply to this Council.

Local Government Reorganisation

The Government has announced proposals to restructure local government throughout England. County and District councils (and, in some cases, existing Unitary authorities) will be abolished and replaced with new, larger Unitary authorities, which will (in many cases) work together with peers in a regional or sub-regional Combined Authority. Authorities which are unaffected by these proposals may still see changes in local police and fire authorities and in the councils they already work in collaboration with.

Restructuring has, in some cases, resulted in differing views on how services should be provided in their regions – with little consensus on how previously separate organisations will be knitted together. Councils will need to ensure that investment decisions are in the long-term interest of their regions, and that appropriate governance is in place to support decision making.

Financial performance

Over recent years, Councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused Councils to cut services and change the way that services are delivered in order to remain financially viable.

Whilst the Government has indicated an intention to restore multi-year funding settlements, giving Councils greater certainty and ability to make longer-term investment decisions, the Government has also proposed linking grant funding to deprivation. For some authorities this presents a significant funding opportunity, whereas for others this reinforces existing financial sustainability concerns and creates new financial planning uncertainties.

Education

Many schools are now the responsibility of academy trusts, however some schools are still controlled and overseen by the local Council. Dedicated funding is provided by central government to run schools, however due to cost pressures many Councils have overspent against their central government allocation, particularly in relation to “high needs” expenditure (i.e. to support students with special educational needs and disability (SEND)). Government guidance is awaited on children’s services reform and SEND, and some authorities are delaying transformation programmes until there is clarity on how services should evolve.

An accounting override exists meaning Councils do not need to recognise schools’ deficits as part of their reserves which, for some, avoids Councils becoming insolvent. This override was recently extended to March 2028. However, some have raised concerns that this extension only defers the problem, and the underlying unsustainability of education expenditure has not been resolved.

Local context

The Council’s approved budget for 2024/25 was £269 million. During the year, the Council delivered £6.8 million of savings against a savings target of £7.7 million. Almost all of the £0.9 million unachieved 2024/25 savings is expected to be delivered in 2025/26. The overall 2024/25 outturn position was a small underspend against the approved budget.

The capital budget for 2024/25 totalled £246.5 million. Actual expenditure during the year was £170.9 million, giving an in-year underspend of £75.6 million. Of this underspend, £72.1 million is expected to be carried out in 2025/6 and has been added to next year’s capital programme.

In contrast to many other councils nationally, the Council is operating with a surplus on its Dedicated Schools Grant (DSG)

The Council was subject to a Corporate Peer Challenge review in 2024/25. The report concludes that Milton Keynes City Council is a high-performing and well-run council with a strong track record of delivery

Financial Sustainability

How the Council plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

The annual budgets are set on a directorate-by-directorate basis by the key service leaders supported by Finance Business Partners. Scrutiny is provided by the Corporate Leadership Team (CLT). The draft budget for 2024/25 was set by Cabinet and approved by full Council in February 2024. The 2024/25 budget was developed with key pressures and risks in mind, including contractual inflation, pay, estimated increases in demand-led services because of demographic changes, and corporate priorities.

Budget holders are involved in the process through their consideration of revenue costs and pressures, capital cost and time limited costs, one off costs and saving for their respective service areas. One of the core principles of the Council is managing emerging pressures. Budget managers have responsibility to reduce overspending and to only incur costs where necessary. Service leads at the Council have overall responsibility for budgets and meet with Finance Business Partners either monthly or quarterly, depending on the level of risk associated with that area, to review and challenge forecasts and ensure that reasons for variances are understood and any actions required are being taken.

The Council updates its Medium-Term Financial Plan (MTFP) annually, with the 4-year plan covering 2024/25 to 2027/28 reviewed and approved by Cabinet in February 2024. The s151 officer reported within the Section 25 Statement that the Council's reserve balances are prudent and appropriate given the level of risk and complexity of the delivery of the budget. The Council's expected reserves position as at 31 March 2025 was £204.93m, a decrease of £44.47m compared to the opening balance. In contrast to many other councils nationally, the Council is operating with a surplus on its Dedicated Schools Grant (DSG). This means that the Council is not facing the same budget pressures from DSG as is being experienced by many of its peers.

The Council's MTFP for the 4-year period 2025/26 to 2028/29, which was approved by Cabinet in February 2025, assumes that £1.6m of reserves will be required to be used to balance its budget in 2025/26. The Council's earmarked general fund reserves (excluding schools) as at 31 March 2025 were £176.7m, an increase of £19.2m compared to prior year.

The Council reports to Cabinet quarterly on its performance against forward-looking prudential indicators for its borrowing and lending activity. The prudential indicators for 2024/25 were set within the Treasury Management Strategy when the MTFP was approved in February 2024. The Council met all of its prudential targets in 2024/25.

Conclusion

Based on the findings above **we have not identified any significant weaknesses in the Council's financial sustainability arrangements** related to this risk.

Governance

How the Council ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the Council monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

The Council has a risk management policy in place which sets out the Council's approach to risk management. The Council's Corporate Risk Register comprises all identified corporate risks, the top three risks from Directorate risk registers and, where appropriate, service and project risks. The Corporate Risk register is reviewed by the Council's Audit Committee on a regular basis and deep dive reviews are periodically performed specific risks. Our review of the risk register found that the Council maintains a detailed risk register to effectively manage the risks.

The effectiveness of internal controls is monitored by the Audit Committee through reporting from Internal Audit, which have an agreed work plan and report progress to each Audit Committee, with an annual report taken at the end of the year. Internal Audit is provided by an in-house team of experienced internal auditors, including two dedicated counter-fraud officers. The Internal Audit annual report for 2024/25, including the Head of Internal Audit Opinion, was presented to the Audit Committee in July 2025. The overall opinion was that Milton Keynes City Council's framework of governance, risk management and management control is Good. This is consistent with the opinion in 2023/24.

The Council has in place a staff code of conduct and whistleblowing policy. The Council publishes an anti-fraud and corruption policy, an anti-money laundering policy and a Fraud Response Plan. Hotlines are maintained for referrals and for whistleblowing concerns. Outcomes from investigations of referrals and other concerns raised are reported to Corporate Leadership team and to the Audit Committee on a quarterly basis.

The Council maintains an in-house legal and democratic service who led on awareness of legislation and regulatory requirements and changes. They work closely with teams across the organisation to ensure compliance. Any instances of non-compliance is reported to the Corporate Leadership Team and relevant committees.

Key strategic decisions are made via the Council's governance process. A scheme of delegation is in place which sets out where different decisions and approvals should take place. Major decisions require business cases to be approved through the relevant oversight group.

Conclusion

Based on the findings above **we have not identified any significant weaknesses in the Council's governance arrangements related to this risk.**

Improving economy, efficiency and effectiveness

How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

The primary mechanism for budgetary planning is the Medium-Term Financial Plan (MTFP) which details the level of financial support available to deliver the Council's strategy. The Council uses benchmarking to compare its service performance and costs to its statistical neighbours and has a good understanding of the unit costs of its services.

Performance reports are provided on a quarterly basis to the Policy, Performance and Scrutiny Management Committee. The performance reports contain comprehensive performance scorecards which cover the priorities as set out in the corporate plan and include details on whether performance measures were on target or below target, the reasons for underperformance and any actions being taken to address the issues.

The Council was subject to a Corporate Peer Challenge review in 2024/25, which involves a team of senior local government councillors and officers undertaking a comprehensive review of key finance, performance and governance information and on-site meetings to provide robust, strategic, and credible challenge and support. The report was published after year end and concludes that Milton Keynes City Council is a high-performing and well-run council with a strong track record of delivery. The Council has prepared a Corporate Peer Challenge Action Plan to respond to the recommendations raised in the report, which was presented to Cabinet in July 2025.

The Milton Keynes City Council Plan 2022-2026 explicitly identifies the importance of co-operation and partnership as one of its 10 Principles. The quarterly performance reports to the Policy, Performance and Scrutiny Management Committee includes performance monitoring for key partners.

Conclusion

Based on the findings above **we have not identified any significant weaknesses in the Council's Improving economy, efficiency and effectiveness arrangements** related to this risk.



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