



Statement of Accounts 2016/17

GROUP ACCOUNTS

For the year ending 31st March 2017

Group Accounts

INTRODUCTION

The Council has an interest in the Milton Keynes Development Partnership.LLP, MK Business Excel Ltd and Your MK LLP

Milton Keynes Development Partnership

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

MKDP was set up by the Council to facilitate Milton Keynes' continued growth and economic success by promoting the development of land assets 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 31st March 2017 was a profit of £0.859m.

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

MK Business Excel Ltd

MK Business Excel Ltd (formerly known as MKSP Direct Ltd) is wholly owned by Milton Keynes Council.

MKBE was a full-service business support organisation formed to provide business management solutions to customers in Milton Keynes and across the region.

After receiving legal advice, many of the trading activity of the company transferred to the Council leaving very little trading activity going through MKBE. The trading activity of MKBE ended in October 2016. Turnover for 2016/17 totalled £0.007m with a balance on reserves of around £0.024m.

Due to materiality of MKBE, the Council has taken the view that the activity does not warrant full Group Accounts disclosures.

YourMK LLP

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

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

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

YourMK is in the early stages of developing their Business Plan and has yet to grow into their full potential. At December 2016 the forecast turnover was £0.201m with a forecast loss of (£0.164m). This position was expected in the early years of the Business.

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The council has determined that we do not consider YourMK LLP to be material to consolidate in Group Account for 2016/17. However, as YourMK grows, it's the Councils expectation that YourMK's position will be considered material and group consolidation would be required.

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

- The Group Movement in Reserves Statement; incorporating the movement in year on all the different reserves held by the Group;
- The Group Comprehensive Income and Expenditure Statement; which summarises resources which have been applied and generated in providing services and managing the group during the last year;
- The Group Balance Sheet which sets out the assets and liabilities recognised by the Group as at 31st March 2017, and;
- Group Cash Flow Statement, which summarises the changes in cash and cash equivalents of the council during the reporting period.

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

Notes to the Group Financial Statements

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

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

Material Item of Income and Expense

The material income and expense included within the Group Comprehensive Income and Expenditure Statement are the same as the single entity accounts which can be found in note 3 of the Financial Statements.

Interest in Subsidiaries

There are no interests in subsidiaries other than those reported in note 31 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

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that could expose the Authority to a loss. There are no other risks associated with these subsidiaries

Group Movement in Reserves Statement

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

	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
2016/17 Current Year								
Balance at 31 March 2016	(105,536)	(43,525)	(15,679)	(46,143)	(14,984)	(225,867)	(434,429)	(660,296)
Total Comprehensive Expenditure and Income	27,890	(57,950)	0	0	0	(30,060)	13,535	(16,525)
Adjustments between Accounting Basis & Funding Basis under Regulations	(31,260)	48,241	(3,720)	12,270	(8,612)	16,919	(14,958)	1,961
Net (Increase) / Decrease in 2016/17	(3,370)	(9,709)	(3,720)	12,270	(8,612)	(13,141)	(1,423)	(14,564)
Balance at 31 March 2017	(108,906)	(53,234)	(19,399)	(33,873)	(23,596)	(239,008)	(435,852)	(674,860)
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
2015/16 Comparative year								
Balance at 31 March 2015	(86,271)	(22,926)	(18,199)	(59,660)	(10,701)	(197,757)	(221,707)	(419,464)
Total Comprehensive Expenditure and Income	(81,605)	(93,457)	0	0	0	(175,062)	(67,717)	(242,779)
Adjustments between Accounting Basis & Funding Basis under Regulations	62,340	72,858	2,520	13,517	(4,283)	146,952	(145,005)	1,947
Net (Increase) / Decrease in 2015/16	(19,265)	(20,599)	2,520	13,517	(4,283)	(28,110)	(212,722)	(240,832)
Balance at 31 March 2016	(105,536)	(43,525)	(15,679)	(46,143)	(14,984)	(225,867)	(434,429)	(660,296)

Group Comprehensive Income and Expenditure Statement

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

31 March 2016 - Restated			31 March 2017			
Gross Income	Gross Exp	Net Exp	Comprehensive Income and Expenditure	Gross Income	Gross Exp	Net Exp
£'000	£'000	£'000		£'000	£'000	£'000
(19,752)	86,617	66,865	Adult Social Care	(17,026)	76,864	59,838
(29,212)	97,323	68,111	Children Services	(180,007)	241,151	61,144
(10,373)	11,203	830	Public Health	(12,221)	12,361	140
(59,337)	195,143	135,806	Total People	(209,254)	330,376	121,122
(4,267)	8,419	4,152	Housing and Community	(11,611)	20,785	9,174
(58,014)	(43,109)	(101,123)	Housing Revenue Account	(56,377)	(7,111)	(63,488)
(17,580)	24,775	7,195	Growth, Economy and Culture	(12,676)	11,294	(1,382)
(25,145)	60,621	35,476	Public Realm	(27,297)	56,829	29,532
(105,006)	50,706	(54,300)	Total Place	(107,961)	81,797	(26,164)
(14,156)	3,985	(10,171)	Resources - LGSS	(7,726)	6,473	(1,253)
(124,370)	123,408	(962)	Resources - MKC	(102,607)	102,486	(121)
(138,526)	127,393	(11,133)	Total Resources	(110,333)	108,959	(1,374)
(297)	3,407	3,110	Total Corporate Core	(1,803)	4,029	2,226
(213)	0	(213)	Corporate Items	(2,164)	587	(1,577)
(303,379)	376,649	73,270	Cost of Services	(431,515)	525,748	94,233
			Other Operating Expenditure			
		5,992	Parish Precepts			6,346
		446	Levies			458
		848	Payment to the Government Housing Capital Receipt Pool			1,009
		(1,452)	(Gain)/Loss on Disposal of Non-Current Assets			65,499
		5,834	Total Other Operating Expenditure			73,312
			Financing and Investment Income and Expenditure			
		22,075	Interest Payable and Similar Charges			27,385
		(2,769)	Interest Receivable and Similar Income			(2,598)
		283	(Surplus)/Deficit on Trading Operations			(647)
		(42,708)	Income and Expenditure in relation to Investment Properties and Changes in their Fair Value			2,613
		11,500	Net Interest on the net defined benefit liability (asset)			11,702
		(11,619)	Total Financing and Investment Income and Expenditure			38,455
			Taxation and Non-Specific Grant Income			
		(99,120)	Council Tax Income			(105,171)
		(47,054)	Non-Domestic Rate Income			(48,587)
		(56,115)	Capital Grants & Contributions			(52,186)
		(40,258)	Non-Ringfenced Government Grants			(30,116)
		(242,547)	Total Taxation and Non-Specific Grant Income			(236,060)
		(175,062)	(Surplus) or Deficit on Provision of Services			(30,060)
		(16,728)	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment			(53,729)
		(281)	(Surplus) or deficit on revaluation of available-for-sale financial asset.			231
		(50,708)	Remeasurements of the net benefit liability (asset)			67,033
		(67,717)	Other Comprehensive Income and			13,535
		(242,779)	Total Comprehensive Income and Expenditure			(16,525)

Group Balance Sheet

The Group Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Group Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2016 £'000		Note	31 March 2017 £'000
1,200,753	Property, Plant & Equipment		1,294,172
784	Heritage Assets		784
107,226	Investment Property	3	101,888
110	Intangible Assets		1,165
45,955	Long Term Investments		42,639
9,910	Long Term Debtors		7,900
1,364,738	Long Term Assets	2	1,448,548
203,081	Short Term Investments	2	136,033
1,125	Assets held for sale	2	1,845
244	Inventories	2	77
32,660	Short Term Debtors	4	32,901
13,553	Cash and Cash Equivalents		98,874
250,663	Current Assets		269,730
(9,811)	Short Term Borrowing	2	(9,877)
(73,861)	Short Term Creditors	5	(82,690)
(1,076)	Short Term Provisions	6	(10,087)
(5,340)	Short Term Capital Grants & Contributions Receipts in Advance	2	(7,593)
(4,177)	Short Term Revenue Grants & Contributions Receipts in Advance	2	(4,055)
(94,265)	Current Liabilities		(114,302)
(16,450)	Long Term Provisions	6	(8,943)
(485,681)	Long Term Borrowing	2	(483,294)
(326,480)	Liability Related to Defined Benefit Pension Scheme	2	(411,250)
(6,424)	Long Term Capital Grants & Contributions Receipts in Advance	2	(2,373)
(25,805)	Long Term Revenue Grants & Contributions Receipts in Advance	2	(23,257)
(860,840)	Long Term Liabilities		(929,117)
660,296	Net Assets		674,859
(225,867)	Usable reserves	7	(239,007)
(434,429)	Unusable Reserves	7	(435,853)
(660,296)	Total Reserves		(674,860)

Group Cash Flow Statement

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the group during the reporting period. The statement shows how the group 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 group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group'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 Group.

2015/16 £'000		2016/17 £'000
175,061	Net surplus or (deficit) on the provision of services	30,060
(150,282)	Adjustments to net surplus or deficit on the provision of services for non cash movements	(8,941)
(5,356)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(473)
19,423	Net Cash flow from Operating Activities	20,646
	<u>Investing Activities</u>	
(88,183)	Purchase of Property, Plant & Equipment, Investing Properties and Intangible Fixed Assets	(99,450)
(247,789)	Purchase of short-term and long-term investments	(139,958)
(848)	Other payments for investing activities	(1,009)
6,938	Proceeds of Property, Plant & Equipment, Investing Properties and Intangible Fixed Assets	14,414
157,718	Proceeds of short-term and long-term investments	210,488
68,292	Other receipts from investing activities	77,468
(103,872)	Net cash flows from investing activities	61,953
	<u>Financing Activities</u>	
0	Cash receipts of short and long-term borrowing	0
4,998	Other receipts from financing activities	4,709
(13,534)	Repayment of short and long-term borrowing	(2,473)
499	Other payments for financing activities	485
(8,037)	Net cash flows from financing activities	2,721
(92,489)	Net increase or (decrease) in cash and cash equivalents	85,320
106,042	Cash and cash equivalents at the beginning of the reporting period	13,553
13,553	Cash and cash equivalents at the end of the reporting period	98,874

Notes to the Group Accounts

1. ACCOUNTING POLICIES

In preparing the Group Accounts, the Council has:

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

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

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

Group Total	Milton Keynes Council	Milton Keynes Development Partnership	Intra- Company Transactions	Group Total
2015/16	2016/17	2016/17	2016/17	2016/17
£'000	£'000	£'000	£'000	£'000
1,364,738 Long Term Assets	1,442,138	37,921	(31,511)	1,448,548
203,081 Short Term Investments	135,891	142	0	136,033
1,125 Assets held for sale	1,845	0	0	1,845
244 Inventories	77	0	0	77
32,660 Short Term Debtors	32,637	847	(582)	32,902
13,553 Cash and Cash Equivalents	87,385	11,489	0	98,874
(9,811) Short Term Borrowing	(9,877)	0	0	(9,877)
(73,861) Short Term Creditors	(80,977)	(2,295)	582	(82,690)
(1,076) Short Term Provisions	(10,087)	0	0	(10,087)
(9,517) Short Term Grants & Contributions Receipts in Advance	(11,648)	0	0	(11,648)
(16,450) Long Term Provisions	(8,943)	0	0	(8,943)
(485,681) Long Term Borrowing	(483,294)	0	0	(483,294)
0 Other Long Term Liabilities	0	(31,511)	31,511	0
(326,480) Liability Related to Defined Benefit Pension Scheme	(410,932)	(318)	0	(411,250)
(32,229) Long Term Grants & Contributions Receipts in Advance	(25,630)	0	0	(25,630)
660,296 Net Assets	658,585	16,275	0	674,860

Notes to the Group Accounts

3. DEBTORS

Short term debtors including payments in advance held by the group at 31st March 2017 are detailed in the table below.

Group Total 2015/16 £'000		Milton Keynes Council 2016/17 £'000	Milton Keynes Development Partnership 2016/17 £'000	Intra-Company Transactions 2016/17 £'000	Group Total 2016/17 £'000
7,923	Central Government Bodies	6,459	130	0	6,589
(2,051)	Other Local Authorities	1,383	113	(582)	914
1,969	NHS Bodies	2,199	0	0	2,199
10,633	Bodies External to Central Government	8,041	525	0	8,566
3,129	Council Tax Arrears	2,966	0	0	2,966
1,025	NNDR Arrears	1,054	0	0	1,054
2,856	Housing Rents	3,380	0	0	3,380
25,484	Total Short Term Debtors before Payments in	25,482	768	(582)	25,668
7,176	Payments in Advance	7,155	79	0	7,234
32,660	Total Short Term Debtors	32,637	847	(582)	32,902

4. CREDITORS

Creditors held by the Group at 31st March 2017 are detailed below.

Group Total 2015/16 £'000		Milton Keynes Council 2016/17 £'000	Milton Keynes Development Partnership 2016/17 £'000	Intra- Company Transactions 2016/17 £'000	Group Total 2016/17 £'000
(18,629)	Central Government Bodies	(25,073)	(132)	0	(25,205)
(360)	Other Local Authorities	(5,193)	(341)	289	(5,245)
(3,504)	NHS Bodies	(3,748)	0	0	(3,748)
(40,455)	Bodies External to Central Government	(38,327)	(762)	293	(38,796)
(4,383)	Staff Creditors	(2,803)	0	0	(2,803)
(3,019)	Housing Rent Prepayments	(1,627)	(1,060)	0	(2,687)
(2,331)	Council Tax Prepayments	(2,464)	0	0	(2,464)
(1,180)	NDR Prepayments	(1,742)	0	0	(1,742)
(73,861)	Total Short Term Creditors	(80,977)	(2,295)	582	(82,690)

5. PROVISIONS

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

6. RESERVES

Notes to the Group Accounts

The reserves held by the Milton Keynes Council and Milton Keynes Development Partnership at 31st March 2017 are detailed below:

Group Total		Milton Keynes Council	Milton Keynes Development Partnership	Group Total
31 Mar 2016		31 Mar 2017	31 Mar 2017	31 Mar 2017
£'000		£'000	£'000	£'000
(220,225)	Milton Keynes Council's Usable Reserves	(228,707)	0	(228,707)
(5,642)	LLP Retained Earnings	0	(10,300)	(10,300)
(225,867)	Total Usable Reserves	(228,707)	(10,300)	(239,007)
	Milton Keynes Council's Unusable			
(428,477)	Reserves	(429,878)	0	(429,878)
-5952	LLP Non-Distributed Reserves	0	(5,975)	(5,975)
(434,429)	Total Unusable Reserves	(429,878)	(5,975)	(435,853)
(660,296)	Total Reserves	(658,585)	(16,275)	(674,860)

Notes to the Group Accounts

7. NET CASH FLOW FROM OPERATING ACTIVITIES

Group Total		Milton Keynes Council	Milton Keynes Development Partnership	Intra-Company Transactions	Group Total
31 Mar 2016			31 Mar 2017		
175,061	Net Surplus/(Deficit) on the provision of services	25,191	4,869	0	30,060
	<u>Adjustments to net Surplus or deficit on the provision of services for non-cash movements</u>				
(49,457)	Depreciation and Impairment of non-current assets	(15,795)	0	0	(15,795)
(37,991)	Investment Assets Revaluation Gains & Losses	5,750	(257)	0	5,493
(56,115)	Capital Grants & Contributions	(52,189)	0	0	(52,189)
(12,868)	(Increase) / decrease in Creditors	(2,892)	5,788	(582)	2,314
3,001	Increase / (decrease) in Debtors	2,980	(3,480)	582	82
73	Increase / (decrease) in Inventories and Work in Progress	167	0	0	167
3,214	(Increase) / decrease in Provisions	1,504	0	0	1,504
19,679	Pension Assets / Liabilities	17,683	49	0	17,732
(1,452)	Carrying amount of non-current assets sold	65,499	0	0	65,499
848	Housing Capital Receipts Pool	1,009	0	0	1,009
(1,962)	Local Government Reorganisation Transferred Debt	(1,959)	0	0	(1,959)
(17,252)	Other non-cash items charged to the net surplus or deficit on the Provision of Service	(26,790)	(6,008)	0	(32,798)
(150,282)	Total Non-Cash Items in the Provision of Services	(5,033)	(3,908)	0	(8,941)
19,317	Reversal of operating activity items included in the net surplus or deficit on the Provision of Services that are shown separately	24,788	0	0	24,788
	<u>Cash flow from interest received and paid</u>				
(26,869)	Interest Paid	(27,357)	0	0	(27,357)
(12)	Interest element of Finance Leases	0	0	0	0
2,208	Interest Received	2,096	0	0	2,096
(24,673)	Total Cash Flow from Interest Received and Paid	(25,261)	0	0	(25,261)
19,423	Net Cash flow from Operating Activities	19,685	961	0	20,646