# Members Report and

# Financial Statements for the Year Ended 31st March 2022

# for

# Milton Keynes Development Partnership LLP

# Limited Liability Partnership Number: OC380846

# Contents of the Financial Statements

# Partnership Information

| | |
|---|---|
| **DESIGNATED MEMBERS:** | Milton Keynes City Council<br>DevelopMK Limited |
| **REGISTERED OFFICE:** | Civic Offices<br>1 Saxon Gate East<br>Central Milton Keynes<br>Milton Keynes<br>MK9 3EJ |
| **REGISTERED NUMBER:** | OC380846 (England and Wales) |
| **SENIOR STATUTORY AUDITOR:** | Gary Wong BFP FCA |
| **INDEPENDENT AUDITOR:** | Hillier Hopkins LLP<br>Chartered Accountants and Statutory Auditor<br>Radius House<br>51 Clarendon Road<br>Watford<br>Hertfordshire<br>WD17 1HP |

# Chair of Board and Managing Director's Statement

Our resilient and evolving business

We are pleased to report good results for the year – gross profit marginally ahead of prior year at £2.9m and, thanks to a welcome £46.6m uplift in the valuation of our portfolio, net profit on ordinary activities came in at £47m – some £37.2m ahead of 2020-21 balance of £9.8m.

Over the past year, the development team has continued to work closely with Milton Keynes City Council (MKCC) on a series of initiatives to improve the future prosperity of Bletchley Town Centre. In addition to earlier investments, MKDP acquired the Brunel shopping Centre for £4.8m. The resulting site assembly of these strategic locations will enable redevelopment and provide significant improvements to both the Station and the centre of Bletchley.

In addition, we continue to address our important placemaking initiatives. More particularly at Station Square, the principal public transport "gateway" to the City Centre, we are undertaking a series of arts and cultural interventions whilst we address longer-term and more substantial improvements. These have included:

- The Modernist Glade
- Providing a fan zone for the UEFA Women's Euros 2022
- "The City of Codes & Light Festival," organised by Milton Keynes Islamic Arts and Culture, together with MKCC to celebrate Milton Keynes becoming a city.

Furthermore, we are working on improving the 'Market' in Central Milton Keynes, to create a stronger retail and food destination, with a more dynamic and modern customer experience.

MKDP has continued to work with Cranfield University and MKCC on the proposals to help secure a larger venue for MK:U (Milton Keynes University) and supported the application submitted to the Government's Levelling Up Fund. It is hoped that successful bids may be announced before the end of 2022 and this may have an impact on the future proposals for our asset, Bouverie House, currently leased to MK:U.

"Housing affordability," is an increasing problem for many cities across the globe and Milton Keynes is no exception. We are firmly of the view that the future success and prosperity of the City rests, in part, on greater provision of "affordable housing," which is vital in attracting both the number and the talent of new residents. Indeed, over the past year we have:

- Facilitated development on two sites, namely a start on site for AIG's Build to Rent scheme in Central Milton Keynes (Park Central) and Taylor Wimpey's housing scheme in Shenley Church End. Together the sites will provide over 400 new homes for the city.
- Exchanged contracts with Orbit Homes to deliver a scheme of 40 much needed affordable plots in Wolverton.
- Started work on a new roundabout that will provide for the safe access for the homes that will be delivered.

Furthermore, we have continued to make progress with the proposals to formally establish a new "Registered Provider," Milton Keynes Housing Company (MKHC) – something that will absorb more executive time and capital over the coming years. Indeed, on the 17 May 2022, we received confirmation from the Regulator of Social Housing that our Preliminary Application to become a Registered Provider had been accepted so we could progress to the final stage of Registration.

Over the summer of 2022 we put in place a strong board of directors to support this process and oversee MKHC. It is hoped that by March 2024, the registration process will be finalised and the first homes in MKHC will be ready for occupation.

On a more negative note, sadly we are still feeling the impact of changes wrought by the pandemic and our parking income, although £97k better than last year, is yet to recover to pre-pandemic levels. However, we are pleased to report that payments from our commercial tenants have recovered well.

**Chair of Board and Managing Director's Statement (continued)**

Whilst we are encouraged by our progress, we are concerned by some of the headwinds facing the UK economy and whilst it is always a challenge to balance short and longer-term priorities, we would not be surprised if there was a contraction in property capital values in the coming year. That said, with Invested Capital of over £185.5m and a loan of £30.3m at the 31 March 2022, leaving shareholder's equity of £155.2m, as we look at the year ahead, we are firmly in the "watchful and careful," but not "fearful," camp.

We are grateful to our Board Members, our Council Shareholder and our partners for their tireless work, support and positive demeanour. By driving growth, whilst considering the needs of those most vulnerable, we are delivering enterprising developments in Milton Keynes, building resilience in order to face and address the challenges ahead with confidence.

**Nicola Sawford**
**Chair of Board**
**19 December 2022**

Tracey Aldworth

**Tracey Aldworth**
**Managing Director**
**19 December 2022**

# Milton Keynes Development Partnership (LLP) Strategic Report

Commercial Property Development and Investment is typically a long-term capital-intensive proposition relying upon the quality of both cashflow and asset for its attraction. It is also predicated on a deep market knowledge within the targeted area of activity. The team at MKDP has used their expertise and commercial drive to create a number of high-quality developments – bringing new homes, placemaking and economic activity to the City, as well generating excellent returns for its shareholder MKCC.

The next year sees MKDP alongside its existing placemaking activities, continuing with the creation of Milton Keynes Housing Company (MKHC), to improve both the quality and the quantity of affordable housing provision across the City. The creation of MKHC will place additional responsibilities and activity on the business and hence it will change how MKDP "looks and feels," in the months and years ahead.

This change in focus and emphasis will necessitate a considered review of the resources available in the company and a clear understanding of risk and our approach to managing risk and ensuring we have the organisational resilience to achieve the ambitions in the plan. There will inevitably be some trade offs that we will have to navigate our way through, and the future governance arrangements will need to support us with this task.

## CREATING HOMES

Since it was established in 2012, Milton Keynes Development Partnership (LLP) has implemented a contractual obligation with all affiliated residential developers to deliver planning policy that is compliant with affordable housing. This agreement prevents planning viability disputes, which have seen the average level of affordable homes on private sector land across Milton Keynes drop to around 15-20%.

Several years ago, Milton Keynes City Council set its sights on delivering even greater numbers of affordable housing, and since January 2018 Milton Keynes Development Partnership (LLP) has stepped up to the challenge, increasing its affordable housing obligations on suburban schemes to 36%.

Close interaction with local members and Milton Keynes City Council housing team has highlighted the increased importance of delivering larger affordable homes, which help meet local demand. In line with the Strategic Housing Market Area Assessment, new practices were introduced into the assessment of site proposals to promote this strategy. This policy has already led to the committed delivery of substantially more three, four and five bed affordable homes.

Progress continues well on the existing MKDP residential sites with hundreds of residents moving into new affordable and market housing completed this year.

Helping to deliver even more homes, in the coming year, as well as continuing with the creation of Milton Keynes Housing Company (MKHC), we will progress planning permission for 170 new homes at Walton Manor. Work has already started on a new roundabout (the first to be delivered on an existing grid road in MK!) that will provide for the safe access for the homes that will be delivered.

## BOOSTING BUSINESS

**Commercial Activity**

Milton Keynes Development Partnership (LLP) has continued to use its land to ensure businesses in Milton Keynes have the infrastructure and facilities they need to thrive. We've facilitated developments across various industries, bringing a range of highly skilled jobs to the area.

Our site at Elfield Park that is being developed by Careys, achieved planning consent this year with work on the first phase of 30,000 sq ft due to commence in 2023.

**Milton Keynes Development Partnership (LLP) Strategic Report (continued)**

Work continues on MKDP's site at Willen Lake which is being developed by the Parks Trust into a new Premier Inn and Brewers Fayre restaurant.

## GREAT SPACES

Place-making is central to Milton Keynes Development Partnerships (LLP) approach, with innovative, high quality design at the heart of every project.

This holistic approach to development in Milton Keynes not only adds economic and social value, but also offers the potential for increased financial benefits in the future.

Over the next year, much of our attention will focus on Central Milton Keynes and Bletchley, where comprehensive plans, informed by Renaissance:CMK and the Bletchley prospectus, will place greater emphasis on the development of sense of place. MKDP is a key partner represented on the Bletchley and Fenny Stratford Town Deal Board and will be leading the work on the Revolving Development Fund and the Innovation Centre/Station Quarter town deal funded projects.

Our integral role within Renaissance:CMK will see Milton Keynes Development Partnership (LLP) create inspiring spaces that bring new excitement and vitality to the city centre, specifically through projects around Station Square and the Milton Keynes Market, which has the potential to bring great social value and improve what is an essential resource for a significant proportion of Milton Keynes' residents, particularly those with lower incomes.

## FUTURE OUTLOOK

Despite the challenging economic environment, our returns which dropped at the start of the COVID pandemic are now starting to recover. Commercial tenants who struggled to pay rent at the start of the pandemic are now meeting their current rent obligations and our monthly car parking income has recovered to 30% of pre pandemic levels having dropped as low as 5% early on in the pandemic.

We have a highly skilled Board and executive team, who are enthusiastically driving our business forward, delivering a strong asset base. The Board is confident that the business will continue to grow, increasing in size, meeting its long-term financial target and producing steadily increasing returns to its shareholder, Milton Keynes City Council.

Milton Keynes Development Partnership (LLP) will continue to provide strategic advice and support towards the future development of Milton Keynes. Over the next year we will work with Milton Keynes City Council to further implement plans for a Local Housing Company, which aims to tackle the shortage of high-quality affordable housing in the city.

**Milton Keynes Development Partnership (LLP) Strategic Report (continued)**

# FINANCIAL MANAGEMENT

The COVID-19 pandemic restrictions inevitably continued to cause significant personal and financial disruption for many during the year. It has again impacted on our results for the year ended 31st March 2022 which are shown in the tables below:

| | 31 March 2022<br>£'000 | 31 March 2021<br>£'000 | 31 March 2020<br>£'000 |
|---|---|---|---|
| Rent Receivable from Commercial Property | 2,592 | 2,405 | 2,584 |
| Car Parking Income | 697 | 600 | 1,591 |
| Other Turnover | 420 | 125 | 879 |
| Property Costs | (859) | (420) | (496) |
| **GROSS PROFIT** | **2,850** | **2,710** | **4,558** |
| Operating Costs | (2,381) | (2,979) | (2,787) |
| Revaluations on investment properties | 46,626 | 6,086 | 51,308 |
| Profit on sale of fixed assets | 683 | 4,788 | 2,002 |
| **OPERATING PROFIT** | **47,778** | **10,605** | **55,081** |
| Finance Charges | (772) | (813) | (964) |
| **PROFIT ON ORDINARY ACTIVITIES** | **47,006** | **9,792** | **54,117** |
| Actuarial Gains/ (Losses) on defined benefit pension | 188 | (505) | 51 |
| **TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR** | **47,194** | **9,287** | **54,168** |

| As at | Non-distributed Reserves<br>£'000 | Retained Earnings<br>£'000 | Total Equity<br>£'000 |
|---|---|---|---|
| **31 March 2020** | 68,222 | 31,542 | 99,764 |
| **31 March 2021** | 68,557 | 40,494 | 109,051 |
| **31 March 2022** | 106,631 | 48,568 | 155,199 |

The acquisition of the Brunel shopping centre has increased income from our commercial tenants this year. Our trade receivables increased from £370k at 31 March 2021 to £1,771k at the 31 March 2022. £1,535k of this increase relates to deferred consideration for a land sale, and after allowing for this our trade debtors reduced by £134k in the year. This reduction is mostly because debts built up by our commercial tenants at the start of the pandemic are resolving.

We have continued to realise profits on the sale of assets over and above their carrying value, with profit on the sale of assets at 31st March 2022 being £683k compared to £4,788k in the year to 31st March 2021. These transactions also mean we have crystalised £8,656k of our historic revaluation gains.

Parking income has only partially recovered and has continued to be materially lower than pre-pandemic because of the third national lockdown which commenced on 5th January 2022. Parking income in the year to 31 March 2022 is, as a result, £97k higher than at 31st March 2021 but is still £895k lower than in the year to 31st March 2020. We are not anticipating that parking income will recover to pre-pandemic levels in 2022/23 as the move to increased home working seems to be here to stay.

At the 31st March 2022, the capital market for commercial real estate was buoyant. This is reflected in the valuation of our investment properties this year on which we have shown a gain of £46.6m. However due to recent macro-economic events which have impacted the market since 31st March 2022 we do not expect this trend to continue and are anticipating that it may at least in part reverse in 2022/23.

**Milton Keynes Development Partnership (LLP) Strategic Report (continued)**

The change in the macro-economic environment since the 31st March 2022 is expected to impact asset disposals over the coming few years. However, the disposal of our asset base where appropriate is still progressing positively, along with our new focus on providing affordable housing that meets local needs at scale to support economic growth in Milton Keynes.

| Risk | Comments and Mitigation |
|---|---|
| Failure to successfully implement our strategy | Changes in external circumstances such as:<br>• rapid or severe changes in the economic environment or<br>• unexpected changes in government funding or<br>• a resurgence of or new pandemic or<br>• unexpected extreme weather as a result of climate change<br>• changes to regulatory requirements<br>• changes to building specifications / construction methods / building technology<br><br>Might result in a failure to deliver our strategic plans, or to otherwise meet Milton Keynes City Council's expectations on returns, placemaking or the Local Housing Company.<br><br>We closely monitor macro-economic data and other external risk factors such as the current economic environment, considering the likely impact of them on both the property market and our major projects. |
| A fall in the property market and the capital value of property, especially land prices, results in a reduction in the value of investment properties, delays in land sales and in land sales falling through | The property market has historically seen boom and bust cycles, the fundamentals are once again changing. There's a risk the market, especially land prices, may continue to be more volatile than normal in the near future as the impact of the pandemic, Brexit, and recent events in the financial markets including the UK currently being on the brink of recession and current high inflation unwind.<br><br>Changes in the property market and values might impact not only on our ability to successfully complete on current transactions but also on our ambitions for the local housing company where the volume of affordable homes proposed is dependant on us being able to extract value from that land.<br><br>As part of the process of updating our business plan we're considering this risk by not just doing traditional scenario testing using macroeconomic indicators but also by looking at how our plans might be impacted if the values and demand for different elements of our property portfolio change. |
| Income being lower than expected and / or of not being able to collect income due from our tenants | Our tenants, managing agents and the counter parties of our development transactions might fail to pay amounts when they become due or to deliver on their other contractual promises.<br><br>We assess all these parties, considering their financial position, past experience and other factors before entering into contract.<br><br>The COVID-19 pandemic restrictions impacted some of our commercial tenants. We are appropriately, managing and accounting for outstanding debts, with arrangements to pay being made where necessary, but there remains an element of underlying risk, especially with the recent turmoil in the financial markets and as the UK may be on the brink of recession. |

| **Risk** | **Comments and Mitigation** |
|---|---|
| | The level of usage of our car parks also has a significant impact on our income and our parking income reduced materially as a result of the pandemic. We are continuing to assume reduced levels of car parking income in our financial forecasts but there remains a risk that this will be a long-term reduction in income, so where appropriate we are starting to consider alternative uses for our car parking sites. |
| Liquidity shortfall | This is the risk of not having funds available to meet our commitments to make payments when they become due. This may arise as a result of inaccurate cash flow forecasting including: low income collection, property transactions not completing as expected and / or affordable loan finance not being available.<br><br>We currently mitigate this risk using our working capital loan facility from Milton Keynes City Council secured by a charge against part of our investment property portfolio.<br><br>We renewed this loan facility post year end on 8 November 2022 and now have a £22 million working capital facility that expires on 29 September 2023. At the time these financial statements were signed we have only drawn £12m of this facility.<br><br>We have stress tested our cashflow forecast to ensure that this will provide us with enough liquidity should transactions fail to complete as expected and should our income reduce as a result of the wider economic environment.<br><br>We meet regularly with Milton Keynes City Council's Section 151 Officer to discuss both our future funding requirements and likely future profit distributions. We did not have any current external financial liabilities in the form of borrowing at 31 March 2022. |
| Major or series of Health & Safety incident(s) causing injury or death | The Health & Safety of our staff, partners, tenants and members of the public who may be affected by our activities is an essential part of our risk management approach. We consider both our responsibilities as a freeholder / head lessor and our customers Health & Safety obligations under their leases and licences. Milton Keynes Development Partnership manage this risk by using professional property managers to deliver this service, supported by additional external consultants as and when required. |
| Unable to attract and retain the best staff | The risk we are unable to acquire or retain the people needed to deliver our strategic objectives. Currently this is a significant risk for us as there continues to be a reduced pool of talent. We aim to be an employer of choice and carefully monitor the market to ensure our pay and reward packages are competitive, keeping our people motivated and engaged by providing and encouraging personal and professional development. |
| Cyber-security breach | There is a risk of a security breach through hacking, internal fraud or malware, that could render systems unusable or compromise the business data. We manage this risk by purchasing our IT systems through Milton Keynes City Council, enabling us to access a professionally provided robust IT service with government level security. We are rolling out the Council's awareness training across our business to ensure our people are aware of the threat landscape and what they need to do to help protect our business. |

**Milton Keynes Development Partnership (LLP) Strategic Report (continued)**

Milton Keynes Development Partnership manage this risk by using professional property managers to deliver this service.

The Board presents its Strategic Report of Milton Keynes Development Partnership (LLP) to the partnership's members for the year ending 31 March 2022.

## ON BEHALF OF THE BOARD

Nicola Sawford

Chair

Date: 19th December 2022

# Members Report

The Board presents their report together with the financial statements of MKDP (LLP) to the Partnership's Members for the year ended 31st March 2022.

**Going Concern**

The Partnerships business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and its exposure risks are described in the Strategic Report. The Partnership is wholly owned by Milton Keynes City Council and as such Milton Keynes City Council will provide financial support to meet all liabilities in the event that the Partnership ceased to trade.

**Designated Members**

Both members – Milton Keynes City Council and DevelopMK Limited are Designated Members. The members have delegated to the Board general responsibility for the operation of the LLP Business.

**The Board and their Interest**

The Board is responsible for the promotion and protection of Members' and Partnership interests. It determines Milton Keynes Development Partnership's (LLP) long term strategies and has specific oversight of risk and quality. The board of the LLP during this year were:

Councillor Jenni Ferrans
Councillor Robert Middleton
Councillor David Hopkins
Nicola Sawford - Independent Board Member Chair
Roger Bell – Independent Board Member
Bernadette Conroy – Independent Board Member (resigned 31 March 2022)
Huw Lewis – Independent Board Member
Steve Mallen – Independent Board Member
Michael Bracey - Nominated Board Member

**Post Balance Sheet Events**

On 8th November 2022 Milton Keynes Development Partnership (LLP) renewed its working capital loan facility from Milton Keynes City Council. We now have in place a £22 million working capital loan facility secured by a charge against part of our investment property portfolio that expires on 29 September 2023. At the date these Financial Statements were signed we had drawn down £12 million of this facility.

**Statement of Board Responsibilities**

The Board are responsible for preparing the Strategic Report, Members' Report and the Financial Statements in accordance with the applicable laws and regulation. The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 ('LLP Regulations') require the members to prepare financial statements for each financial year. The members have elected to prepare financial statements for the Partnership in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and Statement of Recommended Practise Accounting for Limited Liability Partnerships. International Accounting Standards (IAS) 'Presentation of Financial Statements' requires that the financial statements present a true and fair view of each financial year for the Limited Liability Partnerships financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the framework for the preparation and presentation of Financial Statements in virtually all circumstances; a fair presentation will be achieved by compliance with all applicable IFRS standards and members' are also required to

- Properly select and apply accounting policies consistently; Make judgements and estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the firm's and the LLP's financial performance, and;
- Prepare the Financial Statements on the going concern basis.

Under the LLP Regulations, the members are responsible for ensuring that proper accounting records are kept, which disclose with reasonable accuracy at any time the financial position of the Partnership, and which enable them to ensure that the financial statements will comply with those regulations. The members have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the firm and to prevent and detect fraud and other irregularities. The members are responsible for the maintenance and integrity of the Partnership website governing the preparation and dissemination of financial statements which may differ from legislation in other jurisdictions.

The members' responsibilities set out above are discharged by the Designated Members on behalf of the members. The Designated Members at the date of approval of the financial statements confirm that, so far as they are aware, there is no relevant information of which the LLP's auditors are unaware and each Designated Member has taken all steps that ought to have been taken by them as members to make themselves aware of any relevant audit information and establish that the LLP's auditors were aware of that information.

The Board are responsible for the maintenance and integrity of the corporate and financial information on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

The members of the board at the time of approving the Members' report are listed on the Partnership Information page. Having made enquiries of fellow members and of the Partnership's auditors, each of these members confirmed that:

- To the best of each members knowledge and belief, there is no information relevant to the preparation of their report of which the Partnership's auditors are unaware; and
- Each member has taken all the steps a member might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Partnership's auditors are aware of that information.

**AUDITORS**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Hillier Hopkins LLP will therefore continue in office.

This report was approved by the members on 19 December 2022.

**ON BEHALF OF THE MEMBERS:**

**Nicola Sawford**
**Chair**
Milton Keynes Development Partnership LLP

Date: 19 December 2022

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MILTON KEYNES DEVELOPMENT PARTNERSHIP LLP

### Opinion

We have audited the financial statements of Milton Keynes Development Partnership LLP (the 'LLP') for the year ended 31 March 2022, which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Cash Flows Statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the LLP's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRS); and
- have been prepared in accordance with the requirements of the Companies Act 2006, as applied to limited liability partnerships by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

### Basis for opinion

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

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the LLP's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the members with respect to going concern are described in the relevant sections of this report.

### Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' report thereon. The members are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006, as applied to limited liability partnerships, requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of members

As explained more fully in the Members' responsibilities statement, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- the nature of the industry and sector, control environment and business performance including the remuneration incentives and pressures of key management;
- the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. We consider the results of our enquiries of management, about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the LLP's documentation of their policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
    - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;

- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override, including testing journals and evaluating whether there was evidence of bias by the management that represented a risk of material misstatement due to fraud.

We also obtained an understanding of the legal and regulatory frameworks that the LLP operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006, as applied to limited liability partnerships by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

**Use of our report**

This report is made solely to the LLP's members in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as applied by Part 12 of The Limited Liability Partnerships (Accounts and Audit) (Applications of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an Auditors' 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 LLP and the LLP's members for our audit work, for this report, or for the opinions we have formed.

Hillier Hopkins LLP

Gary Wong BFP FCA (Senior Statutory Auditor)

For and on behalf of
**Hillier Hopkins LLP**

Chartered Accountants
Statutory Auditor

Radius House
51 Clarendon Road
Watford
Herts
WD17 1HP

Date: 19 December 2022

**Milton Keynes Development Partnership LLP**

**STATEMENT OF COMPREHENSIVE INCOME**
**for the Year ended 31st March 2022**

| | Notes | 31.03.22 £'000 | 31.03.21 £'000 |
|---|---|---|---|
| **TURNOVER** | 2 | 3,709 | 3,130 |
| Property Costs | 3 | (859) | (420) |
| **GROSS PROFIT** | | **2,850** | **2,710** |
| Staff Costs | 4 | (859) | (1,089) |
| Other Operating Expenses | 5 | (1,522) | (1,890) |
| Revaluations on Investment Properties | 6 | 46,626 | 6,086 |
| Profit on the Sale of Fixed Assets | | 683 | 4,788 |
| **OPERATING PROFIT** | | **47,778** | **10,605** |
| Finance Charges | 7 | (772) | (813) |
| **PROFIT ON ORDINARY ACTIVITIES** | | **47,006** | **9,792** |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Actuary Gains/(Losses)on defined benefit Pension Scheme | | 188 | (505) |
| **TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR** | | **47,194** | **9,287** |

**STATEMENT OF CHANGES IN EQUITY**
**For the year ended 31st March 2022**

| | **Non-Distributed Reserves** £'000 | **Retained Earning** £'000 | **Total Equity** £'000 |
|---|---|---|---|
| Balance as at 1 April 2021 | **68,557** | **40,494** | **109,051** |
| Profit for the financial year | 46,626 | 380 | 47,006 |
| Movement between realised and unrealised gains | (8,656) | 8,656 | 0 |
| Actuarial Gains on defined benefit pension scheme | 104 | 84 | 188 |
| Gross profit distribution | - | (1,046) | (1,046) |
| **Balance as at 31st March 2022** | **106,631** | **48,568** | **155,199** |

**Milton Keynes Development Partnership LLP**
**Registered number: OC380846**
**BALANCE SHEET**
For the year ended 31st March 2022

| | Note | 31.03.22<br>£'000 | 31.03.21<br>£'000 |
|---|---|---|---|
| Investment Properties | 6 | 90,469 | 76,100 |
| **NON-CURRENT ASSETS** | | **90,469** | **76,100** |
| Assets Held for Sale | 6 | 68,504 | 38,311 |
| Trade and Other Receivables | 8 | 2,262 | 834 |
| Cash and Cash Equivalents | | 28,070 | 27,782 |
| **CURRENT ASSETS** | | **98,836** | **66,927** |
| Trade and Other Payables | 9 | (32,898) | (32,733) |
| **CURRENT LIABILITIES** | | **(32,898)** | **(32,733)** |
| **NET CURRENT ASSETS** | | **65,938** | **34,194** |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **156,407** | **110,294** |
| **Retirement Benefits Liabilities** | 12 | (1,208) | (1,243) |
| **Net Assets: attributable to members** | | **155,199** | **109,051** |
| Reserves | 13 | 155,199 | 109,051 |
| **Total members' interests** | | **155,199** | **109,051** |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 19th December 2022.

A Sutton

Director
DevelopMK Limited

**Milton Keynes Development Partnership LLP**

**CASH FLOW STATEMENT**
For the year ended 31st March 2022

| | Note | 31.03.22 £'000 | 31.03.21 £'000 |
|---|---|---|---|
| Profit for the year | | 47,006 | 9,792 |
| *Adjustments to reconcile profit for the year to net cashflow from operating activities for:* | | | |
| Revaluation of investment property | 6 | (46,626) | (6,086) |
| Net Finance Costs | 7 | 772 | 813 |
| Profit on sale of Investment Properties | | (683) | (4,788) |
| Retirement benefit contributions | | 84 | 88 |
| Increase in Bad Debt provision | | (298) | 760 |
| *Working capital movements* | | | |
| (Increase) in trade and other receivables | 8 | (1,130) | (170) |
| Increase in trade and other payables | 9 | 222 | 1,078 |
| (Increase)/Decrease in Investment Properties and Assets Held for Sale | 6 | (2,063) | 0 |
| **Net cash outflow from operating activities** | | **(2,716)** | **1,487** |
| *Investing Activities* | | | |
| Additions of Investment Properties and Assets held for Sale | 6 | (6,801) | (2,219) |
| Proceeds of Assets held for Sale | | 9,548 | 10,391 |
| **Net cash flows from investing activities** | | **2,747** | **8,172** |
| *Financing Activities* | | | |
| Interest paid | | (789) | (831) |
| Gross Profit Distribution to Members | | 1,046 | 0 |
| **Net cash flows from financing activities** | | **257** | **(831)** |
| **Net change in cash and cash equivalents** | | **288** | **8,828** |
| Cash and cash equivalents at start of the year | | 27,782 | 18,954 |
| **Cash and cash equivalents at the end of the year** | | **28,070** | **27,782** |

| **Reconciliation of liabilities arising from financing activities** | **Amounts owed to Group Undertaking £'000** |
|---|---|
| **Balance as at 1st April 2021** | **30,322** |
| Cash flows | (789) |
| Non cash changes – Accrued Interest | 753 |
| **Balance as at 31st March 2022** | **30,286** |

**Milton Keynes Development Partnership LLP**

**NOTES TO THE FINANCIAL STATEMENTS**

## 1. ACCOUNTING POLICIES

### 1.1 GENERAL PRINCIPLES

Milton Keynes Development Partnership (MKDP) is a Limited Liability Partnership, incorporated and domiciled in England & Wales.

The Statement of Accounts summarises MKDP's transactions for the year and its position at year ending 31 March 2022. The Partnership is required to prepare an annual Statement of Accounts in accordance with the International Financial Reporting Standards (IFRS) and applicable accounting standards.

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 Partnership.

MKDP does not have transactions which will be subsequently reclassified to the profit or loss and so the Statement of Comprehensive Income is not grouped into those transactions which can be reclassified and those that cannot.

### 1.2 GOING CONCERN

The Partnership has adopted the going concern basis concept in preparing the financial statements.

To reach this conclusion the Board have considered the property market and our liquidity.

Directors consider it to be appropriate as our cash flow forecasts are stress tested to ensure that we have enough liquidity should transactions fail to complete as expected will consider all factors to mitigate any cash flow impact.

The Partnership mitigate this risk using our £30 million working capital loan facility from Milton Keynes City Council secured by a charge against £43.1m of our total investment property portfolio of £90.5m and Assets Held for Sale of £68.5m.

This loan facility was renewed through to 30th September 2022 and subsequently replaced on the 8th November 2022 with a £22m loan facility through to 29th September 2023. At the date the of signing these Financial Statements £12m of this loan facility had been drawn down.

The Partnership also meet regularly with Milton Keynes City Council's Section 151 Officer to discuss both our future funding requirements and likely future profit distributions

### 1.3 CONSOLIDATION OF SUBSIDIARIES

Consolidated accounts have not been prepared. The LLP is itself a subsidiary and is exempt from the requirement to prepare group accounts by the virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the LLP as an individual undertaking and not about its group.

### 1.4 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 (or as) the goods or services are transferred to the purchaser in accordance with the performance obligations in the contract;

- Revenue from the provision of services is recognised when the Partnership 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 Partnership;

- 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 the Income Statement for the income that might not be collected;

- Annual leave and flexi-time that has not been taken at 31 March is accrued and full details can be found in Accounting Policy – Employee Benefits.

**1.5 CASH AND CASH EQUIVALENTS**

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

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 Partnership cash management.

**1.6 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, bonuses and non-monetary benefits (e.g. car) for current employees and are recognised as an expense for services in the year in which employees render service to the Partnership.

***Termination Benefits***

Termination benefits are amounts payable as a result of a decision by the Partnership 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 Income Statement at the earlier of:

a) when MKDP can no longer withdraw the offer of those benefit, and
b) when MKDP recognises costs of restructuring and involves the payment of termination benefits.

**Post-Employment Benefits**

Employees of the Partnership are entitled to become members of the Local Government Pension Scheme, administered by Buckinghamshire Council according to the terms of their employment:

This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Partnership.

**Local Government Pension Scheme**

The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of the Buckinghamshire Pension Scheme attributable to the Partnership 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, etc., and projected earnings for current employees).

Liabilities are discounted to their value at current prices, using a discount rate of 2.6%. 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 Partnership 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:

- Current Service Cost – the increase in liabilities as a result of years of service earned this year, allocated in the Income Statement;
- Past Service Cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, charged to Income Statement.
- Any gain or loss on settlement – arising when an MKDP 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.
- Administrative expenses are accounted for within the Income Statement.
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Partnership – the change during the year in the net defined benefit liability (asset) that arises from the passage of time charged to the finance costs line of Income Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the net defined benefit liability (asset) at the beginning of the year – taking into account any changes in the net defined benefit liability (asset) during the year 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 Statement of Comprehensive Income.
- 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 Statement of Comprehensive Income.

Contributions paid to the Buckinghamshire Pension Scheme – 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 Financial Reporting Standard (IAS) 19. This is a complex accounting standard, but it is based on a simple principle – that the Partnership 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.

Full disclosures in respect of the Local Government Pension Scheme can be found in note 12 to the Financial Statements.

**Discretionary Benefits**

The Partnership 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 member of staff 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.

## 1.7 FINANCIAL STATEMENTS

***Financial Liabilities***

Financial liabilities are recognised on the Balance Sheet when the Partnership 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 Finance Cost line in the Income 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.

***Loans & Receivables***

Loans and receivables are recognised on the Balance Sheet when the Partnership become a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at amortised cost. Annual credits to the Finance revenue line in the Income Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

***Expected Credit Loss Model***

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

The Partnership 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.

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.

***Impairment of Financial Assets***

Where assets are identified as being impaired because of a likelihood arising from a past event then the payment due under contract will not be made, the asset is written down and a charge made to the Income Statement. Any gains or losses that arise on the derecognising of the asset are credited or debited to the Income Statement.

## 1.8 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. Investment properties are all held at Fair Value, in accordance with valuations carried out by external valuers Kirkby and Diamond.

MKDP 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 MKDPs financial statements are categorised within the fair value hierarchy, as follows:

The three levels are as follows:

- Level 1 financial instruments are valued at unadjusted quoted prices in active markets for identical instruments and require no estimates
- Level 2 financial instruments are valued based significantly on observable market data. Inputs other than quoted prices are directly or indirectly observable for the asset or liability
- Level 3 financial instruments use valuation techniques that incorporate at least one input (with a potentially significant impact on valuation) based on unobservable market data.

### 1.9 LEASES

***MKDP as Lessor***

Finance Leases: Where MKDP (LLP) grants a finance lease over a property or land, the relevant asset is written out of the Balance Sheet as a disposal. This is written off to the Profit on sale of fixed assets line in the Income Statement as part of the gain or loss on disposal. Where finance leases have been granted at peppercorn rents, no long term debtors are created.

Operating Leases: Where MKDP (LLP) 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 over the life of the lease to the Income Statement.

### 1.10 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

Provisions are charged as an estimated expense to the Income Statement in the year that the Partnership becomes aware of the obligation. 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 benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the Income Statement.

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

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

### 1.11 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.

Where VAT is not recoverable, it is charged to the appropriate service within the Income Statement.

### 1.12 TAX

The Partnership profits are treated for tax purposes as profits of the council as the owner of the LLP. The Milton Keynes Development Partnership benefit from the council's general exemption from tax on its profits, so there is no tax liability.

### 1.13 PROFIT DISTRIBUTIONS TO MEMBERS

In accordance with the Members Agreement, the LLP is required to contribute £580,000 per annum towards Milton Keynes City Council's Tariff Risk Reserve and to provide Milton Keynes City Council and DevelopMK Ltd with a share of its profits in excess of this amount.

Distributed profits are split between the Members as follow:

- Milton Keynes City Council 99.9%
- DevelopMK Ltd 0.01%

### 1.14 KEY ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Critical accounting estimates**

The LLP makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Local Government Pension Scheme**

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost or income for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 12, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 March 2022. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

**Property assets held for sale**

Judgement is taken to establish when to classify an investment property as an asset held for sale. The LLP classifies investment properties as assets held for sale where their carrying amount is likely to be recovered principally through a sale transaction and a sale is considered highly probable within the next 12 months. Information on properties being openly marketed and the status of sale negotiations is used to aid the decision, but increased judgement is required by management to assess the likelihood of the sales within the next 12 months due to the heightened uncertainty.

**Investment property valuations**

Investment properties and assets held for sale are all held at Fair Value, in accordance with valuations carried out by external valuers. Valuations are based on a number of key assumptions, including estimates of future rental income and investment yields. The external valuers also make reference to market evidence of transaction prices for similar properties.

## 2 TURNOVER

Turnover, which arises from the continuing activities is derived wholly in the UK market, and represents:

| | 31.03.22<br>£'000 | 31.03.21<br>£'000 |
|---|---|---|
| Rents Receivable from Commercial Property | 2,592 | 2,405 |
| Car Parking Income | 697 | 600 |
| Bank Interest | 2 | 11 |
| Other Income | 418 | 114 |
| **Total Revenue** | **3,709** | **3,130** |

## 3 PROPERTY COSTS

| | 31.03.22<br>£'000 | 31.03.21<br>£'000 |
|---|---|---|
| Building Repair and Maintenance | 685 | 219 |
| Service Charge | 29 | 32 |
| Business rates | 145 | 169 |
| **Total Property Costs** | **859** | **420** |

## 4 STAFF COSTS

| | 31.03.22<br>£'000 | 31.03.21<br>£'000 |
|---|---|---|
| Salaries | 549 | 806 |
| Redundancy payments | 0 | 8 |
| National Insurance | 73 | 93 |
| Defined benefit pension costs | 237 | 182 |
| **Total Staff Costs** | **859** | **1,089** |

The two highest paid staff in the year were the Property Development Director and the Special Projects Director (2022; the Chief Executive). The highest staff costs of the Partnership during the year, were as follows:

| | 31.03.22<br>£'000 | 31.03.21<br>£'000 |
|---|---|---|
| Emoluments | 0 | 107 |
| Special Projects Director: emoluments | 105 | 100 |
| Property Development Director: emoluments | 105 | 100 |
| Defined Benefit pension costs | 34 | 32 |
| **Total** | **244** | **339** |

The average number of staff (excluding members) during the period was:

| | 31.03.22 | 31.03.21 |
|---|---|---|
| Managing Director/ Chief Executive | 1 | 1 |
| Other | 8 | 8 |
| **Total** | **9** | **9** |

## 5 OTHER OPERATING EXPENSES

| | 31.03.22 £'000 | 31.03.21 £'000 |
|---|---|---|
| Direct Costs | 153 | 106 |
| Management Costs | 1,342 | 1,762 |
| Fees payable auditors | 27 | 22 |
| **Total** | **1,522** | **1,890** |

## 6 INVESTMENT PROPERTIES

| INVESTMENT PROPERTIES | 31.03.22 £'000 | 31.03.21 £'000 |
|---|---|---|
| **Opening value as at 1st April** | 76,100 | 111,645 |
| Additions | 4,775 | 2,219 |
| Disposals | - | (5,539) |
| Revaluation at year end | 46,626 | 6,086 |
| Transfer from/(to) Assets held for Sale | (37,032) | (38,311) |
| **Closing Value as at 31st March** | **90,469** | **76,100** |

| ASSETS HELD OF SALE | 31.03.22 £'000 | 31.03.21 £'000 |
|---|---|---|
| **Opening value as at 1st April** | 38,311 | 0 |
| Additions | 2,026 | 0 |
| Disposals | (8,865) | 0 |
| Transfer from Assets held for Sale | 37,032 | 38,311 |
| **Closing Value as at 31st March** | **68,504** | **38,311** |

Investment property is measured at Fair Value at 31 March 2022. For all properties the current use equates to the highest and best use. All development with an anticipated disposal within 10 years, and all income generating sites were valued by Kirkby and Diamond LLP.

All valuations are in accordance with the Royal Institution of Chartered Surveyors Valuation – Global Standards effective from 31st January 2020 (incorporating the IVSC International Valuation Standards) (the "Red Book") and the UK National Supplement.

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. Investment properties are all held at Fair Value, in accordance with valuations carried out by our external valuers Kirkby and Diamond LLP. All gains are unrealised.

The valuation report issued by the external valuer was reviewed by the Milton Keynes Development Partnership (LLP) Board.

The three levels are as follows:

- Level 1 financial instruments are valued at unadjusted quoted prices in active markets for identical instruments and require no estimates.

- Level 2 financial instruments are valued based significantly on observable market data. Inputs other than quoted prices are directly or indirectly observable for the asset or liability.

- Level 3 financial instruments use valuation techniques that incorporate at least one input (with a potentially significant impact on valuation) based on unobservable market data.

The following table summarises the fair value level inputs of investment properties over the year.

| | 31.03.22<br>£'000 | 31.03.21<br>£'000 |
|---|---|---|
| Level 1 Inputs Quoted Market Inputs | 0 | 0 |
| Level 2 Inputs Significant Observable inputs | 18,192 | 33,619 |
| Level 3 Inputs Significant Unobservable Inputs | 72,277 | 42,481 |
| **Closing Value as at 31st March** | **90,469** | **76,100** |

The valuation techniques considered include the market approach, which uses comparable market transactions, and the income approach, which is based on the net present value of estimated future cash flows adjusted for factors such as credit, liquidity and market risk. Inputs may include price information, volatility statistics, credit data, liquidity statistics and other factors.

## 7 FINANCE COSTS

| | 31.03.22<br>£'000 | 31.03.21<br>£'000 |
|---|---|---|
| Interest on debts and borrowings | 772 | 813 |
| **Interest on debts and borrowings** | **772** | **813** |

## 8 TRADE AND OTHER RECEIVABLES

| | 31.03.22<br>£'000 | 31.03.21<br>£'000 |
|---|---|---|
| Trade Receivables | 1,771 | 370 |
| Amounts owed by Group Undertakings | 36 | 273 |
| Prepayments | 455 | 191 |
| **Trade and Other Receivables** | **2,262** | **834** |

Trade Receivables include £1.535m (2021: £0) of deferred consideration for land sold during the year.
Trade debtors are stated net of a provision for bad debts £462k (2021 £760k)

## 9 TRADE AND OTHER PAYABLES

| | 31.03.22 £'000 | 31.03.21 £'000 |
|---|---|---|
| Trade and other payables | 1,755 | 1,158 |
| Amounts owed to Group Undertakings | 30,887 | 30,460 |
| Social security and other taxes | 72 | 357 |
| Receipts in advance | 184 | 758 |
| **Trade and Other Payables** | **32,898** | **32,733** |

## 10 PROVISIONS AND CONTINGENCIES

Milton Keynes Development Partnership does not have any provisions or contingent assets or liabilities to disclose as 31 March 2022.

## 11 LEASES

Milton Keynes Development Partnership leases out property under operating leases for the following purposes:

-The Provision of community facilities, market facilities, parking and events entertainment:

-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:

| | 31.03.22 £'000 | 31.03.21 £'000 |
|---|---|---|
| Not later than one year | 2,340 | 2,412 |
| Later than one year, not later than five years | 4,750 | 4,969 |
| Later than five years | 14,885 | 16,070 |
| **Lease Receivable** | **21,975** | **23,451** |

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2021/22 no contingent rents were receivable by MKDP.

## 12 RETIREMENT BENEFIT LIABILITIES

**Local Government Pension Scheme**

**Participation in pension schemes**

As part of the terms and conditions of employment of its officers, the Partnership makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Partnership has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Partnership participates in one pension scheme –

- The Local Government Pension Scheme, administered locally by Buckinghamshire County Council. This is a funded defined benefits final salary scheme, meaning that the Partnership and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

**Transactions relating to Post-employment Benefits**

The Partnership recognises the cost of retirement benefits in the reported Income Statement when they are earned by employees, rather than when the benefits are eventually paid as pensions.

The following transactions have been made in the Income Statement and Statement of Comprehensive Income during the year:

| | 31.03.22<br>£'000 | 31.03.21<br>£'000 |
|---|---|---|
| **Income Statement** | | |
| Cost of Services | | |
| Service Cost | 210 | 171 |
| Net Interest Expense | 25 | 14 |
| **Total Post Employment Benefits Charged to the Income Statement** | **235** | **185** |

| | 31.03.22<br>£'000 | 31.03.21<br>£'000 |
|---|---|---|
| *Other Post Employment Benefits Charged to the Income Statement* | | |
| Remeasurement of the net defined benefit liability compromising: | | |
| Return on plan assets | | |
| (excluding the amount included in the net interest expense) | 67 | 205 |
| Actuarial gains and (losses) | | |
| arising on changes in demographic assumptions | 0 | 17 |
| Actuarial gains and (losses) | | |
| arising on changes in financial assumptions | 128 | (749) |
| Other actuarial gains/(losses) on assets | 0 | 0 |
| Experience gain/(loss) on defined benefit obligation | (7) | 22 |
| **Total actuarial (Loss)/Gain on Pension Assets charges to the Comprehensive Income Statement** | **188** | (505) |
| **Total Post Employment Benefits Charged to the Income Statement** | **423** | **(320)** |
| **Employers Contributions Payable to Scheme** | **84** | **98** |

**PENSION ASSETS AND LIABILTIES RECOGNISED IN THE BALANCE SHEET**

The amount included in the Balance Sheet arising from the Partnership obligation in respect of its defined benefit plan as follows:

| | 31.03.22<br>£'000 | 31.03.21<br>£'000 |
|---|---|---|
| Present Value of the defined obligations | (2,691) | (2,511) |
| Fair Value of plan assets | 1,483 | 1,268 |
| **Net Liability arising from Defined Benefit Obligations** | **(1,208)** | **(1,243)** |

**RECONCILIATION OF THE MOVEMENTS IN THE FAIR VALUE OF SCHEME (PLAN) ASSETS**

| | **31.03.22** | **31.03.21** |
|---|---|---|
| | **£'000** | **£'000** |
| **Opening fair value of scheme** | **1,268** | **885** |
| Interest on assets | 27 | 23 |
| *Remeasurement gain/(loss):* | | |
| Return on plan assets, excluding the amount included in the net interest expense | 67 | 205 |
| Administrative expenses | (1) | (1) |
| Contribution by employer | 84 | 98 |
| Contribution by Scheme participants | 48 | 58 |
| Estimated benefits paid plus unfunded net of transfers in | (10) | 0 |
| **Closing Fair Value of Scheme** | **1,483** | **1,268** |

**RECONCILIATION OF THE PRESENT VALUE OF SCHEME LIABILITIES (DEFINED BENEFIT OBLIGATION)**

| | **31.03.22** | **31.03.21** |
|---|---|---|
| | **£'000** | **£'000** |
| Opening balance as at 1st April | **2,511** | **1,535** |
| Current Service Cost | 210 | 171 |
| Interest Cost | 53 | 37 |
| Contribution by scheme participants | 48 | 58 |
| *Measurement (gain)/loss:* | | |
| Actuarial gains/losses arising from changes in demographic assumptions | 0 | (17) |
| Actuarial gains/losses arising from changes in financial assumptions | (128) | 749 |
| Experience loss/(gain) on defined benefit obligation | 7 | (22) |
| Estimated benefits paid net of transfer in | (10) | 0 |
| **Closing balance as at 31st March** | **2,691** | **2,511** |

**LOCAL GOVERNMENT PENSION SCHEME ASSETS COMPROMISED:**
The return on the pension fund for the year ending 31 March 2022 is estimated to be 7.09%. The actual return on Fund assets over the year may be different.

The estimated assets allocation for Milton Keynes Development Partnership as at 31 March 2022 is shown on the following page:

| | **31.03.22** | | **31.03.21** | |
|---|---|---|---|---|
| | **£'000** | **%** | **£'000** | **%** |
| Gilts | 145 | 10% | 115 | 9% |
| Equities | 800 | 54% | 744 | 59% |
| Other Bonds | 203 | 14% | 185 | 15% |
| Property | 93 | 6% | 74 | 6% |
| Cash | 51 | 3% | 18 | 1% |
| Infrastructure | 45 | 3% | 0 | 0% |
| Multi Assets | 137 | 9% | 0 | 0% |
| Private Debt | 9 | 1% | 0 | 0% |
| Alternative Assets | 0 | 0% | 16 | 1% |
| Hedge Funds | 0 | 0% | 60 | 5% |
| Absolute return Portfolio | 0 | 0% | 56 | 4% |
| **Total Assets** | **1,483** | **100%** | **1,268** | **100%** |

**Basis for estimating assets and liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme have been estimated by Barnett Waddingham, an independent firm of actuaries, estimates for the Partnership fund being based on the latest full valuation of the scheme as at 31 March 2022.

The significant assumptions used by the actuary have been:

| | **31.03.22** | **31.03.21** |
|---|---|---|
| | **£'000** | **£'000** |
| *Mortality assumptions:* | | |
| Longevity at 65 for current pensioners: | 21.6 | 21.6 |
| Men | 25.0 | 25.0 |
| Women | | |
| | | |
| *Longevity at 65 for future pensioners* | | |
| Men | 23.0 | 22.9 |
| Women | 26.5 | 26.4 |
| | | |
| Rate of inflation (RPI) | 3.1% | 3.1% |
| Rate of inflation (CPI) | 3.2% | 2.8% |
| Rate of increase in salaries | 4.2% | 3.8% |
| Rate of increase in pensions | 3.2% | 2.8% |
| Rate for discounting scheme liabilities | 2.6% | 2.1% |

These assumptions are set with reference to market conditions as at 31 March 2022. The estimated duration of the Employer's liability is 29 years.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

The estimation of the defined benefit obligations is also sensitive to the actuarial assumptions used by the actuary:

- The cost of a pension arrangement requires estimates regarding future experience. The financial assumptions used by the actuary are largely prescribed at any point and reflects market conditions at the reporting date. Changes in market conditions that result in changes in the net discount rate (essentially the difference between the discount rate and the assumed rates of increase of salaries, deferred pension revaluation or pensions in payment) can have a significant effect on the value of the liabilities reported. In order to quantify the impact of a change in the financial assumptions used, the actuary has calculated and compared the value of the scheme liabilities as at 31 March 2022 on varying bases;

- A reduction in the net discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. A risk in the net discount rate will have an opposite effect of similar magnitude;

The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in previous year.

| **Sensitivity Analysis** | | **31st March 2022** | | | **31st March 2021** | |
|---|---|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Adjustment to discount rate | +0.1% | 0.0% | (0.1%) | +0.1% | 0.0% | (0.1%) |
| Present value of total obligation | 2,615 | 2,691 | 2,769 | 2,441 | 2,512 | 2,585 |
| Projected service cost | 188 | 194 | 201 | 247 | 256 | 264 |
| Adjustment to long term salary increase | +0.1% | 0.0% | (0.1%) | +0.1% | 0.0% | (0.1%) |
| Present value of total obligation | 2,693 | 2,691 | 2,689 | 2,514 | 2,512 | 2,510 |
| Projected service cost | 195 | 194 | 194 | 256 | 256 | 255 |
| Adjustment to pension increases and deferred revaluation | +0.1% | 0.0% | (0.1%) | +0.1% | 0.0% | (0.1%) |
| Present value of total obligation | 2,767 | 2,691 | 2,617 | 2,583 | 2,512 | 2,443 |
| Projected service cost | 201 | 194 | 188 | 265 | 256 | 248 |
| Adjustment to life expectancy assumptions | +1 yr | None | (1 yr) | +1 yr | None | (1 yr) |
| Present value of total obligation | 2,786 | 2,691 | 2,600 | 2,610 | 2,512 | 2,417 |
| Projected service cost | 203 | 194 | 186 | 268 | 256 | 244 |

**Scheduled Contributions:**
The minimum employer contributions due from MKDP to the fund over this inter-valuation period are an annual contribution of 16.5%.

MKDP may pay further amounts at any time and future periodic contributions, or the timing of contributions may be adjusted on a basis approved by the Actuary.

## 13 RESERVES

| | 31.03.22 £'000 | 31.03.21 £'000 |
|---|---|---|
| Distributable Reserves | 48,568 | 40,494 |
| Non-Distributable Reserves | 106,631 | 68,557 |
| **Total Reserves** | **155,199** | **109,051** |

**Distributable Reserves**
This reserve will be used to fund capital and development expenditure in 2022/23 and future years.

**Non-Distributable Reserves**
These reserves includes revaluations gains and pensions reserves set aside to fund any adverse impact on future years' valuations on both the pension fund and Milton Keynes Developments Partnerships assets.

## 14 FINANCIAL INSTRUMENTS

International Financial Reporting Standard IFRS 9 Financial Instruments, and IFRS 7 Financial Instruments Disclosures require that all LLP's provide information about the impact of financial instruments on their risk profile, how the risks arising from financial instruments might affect their performance and financial condition, and how these risks are being managed.

a. **Financial Instrument Balances**
The investments, trade debtors and creditors disclosed in the Balance Sheet are made up of the following categories of financial instruments:

| | Long Term 31.03.22 £'000 | Short Term 31.03.22 £'000 | Long Term 31.03.21 £'000 | Short Term 31.03.21 £'000 |
|---|---|---|---|---|
| *Loans and Receivables* | | | | |
| Loans and Receivables | 0 | 0 | 0 | 0 |
| Trade and other receivables | 0 | 1,771 | 0 | 370 |
| Cash & Cash Equivalents | 0 | 28,070 | 0 | 27,782 |
| **Total Loans and Receivables** | **0** | **29,841** | **0** | **28,152** |
| **Financial Liabilities measured at Amortised Cost** | | | | |
| Trade and Other Payables | 0 | 32,898 | 0 | 32,733 |
| **Total Financial Liabilities measured at Amortised Cost** | **0** | **32,898** | **0** | **32,733** |

Financial assets measured at amortised cost comprise cash, trade receivables, amounts owed to group undertakings, social security and other taxes and short term investments.

Trade and Other Payables figure includes the amount owed to who funded the purchase of the assets from the Homes and Community Agency. This debt was passed to MKDP Milton Keynes City Council (LLP) along with the assets.

**a) Reclassifications of financial instruments**
During the year there have been no reclassifications between financial assets measured at fair value and those measured at amortised cost.

**b) 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 year.

**c) Allowance account for credit losses**
Each class of debt has been reviewed and there is no impairment resulting from issues such as changes in the economic climate or the financial position of the debtor. This is known as the incurred losses method.

**d) Defaults and Breaches**
Milton Keynes Development Partnership does not have any loans and therefore have been no breaches or defaults in year.

**e) Financial Instruments Income, Expenses, Gains and Losses**
In the year there are no income, expenses, gains and losses recognised in the Income Statement in relation to financial instruments.

**f) Fair Value of Assets and Liabilities Carried at Amortised Cost**
Financial liabilities and financial assets are represented by loans and receivables and carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to be approximate to fair value.

Trade receivables, trade payables, Cash and Cash Equivalent and Investments are all carried at cost as this is a fair approximation of their value.

**g) Nature and Extent of Risks Arising from Financial Instruments**

The Partnership activities expose it to a variety of financial risks:

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

**Credit Risk**

Credit risk arises from exposures to the Partnerships customers. Customers for goods and services are assessed taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Partnership. The Partnership is not therefore currently exposed to credit risk.

We have assessed the inflows and outflows of the Partnership and as the majority of income is billed in advance we can confirm that there is no risk to the entity.

**Liquidity Risk**
The liquidity risk is that the Partnership may have to raise loans at a time of unfavourable interest rates. In this instance short term loans will be taken until rates become favourable.

Milton Keynes Development Partnership does not have any current financial liabilities in the form of external borrowing at 31 March 2022. The Partnership is not therefore currently exposed to liquidity risk.

**Market Risk**
The Partnership is not currently exposed to risk in terms of its exposure to interest rate movements as Milton Keynes Development Partnership does not have any borrowings with financial institutions at 31 March 2022.

**Price Risk**
The Partnership does not invest in equity shares and therefore is not exposed to losses arising from movements in the prices of shares.

**Foreign Exchange Risk**
The Partnership has no financial assets or liabilities denominated in foreign currencies and therefore have no exposure to loss arising from movements in exchange rate.

## 15 RELATED PARTIES

The Milton Keynes Development Partnership is required to disclose any transactions with related parties - bodies or individuals that have the potential to control or influence the Partnership or to be controlled or influenced by the Partnership. Disclosure of these transactions allows an assessment of the extent to which the Partnership 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 Milton Keynes Development Partnership.

**Members**

All staff employed by the Partnership are required to declare any interest or involvement with a third party which could give rise to a related party transaction. In accordance with the Statement of Recommended Practice the disclosures made by key management personnel have been considered.

Board members have direct control over the MKDPs financial and operating policies.

**Officers**

Officers of the Partnership do not have an interest in any such bodies or have any direct control over the Partnerships financial and operating policies.

**Milton Keynes City Council**

Milton Keynes Development Partnership is wholly owned by Milton Keynes City Council (MKCC). In 2021/22 MKDP received income of £0.245m from MKCC, incurred expenses of £0.756m for works undertaken by MKCC for MKDP and paid MKCC £0.145m in Business Rates.

At the 31 March 2022, the outstanding amounts owed to MKCC, excluding loan transactions totalled £0.599m, and the total amount due from MKCC was £0.036m.

On 1st July 2022 the loan from MKCC to MKDP was refinanced. On 8$^{th}$ November 2022 the loan was refinanced again, with a loan facility of up to £22m, and is due for repayment on 29$^{th}$ September 2023. Interest on the loan during 2021/22 was £0.772m. The loan balance as at 31 March 2022 was £30m with £0.286m interest accrued.

## 16 POST BALANCE SHEET EVENTS

On 1st July 2022 the £30m loan facility was renewed through until 30th September 2022.

On the 8th November 2022 this was replaced with a £22m loan facility through to 29th September 2023. At the date the of signing these Financial Statements £12m of this loan facility had been drawn down.

## 17 INVESTMENTS IN SUBSIDIARIES

On 26 November 2021 Milton Keynes Housing Company Ltd was incorporated as a wholly owned subsidiary of Milton Keynes Development Partnership LLP.

Milton Keynes Housing Company Ltd is a company limited by guarantee.

It is registered in England and Wales.

The Company number is 13767675.

The nature of its business is Renting and operating of Housing Association real estate.

It is currently dormant and its first set of accounts will be for the period ending 31 March 2023.

The Registered Office is Civic Offices, 1 Saxon Gate East, Central Milton Keynes, MK9 3EJ