



Milton Keynes Community Foundation Limited

(a company limited by guarantee)

Trustees' annual report and financial statements of the Group

31 March 2018

Registered company number 2032715 (England and Wales)
Registered charity number 295107

Trustees' report and financial statements of the Group

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Chair's Report

In 2017/18 with the generosity of our donors, we gave over £1.9 million in support to the voluntary community and cultural sector in Milton Keynes.

During the year that Milton Keynes turned 50 we have adopted our new Strategic Plan 2018-2023 following engagement with the key stakeholders in our community. Our vision is a thriving Milton Keynes with a resilient, creative, inclusive and philanthropic community where everyone can contribute. Our mission is to connect people with resources, skills and ideas to enrich lives and create positive growth for Milton Keynes. We will achieve our mission through supporting, inspiring and leading.

We have worked hard to be fully compliant with new fundraising regulations and GDPR. The Board adopted a consent opt-in approach for our members and fund holders. All staff and board members are aware of data protection and GDPR compliance requirements.

I am pleased to report we exceeded our general philanthropy income targets. We welcomed five new funds. One is a welcome new relationship with the Institute of Chartered Accountants England and Wales (ICAEW) to support social mobility in black ethnic minority groups. We engaged with our donors at various events throughout the year including our Members Reception, Seeing-Is-Believing project visits, International Women's Day events and the Duke of Cambridge's visit to Milton Keynes to celebrate MK's 50th birthday. We have progressed our work with professional advisors and launched the first event in Milton Keynes to raise awareness of Social Impact Investment.

Our grants programme continues to support important work in the community, funding hundreds of diverse local projects; innovations such as Community Fridge, using food that would have been wasted from supermarkets to feed families and individuals in need; child bereavement counselling; MK50 community and cultural celebration festivals and events. We have expanded our application and monitoring workshops to increase awareness and transparency of our application process including new monitoring report meetings. We encourage voluntary groups to identify ways they can raise their own funds and increase their sustainability by means of our Mad March Match and Summer Spectacular Challenges on Local Giving, and our Community Car Raffle. This year groups raised over £320,000 for local charities and community groups on our localgiving.com fundraising website.

In October 2017, we published our MK Vital Signs 2017 report researching four key themes. Vital Signs is a key tool for us to direct funds into the areas that need the most help and where the strategic impact to create positive change is biggest. We have expanded our Vital Thinking events to bring together strategic partners, funders and local grassroots groups to discuss existing challenges and opportunities for joint working on support for children and young people with mental health and wellbeing challenges, and children living in poverty.

In 2017/18 we expanded our bursary programme. We have a new Arts prize that will be awarded in 2018/19. In partnership with Sports Aid we awarded four sports bursaries to young high achieving sports MK citizens. We gave our annual music bursary through our Christopher Hopkinson Memorial Fund in partnership with MK City Orchestra. We also awarded the Adams Engineering Prize in partnership with MK College.

Our property assets deliver essential support to the voluntary community and cultural sector. In 2017/18 we were able to provide subsidised rents in excess of £813,000. 14 of the 50 plots of Community Foundation Land have been developed by local charitable organisations for the benefit of the wider community. Margaret Powell House and Acorn House had over 26,000 delegates using our conference suites and meeting room facilities and provided VCCS subsidies to the tune of £48,000.

On a personal note, I would like to thank our Trustees, our President and Vice Presidents for the time, effort and dedication they volunteer for our mission. I appreciate our Community Representatives who give their time and expertise on our grant making and monitoring panels. I would also like to thank our staff for their commitment and dedication in taking our vision forward. I would like to thank our strategic partners and local voluntary groups for the brave, relentless and vital work they achieve in our community. Most importantly, thank you to our donors. None of this would be possible without your generous support.

Lawrence Revill – Chair of Trustees

Trustees' annual report

Reference and administrative information

<u>Charity Registration Number:</u>	295107
<u>Company Registration Number:</u>	2032715
<u>Principal Office:</u>	Acorn House 381 Midsummer Boulevard Central Milton Keynes MK9 3HP
<u>Website:</u>	www.mkcommunityfoundation.co.uk

Bankers

Bank of Scotland
33 Old Broad Street
London
EC2N 1HZ

HSBC
19 Midsummer Place
Milton Keynes
MK9 3GB

Svenska Handelsbanken AB
201 Silbury Boulevard
Milton Keynes
MK9 1LZ

Close Brothers
10 Crown Place
London
EC2A 4FT

Investment Managers

UBS AG
5 Broadgate
London
EC2M 2AN

CCLA
Senator House
85 Queen Victoria Street
London
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Auditor

RSM UK Audit LLP
The Pinnacle
170 Midsummer Boulevard,
Milton Keynes
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Property Manager

Hornbeam Limited
13 Furzton Lake
Shirwell Crescent
Furzton
Milton Keynes
MK4 1GA

Solicitors

EMW
Seebeck House
1 Seebeck Place
Milton Keynes
MK5 8FR

Directors and Trustees

The directors of the charitable company (the Community Foundation) are its Trustees for the purposes of charity law and throughout this report are collectively referred to as the Trustees. Letters designating membership of a committee are; Finance Committee (F), Grants Committee (G), and Property Board (P). More information regarding Committees is shown on page 7 and further details of the Trustees can be found on our website www.mkcommunityfoundation.co.uk/About-us/Our-people/Our-trustees-and-advisers.

Melanie Beck	(Resigned 22 June 2018) P	Kurdisha Mirza	(Appointed 21 November 2017) F, P
Carole Baume	(Appointed 21 November 2017) G	John Moffoot MBE DL	(Resigned 12 October 2017) G
Richard Brown	F, P	Michael Murray DL	(Deceased 22 July 2017) F, P, G
Kate Chadwick	(Appointed 21 November 2017) F	Stephen Norrish MBE	P
Steve Harris	(Chair of Property Committee) P	Lawrence Revill	Chair, P
Jill Heaton	P	Peter Selvey	Treasurer, F
Peter Kara	(Resigned 31 March 2017) F, P	Keith Silverthorne	Chair of Finance Committee, F,G
Fola Komolafe MBE DL	G	Francesca Skelton DL	F, G
Shaun Lee	F, G	Ben Stoneman	P
Dr Alice Maynard	(Appointed 21 November 2017) F		

Senior Executive

Ian Revell	Chief Executive
Laura Keen	Deputy Chief Executive, Director of Finance
Vanessa Bradley	Director of Operations
Bart Gamber	Director of Programmes (resigned 17 November 2017)
Jennifer Walker	Director of Philanthropy

Trustees' annual report (continued)

The Trustees have pleasure in presenting their annual report and audited consolidated financial statements for the year ended 31 March 2018, which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes.

The financial statements comprise the group accounts of Milton Keynes Community Foundation (the "Community Foundation") and its wholly owned subsidiary, MK Community Properties Limited. These statements have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the Memorandum and Articles of Association, the requirements of the Companies Act 2006 and the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" (FRS 102).

The accounts on pages 19 to 45 incorporate all the various funds within the Community Foundation. An analysis of the group income and expenditure between the various funds is provided in note 21.4.

Strategic Report - Objectives and Activities

The objects of the Community Foundation are defined in its Memorandum and Articles of Association, allowing the Trustees to make grants out of capital and income to voluntary groups, charities and individuals who support people within the Milton Keynes unitary authority area. The Trustees confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Community Foundation's aims and objectives and in planning future activities and setting the grant making policy for the year. Fund holders have the opportunity to direct a small percentage of their funds outside the Milton Keynes Unitary Authority area.

The Community Foundation aims to distribute funds to groups that have the most impact along themes highlighted in our Vital Signs report. The Community Foundation is pleased to consider any application that will benefit people in the Milton Keynes unitary authority area. As long as the applicant is undertaking charitable work, they do not need to be a registered charity.

The Community Foundation's wholly-owned trading subsidiary company, MK Community Properties Limited, is a provider of meeting and conference facilities. In addition, the company also leases Small Business Units on licence to both commercial and not for profit organisations. Its aim is to support the Voluntary Sector in Milton Keynes, either through subsidised meeting and conference room hire or indirectly through its surplus income from commercial Small Business Units, which contributes towards the Community Foundation's grant making programme. MK Community Properties also owns 11 strategic Community Foundation Land sites.

A number of different types of grant are available from the Community Foundation, as follows:

Micro Grants for sums up to £200 (£300 in the expansion areas) designed as a first application for new grassroots organisations with a decision being made within five working days.

Small Grants for sums up to £1,500 and **Community Grants** for sums up to £5,000. In exceptional circumstances the Community Foundation may award larger grants for significant projects dependent on needs and priorities.

Large Strategic Grants launched in May 2017 for multi-year projects taking place over up to three years. They are designed to offer significant strategic support to local organisations working with our New Communities or with older people and people with disabilities.

Partnership Grants - the Community Foundation continues to work in partnership with Sport MK to distribute annual awards to small groups in this field.

Trustees' annual report (continued)

During 2011/12 the Community Foundation became part of Local Giving. This nationwide project provides local voluntary organisations with the opportunity to create a web page on the Local Giving web site and use this to raise funds for their group. At 31 March 2018, 139 (2017: 139) local groups had taken advantage of this exciting on line facility and have raised £1,636,277 between them.

The Community Foundation also has a number of community representatives who, with the Trustees, make decisions on grant awards. Representatives serve for a maximum of three years, and the Community Foundation reviews the representatives annually to ensure that we continue to draw from a wide range of people, be it at grassroots level, the voluntary sector, professionals or specialists. The uniqueness of a representative is the combination of impartiality, experience and expertise that they bring to the decision-making process. There are currently 11 community representatives who participate in the decision-making process in the Community Foundation's grants committees. The Community Foundation is aware that it faces a number of new challenges in both the short and long term due to the future expansion plans for Milton Keynes arising from both the government's Growth Agenda proposals and the development of Central Milton Keynes. The community in Milton Keynes is becoming increasingly diverse and with the past and impending Council budget cuts, where monies will only be awarded to Voluntary Sector Organisations for initiatives that are a statutory requirement, the challenge for the Community Foundation is how we ensure that ongoing support is available to vulnerable people in our Community. To address the challenges this expansion will pose, alongside the reduction in Council funding, the Community Foundation developed a new three year strategic framework in 2015.

In this critical time of change and growth for Milton Keynes, this strategic framework identified three Key Aims as follows:

- Inspiring philanthropy in people and organisations to support our local communities
- Championing the work and changing needs of our voluntary sector
- Providing long term support through our grant-making and property portfolio

In addition to the above Aims, five Objectives have been outlined:

- To be the beacon for philanthropy in our community
- To create responsive, diverse and flexible resources to support the community to enable it to grow and flourish
- To understand the critical issues that affect our community
- To make connections with and between stakeholders and identify solutions to meet the needs of the community
- To provide leadership and influence to support the voluntary sector

To achieve our Aims and Objectives over the next three years we will:

- Commit to an annual fund development target
- Commit to a minimum annual grant-making budget to include a minimum unrestricted grant budget
- Diversify our philanthropy offer to the community to encompass both endowment and flow through products
- Use Vital Signs as a tool to develop propositions on priority issues that will provide donors with solutions for their philanthropic giving
- Articulate the issues of inequality highlighted in Vital Signs and influence stakeholders and community leaders about their role in addressing inequality and in our communities
- Identify, engage and fund organisations to work together, to lead change that will address inequality issues reported in Vital Signs
- Innovate and drive strategic development of our property portfolio so that we provide a responsive and diverse property offer to support the community
- Increase our impact across the unitary authority area and connect people and key networks

Trustees' annual report (continued)

In May 2018 the Board of Trustees reviewed the activities over the previous twelve months. Priorities for the year were agreed to be Fund Development, Property Development and completion of our new strategic plan. It was reported that during the previous year the Community Foundation:

Fund Development & Communications

- Continued to develop the work of our honorary structure to both engage the community and develop community philanthropy.
- Held our annual Members Reception at the home of one of our donors with over 100 members attending.
- Worked with the High Sheriff, Peter Kara, to raise the profile of MK and Buckinghamshire Community Foundations and secure additional funds.
- Set up three new funds and won two new funding programmes.
- Celebrated 30 years of the car raffle with our partners VW and the centre:mk.
- Delivered two Vital Thinking events on the theme of poverty using funding secured from The Academy of Philanthropy in Poland.
- Launched the second stage of our new website.
- Implemented processes to ensure that the organisation is GDPR compliant.

Grants

- Ran two successful match challenges allowing £270,033 to be distributed to the groups in the year taking the total amount raised by groups since 2011 to £1,636,277.
- Awarded five Sports Bursaries in partnership with Sport MK and Sports Aid.
- Awarded the fifth Adams Engineering Prize Bursary, in partnership with MK College.
- Continued our partnership with the City Orchestra and awarded a £2,000 Music Bursary.
- Successfully followed up our Vital signs full report in October 2016, with an interim report in October 2017. This was introduced at a Breakfast Briefing, sponsored by RSM, and followed up by various Vital Thinking events.
- Continued to supported Big Local Conniburrow with their Open Spaces project which saw £104,124 spent on the continued development of the Community Orchard and the opening of a new Community Hub as well as achieving a number of smaller projects around developing Community Champions and upskilling the local residents.
- Awarded our first Large Strategic Grant for £120,000 to YiS Youth Counselling Service
- Launched a new programme of Applications and Monitoring Workshops to increase awareness and transparency of our processes.

Property

- Continued to engage with Parish and Town Councils to keep them informed about Community Foundation Land Sites (CFL) in their area.
- Continued to work with our Property Asset Manager to develop property plans particularly in relation to the community land available in the Eastern and Western Expansion Area and our CMK site.
- Continued to work with Architects, Stenton-Obhi, and Places for People to develop plans for our site at Brooklands.
- Awarded a reservation for a plot in the Western Expansion Area to Puzzle Centre.
- Awarded a reservation for our Monkston Park plot to Kings Court Chapel.
- Approved a meanwhile use of land at Shenley to MK Astronomy Club.

Trustees' annual report (continued)

Acorn House/Margaret Powell House

- Increased our available small business units to 58 across the two buildings. These can be hired on a flexible basis and we hope to be able to create further units as space allows.
- Installed flexible partitioning in the Margaret Powell Suite to enable more efficient usage of the space.
- Completed a major refurbishment of the reception area in Margaret Powell House to make the entrance to our building more open and welcoming.
- Were visited by over 26,000 delegates during the year.
- Attained Meeting Industry Accreditation (MIA) for our facilities.

Governance

- Recruited four new Trustees to replace Trustees leaving on completion of their allowed terms.

Committees

Finance Committee

The Finance Committee meets five times every year and has nine Trustee members. The aim of this committee is to focus on the following areas and make recommendations to the Board:

- Regularly review financial information of the group.
- Set a budget that will achieve the strategic objectives agreed by the Board.
- Review and manage risks to the group.
- Liaise with the Investment Managers with regards investment performance.
- Liaise with Auditors in production of the annual financial statements.
- Consider financial viability of special projects.

Attendance of this committee is 67%.

Grants Committee

The Grants Committee meets five times a year and has five Trustee members assisted by 11 Community Representatives. The aims of this committee are:

- To review applications for grants, provide information and prioritize applications.
- To regularly review Grants policy in line with the changing needs of the voluntary sector and our strategic aims.

Attendance of this committee is 66%.

Property Committee

The Property Committee meets five times a year and has seven Trustee members assisted by our Property Asset Consultant and Property Manager. The remit of this Committee is as follows:

- Regularly review financial information of the property company.
- Ensure the property company's objectives align with those of the Community Foundation.
- Approve the budgets for property company as recommended by the Finance Committee.
- Manage the risks of the property company.
- Oversee the strategy for the property portfolio held by the group.
- Identify and oversee property development projects across the group

Attendance of this committee is 77%.

Trustees' annual report (continued)

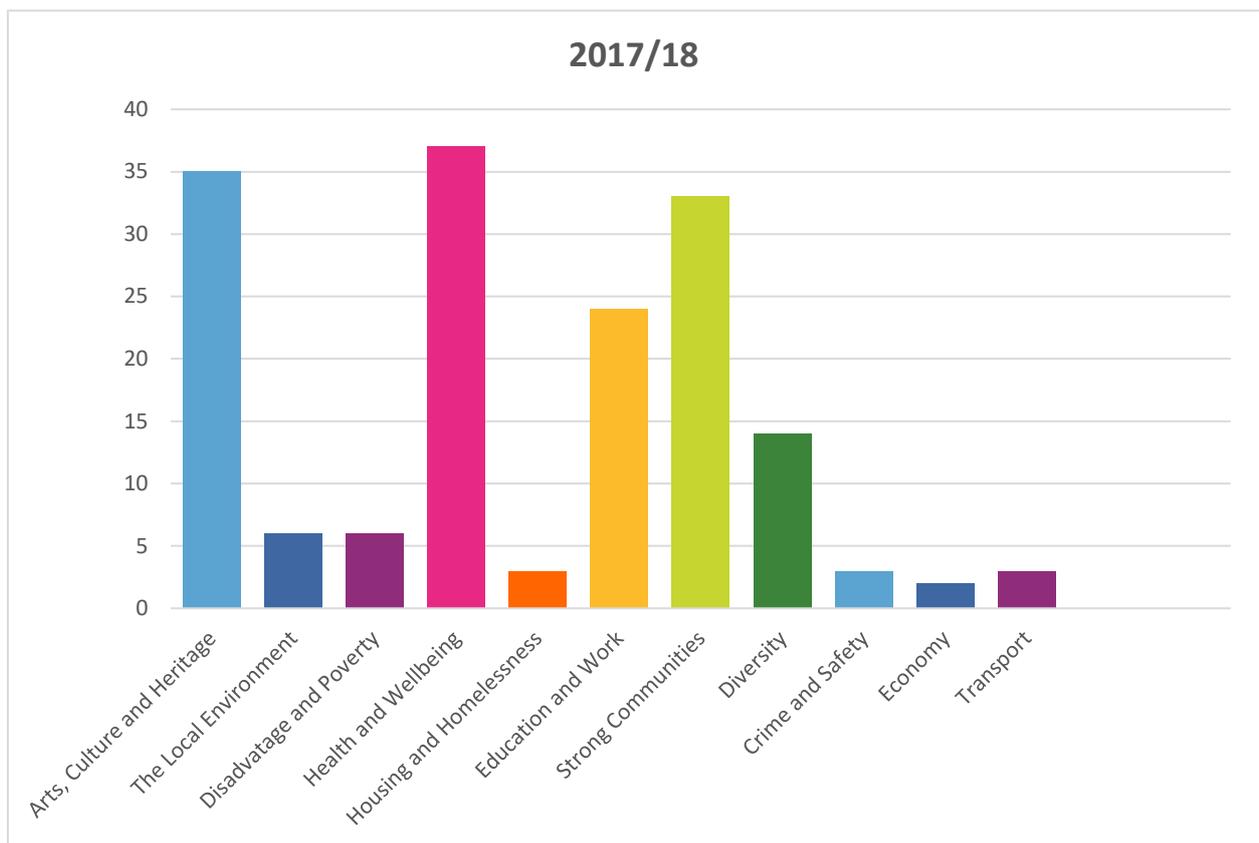
Achievements and Performance

1 Total support provided by the Community Foundation to the Voluntary and Community sector during the financial year ended 31 March 2018 totalled £1,999,026 (2017: £1,778,422).

Grant Making

The amount of £728,693 (2017: £569,586) was awarded in grants by the Community Foundation during the year. The grants awarded in the year ended 31 March 2018 were in the Vital Signs themed areas shown in the chart below.

Themed areas of grants awarded



This level of grant making enabled funding to be provided to 133 local organisations in order to support 164 projects that covered a wide range of initiatives in Milton Keynes during the year to 31 March 2018. In addition one grant was awarded to an individual as part of the Engineering Bursary programme, one grant was awarded to a local musician and five grants were awarded to individuals as part of our sports bursary programme.

The level of grant making achieved during the year means that the Community Foundation has now awarded in excess of £11.25m in grants since 1986.

In addition, £270,033 was distributed to local groups through the Local Giving Project and we gave out £104,124 of funds to Big Local Conniburrow from their Local Trust Grant, which we administer.

Trustees' annual report (continued)

The property portfolio

The property portfolio is comprised of 226,478 square feet (2017: 226,478 square feet) of accommodation to be let along with 50 (2017: 50) Community Foundation Land (CFL) sites. As at 31 March 2018, void space within the portfolio totalled 2,336 square feet (2017: 480 square feet) and, therefore, 99.0% (2017: 99.8%) of the total portfolio is currently let. Despite no income from sale of leases for CFL sites, the surplus from this part of the organisation for the year amounted to £581,186 (2017: £499,356). This has also enabled the Community Foundation to support the Voluntary and Community sector by providing accommodation on preferential terms. The amount of this subsidy, the difference between the full commercial rental and the subsidised rent paid by 40 Voluntary and Community sector tenants was in excess of £813,000 (2017: £769,000) for the year to 31 March 2018.

Donations Received

During the year to 31 March 2018 voluntary income received by the Community Foundation totalled £1,157,800 (2017: £1,126,805).

The Community Foundation in line with its Strategic Framework has continued to promote philanthropy and work closely with its donors to create new endowed and flow through funds. This has resulted in the creation of five new donor-restricted funds. The promotion of philanthropy is central to our fund development work to enable the Community Foundation to meet the needs of the community now and in the future.

Acorn House/Margaret Powell House Flagship Sites

The Conference and Meeting Room facilities across both Acorn House and Margaret Powell House had a busy year with delegate numbers up from 25,000 to 26,000 despite the reduction in numbers of meeting rooms. Requirements for small business units continues and it is hoped that further units can be created as space becomes available.

Local Voluntary Sector organisations can hire meeting rooms at a heavily discounted rate. In the year to 31 March 2018 these discounts amounted to £48,183 (2017: £47,090).

Community Foundation Land Sites

No new leases have been granted during the year however two new reservations have been awarded. One to The Puzzle Centre for a plot in the Western Expansion Area. The second was to King Court Chapel for a plot of land on Monkston Park to build a community centre.

Two further sites are reserved for community development; Neath Hill which is reserved by the Murugan Temple Trust (reservation extended to 31 July 2018); Tattenhoe which is reserved by the Shital Hindu Group, Dream Sai (Reservation expires 31 March 2019).

In May 2018 a long lease was granted to the Murugan Temple Trust for the site in Neath Hill and the construction of their Community Centre has begun.

Trustees' annual report (continued)

Financial Review

During the financial year ended 31 March 2018 the Community Foundation generated a net group surplus before investment gains and losses of £230,290 (2017: £279,530).

The total value of the Community Foundation's funds has increased to £50,242,003 (2017: £49,926,777). This level of funds continues to ensure sustainability and enables the Community Foundation to continue to support the growing local community in as many ways as possible.

Income

The Community Foundation's income is primarily derived from four sources: Income from donations and legacies, income from other trading activities, investment income and the net income of MK Community Properties Limited. Each of these sources of income is subject to different drivers.

The income received by the Community Foundation in the year ended 31 March 2018 totalled £3,205,398 (2017: £3,122,527).

Expenditure

Out of the 247 applications received by the Foundation, 164 grants were awarded (2017: 192 grants awarded) totalling £750,193 (2017: £569,586) providing support to 133 local charities and voluntary and community organisations and 7 individuals. Of these awards, £340,769 remained unpaid at the year end (2017: £229,550). In addition, £270,033 (2017: £268,332) was distributed to local groups through the Local Giving Project and £104,124 (2017: £109,281) was given out in funds to Big Local Coniburrow from their Local Trust Grant, which we administer.

The Group's total operating costs continue to be closely monitored, and for the year ended 31 March 2018 amounted to £2,975,108 (2017: £2,842,997). In common with other charitable organisations, changes in priorities year on year result in changes in cost allocations across the categories of expenditure.

Investments

The group's investments were valued at the year-end at £14,680,030 (2017: £14,763,777). The majority (81.8% of year end value) of these investments were held by CCLA in their Charities Ethical Common Investment Fund. The balance are held in a segregated fund managed by the investment managers UBS AG. Details of the type of investments held by the Community Foundation are set out in note 14 to the financial statements.

The period under review was a year of contrasts. 2017 was a year of stability: the global economy experienced its best year for growth since 2011 and some of the lowest levels of equity market volatility since the financial crisis. 2018 brought with it greater uncertainty: rising geopolitical tensions in the Middle East and North Asia, fractious Brexit negotiations, higher inflation (leading to interest rate hikes in the USA) and a return to market volatility. There were also sharp movements in the currency markets, with the pound regaining much of the ground it had lost against its trading partners in the immediate aftermath of the EU referendum. The result has been a slight drop in both the dividend income and overall value of the Community Foundation's investments.

The Community Foundation's investment policy remains unchanged. This provides guidance on the Community Foundation's aim in investing its funds, including its position on risk; an indication of the Community Foundation's asset allocation strategy; the benchmarks and targets by which the performance of the manager will be judged; the Community Foundation's stance on ethical investment; the balance between capital growth and income generation which is sought by the Community Foundation; and the scope of the investment powers.

Trustees' annual report (continued)

The Trustees have discretion to invest as they think fit and the investments held by the Community Foundation have been acquired in accordance with these powers. The investment strategy adopted is to optimise the total return from the investment portfolio whilst mitigating risk, as far as possible.

As detailed a proportion of the Community Foundation's assets are held in segregated funds managed by UBS AG. The performance of the funds managed by UBS AG and will be compared regularly with the PM UK Growth benchmark.

Under the terms of the Community First Endowment Match Challenge all funds raised under this programme must be held at CCLA. Also twelve of the restricted donor funds and the Grassroots Endowment Challenge funds were all invested with CCLA.

Freehold and Leasehold properties

The financial statements also include the valuation of the investment properties held by the Community Foundation and its trading subsidiary, MK Community Properties Limited. Clearly any gain on revaluation of properties cannot be spent on grants unless properties are sold, many of which are occupied by the voluntary or charitable sector. Similarly any gain on the revaluation of investments can only be realised if the investments are sold which impacts on the future investment income.

The freehold and leasehold properties were valued on 31 December 2017 by external valuers Robinson Hall, Chartered Surveyors, on the basis of open market value in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors (RICS). Whilst the Trustees are of the opinion that there has been no material movement in value of these properties between that date and 31 March 2018, they believe that valuation of the properties should be at Existing Use valuation to more appropriately reflect the Community Foundation's policy of allowing Voluntary and Community Sector groups to apply for a rent subsidy of up to 75%. If this Existing Use valuation were to be used, our Land and Buildings would be valued at £40,151,322, a decrease of £6,669,078.

Reserves

Since 1994 it has been the policy of the charity to hold reserves in the Community Fund totalling at least £1 million, which have not been committed or designated for any particular purpose. However, in accordance with the ethos of Community Foundations, the Trustees continue to build these invested funds over and above this minimum level in order to ensure that the investment income derived from these funds would protect future beneficiaries and operations of the charity from the effects of any unforeseen variations in its income streams and underwrite a continuation in the year-on-year growth in the grants budget. In March 2012 we were successful in securing funds from the Office for Civil Society for the Community First Endowment Match Challenge. As a result of our success in raising endowment and subsequent growth in the markets the Community First Endowment is £10,076,967 at 31 March 2018. At 31 March 2018 the amount of unrestricted funds was £41,451,684 (2017: £36,304,027).

Within the unrestricted funds, the Trustees have designated from the Community Fund a separate Property Fund equal in value to the properties held by the group, less mortgages incurred to purchase properties, together with a reserve towards the cost of future property repairs and refurbishments. It is the intention of the Trustees that this fund will be maintained at levels over a 10 year period that will be sufficient to finance the repairs and refurbishment of the property portfolio that have been identified as being required in order to ensure that the property portfolio remains in a 'fit for purpose' state.

The Trustees are satisfied that the charity's assets attributable to each of its Funds are available and adequate to fulfil its obligations in relation to those funds. The Trustees are confident that the Community Foundation is able to continue to meet its liabilities as they fall due for the foreseeable future and that the accounts should be prepared on the going concern basis.

Trustees' annual report (continued)

Risk Management

The Trustees annually review the major risks to which the charity is exposed in order that they can ensure systems and processes have been established to mitigate those risks. In order to ensure that all key areas of risk arising from both internal and external factors have been considered, risks are classified as either Governance, Operational, Financial, Environmental and External, Legal and Regulatory or Reputational.

During 2014/15 we reviewed the process we use to identify, categorise and report on risks. The result of this was a new document, The Risk Mitigation Plan, which focused on actions required to reduce risks affecting the organisation. The 2018 review of this plan identified 25 risks (2017: 25). The key risks were:

- Property Development activities open the organisation up to higher risk levels.
- Increasing role of the Voluntary Sector in delivering publicly funded service.
- Inability to meet continuing growth and changing demands for grants.
- Violent and/or antisocial behaviour towards Venue and Client team staff.
- Economic downturn leading to high levels of voids in the property portfolio.
- Funding or partnering with organisations that fail due to lack of sustainability

Plans for Future Periods

Fund Development

We work to inspire philanthropy in Milton Keynes. In 2017/18, we secured vital new funds, in particular a social mobility fund with the Institute of Chartered Accountants for England and Wales. We have adopted a new strategic framework and restructured internally to implement a philanthropy team. This team is now responsible for inspiring philanthropy and awarding grants in vital signs theme areas ensuring the best impact and outcomes from our grant making to benefit communities in Milton Keynes.

This year we adopted and implemented a consent opt-in approach for our donor communications and donor care to ensure that we are compliant with new fundraising regulations and GDPR, data protection and legal requirements. We are pro-active about providing the best donor care services within a fair, open, transparent and lawful culture. Our Board of Trustees are fully aware of their responsibilities for fundraising activities and we have adopted a Charity Commission 20 report to Board moving forward. In addition, two Trustees have taken on the role of philanthropy champion to ensure there is a high level of awareness of philanthropy actions at board level. We have not received any complaints in this respect.

We secured new funds in 2017/18 as well as running successful campaigns such as Surviving Winter, the Community Car Raffle and Local Giving. In 2018 / 19 we plan to promote individual and corporate membership to ensure we get new members, improve corporate engagement opportunities and continue to build on our professional advisors and trust transfer work. We will also begin to look at opportunities to secure regional and national funding into Milton Keynes.

In 2017/18, we produced a short Vital Signs 2017 report that focused on disadvantage and poverty, health and wellbeing, mental health, crime and safety and the economy. In 2018/19, we will produce another short Vital Signs report focusing on health and wellbeing; diversity; poverty and disadvantage (in particular on homelessness); and education (in particular employability).

Trustees' annual report *(continued)*

We intend to continue to provide philanthropists, community, and cultural groups with opportunities to engage in our work by providing Seeing Is Believing project visits, event receptions, community events such as International Women's Day and bespoke discussion and debate opportunities such as vital thinking and philanthropy impact events.

Meeting the Challenges of Growth

The next year will be the first year of our new Strategic Plan. During the year, we will pilot a number of initiatives that will enable the strategic objectives to be realised in the five-year span of the new Strategic Plan.

During the next five years, we will deliver our plan through three themes of:

- Supporting
 - To support the growth and development of our voluntary community and cultural sector
- Inspiring
 - To inspire giving to our communities through philanthropy and other social action
- Leading
 - To take a lead in connecting and growing sustainable communities

In particular, we will continue to maximise the use of our Central Milton Keynes buildings:

- Open a new community café and utilise the ground floor areas of Acorn House
- Develop new conferencing services and look to develop evening and weekend use
- Complete the conversions of the Acorn House conference suite to office accommodation thus consolidating our conference social enterprise activities in Margaret Powell House.

During the year, we will develop a new comprehensive property strategy that will consider use of our existing community use buildings, commercial rent generating buildings and how we seek to bring forward community development on our community land sites in the years ahead. The Property Committee will continue to look at our development at Brooklands/Kingston to enable new sport facilities to be developed. We will seek to establish clear guidelines and principles that will create opportunities to enhance our presence in Central Milton Keynes through the potential re-development of Acorn House and Margaret Powell House. We anticipate continuing and enhancing our leadership role for the sector in line with the MK Futures 2050 plan, particularly around the themes 'Renaissance:CMK' and 'The Creative and Cultured City'.

During the last year of our old strategic plan, we commissioned a study to help us consider the appropriate levels of support needed to enable the voluntary, community and culture sector to grow and thrive. The research highlighted the population growth forecasts and comparisons made against three other large urban and rural areas in Southern England, considered similar to the likely development of Milton Keynes, and the rapidly changing diversity of the borough. As a result, the Board the Community Foundation has adopted a target to increase the Community Foundation's giving by at least 50% in the next five years.

Trustees' annual report (continued)

Governance and Management

The Trustees have reviewed the governance structures of the Community Foundation to ensure they are appropriate and enable the Community Foundation to be a success in its next stage of development. Also, in line with its continuing commitment to ascertain best value from its professional advisers, the Community Foundation regularly undertakes a tendering process for this type of service.

Milton Keynes Community Foundation is also a member of the UK Community Foundation (UKCF), an umbrella body representing Community Foundations across the United Kingdom. A membership fee is paid annually. To retain membership of this organisation, the Community Foundation must comply with a number of criteria.

In May 2005 the Community Foundation's umbrella organisation, the UK Community Foundation (previously Community Foundation Network), announced it would be launching a Quality Mark. The Charity Commission for England and Wales views this initiative favourably, and subsequently endorsed the standards because they are of such quality to be comparable to the *Hallmarks of an Effective Charity*. In July 2010, the Milton Keynes Community

Foundation was reassessed as part of this standard and achieved an exemplary performance in donor services and fund development. In October 2017 we undertook the next stage of our accreditation and received an "exemplar performance" rating in four areas; governance, embracing quality and diversity; financial reporting and community leadership.

The recruitment and retention of staff remains a challenge as skilled employees are in high demand in Milton Keynes. In response to the results of our staff survey we have; created a staff car parking area, introduced flexible working patterns set up Death in Service benefits and undergone a programme of leadership training for Manager level employees and above. The resource of staff time presents a real challenge for the current team. Day to day operational issues need to be balanced with the time taken to engage in the long term strategic issues for the community and its Voluntary Sector in this vital planning stage for the expansion of Milton Keynes.

Structure, governance and management

Milton Keynes Community Foundation Limited is a company limited by guarantee and a registered grant making charity. Milton Keynes Community Foundation was established in 1986 and is principally engaged in the promotion of any charitable purpose for the benefit of the community in the Milton Keynes unitary authority area. The Community Foundation also has a wholly owned trading subsidiary, MK Community Properties Limited. The subsidiary company operates as a provider of meeting and conference facilities. Its aim is to support the charitable objectives of its parent undertaking, the Community Foundation.

The Community Foundation is governed by its Memorandum and Articles of Association. The Articles of Association define those who sit on the Board of the Community Foundation as Trustees. The Articles of Association state that the Trustees have the power to admit members to the Community Foundation. As set out in the Articles of Association, the Board of Trustees shall comprise not less than five and not more than twenty members. At each Annual General Meeting one third of the Trustees shall retire by rotation but they shall be eligible for re-election for up to four terms provided that they are not otherwise disqualified under the conditions set out in the Articles of Association.

Anyone wanting to become a Trustee must apply in writing and is subject to the Community Foundation's recruitment procedures before becoming eligible for election as a Trustee.

Trustees are sometimes tenants of our buildings in their capacity as Employees or Trustees of other Voluntary and Community Sector organisations. All such relationships are at normal commercial rates and are disclosed in Note 19 to these accounts.

Trustees' annual report (continued)

Trustee recruitment, induction and training

As set out above, potential Trustees of the Community Foundation are either invited to apply to the Board or can be nominated by a member of the Community Foundation. Potential Trustees, who can demonstrate that they have the skills and knowledge required, will be interviewed by a panel made up of Board members and which involves the Chief Executive. Successful applicants are recommended to join the Board. All appointments as Trustees are confirmed at the Community Foundation's general meeting.

The Community Foundation needs an informed, skilled and enthusiastic Board of Trustees, supportive of the work of the Community Foundation and able to carry out their duties of governance under Charity Law. The Community Foundation is working towards achieving this through:

- Induction – introducing new Trustees to the ethos and working of the Community Foundation and to their duties in the governance of the organisation.
- Identifying and providing training – an ongoing process, assessing both current and future needs as the Community Foundation develops.
- Board Meetings – these are structured to encourage all Trustees to become more informed on all aspects of the Community Foundation's activities and to be as fully engaged as possible.

Organisation

The Community Foundation currently has 16 Trustees. The Trustees are responsible for ensuring the Community Foundation continues to meet its charitable objectives as set out in its Memorandum and Articles of Association. A Chief Executive is appointed by the Trustees to manage the day-to-day operations of the Community Foundation. To facilitate effective operations, the Executive Team has delegated authority, within terms of delegation approved by the Trustees, for operational matters.

The Board meets six times a year and there are sub-committees covering Finance, Grants and Property Board, which are attended by senior members of the Executive Team. As well as these, time-limited task groups for specific projects are set up as and when required. The attendance at Board Meetings in the year was 59% (2017: 65%).

Indemnity insurance has been taken out in respect of the Trustees as detailed in note 20 to the financial statements.

Pay policy for key personnel

The Trustees consider that the key management personnel of the group to be the Board of Trustees and the Senior Executive Team, who are in charge of directing, controlling, running and operating the group on a day to day basis. All Trustees give of their time freely and no Trustee received remuneration in the year. Details of any Trustee's expenses and related party transactions are shown in note 19 to the accounts.

The pay of the Senior Executive Team is reviewed annually and normally increased in line with average earnings. In view of the nature of the charity, the Trustees benchmark against pay levels in other local voluntary sector organisations of a similar size and other members of the UK Community Foundation network.

Trustees' annual report *(continued)*

Statement of Disclosure to Auditors

So far as each Trustee is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, each Trustee has taken all the necessary steps that they ought to have taken as Trustees in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

Auditor

RSM UK Audit LLP offer themselves for reappointment as auditor.

On behalf of the board

Lawrence Revill
Chair

Date: 19 July 2018

Registered office:
Acorn House
381 Midsummer Boulevard
Central Milton Keynes
MK9 3HP

Statement of Trustees' responsibilities

Trustees' responsibilities for the financial statements

The Trustees (who are also directors of Milton Keynes Community Foundation Limited for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year. Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any departures disclosed and explained in the financial statements; and
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Lawrence Revill
Chair

Date: 19 July 2018

Registered office:
Acorn House
381 Midsummer Boulevard
Central Milton Keynes, MK9 3HP

Independent Auditor's report to the members of Milton Keynes Community Foundation Limited

Opinion

We have audited the financial statements of Milton Keynes Community Foundation Limited (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the Group Statement of Financial Activities, the Group and Company Balance Sheets, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2018 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011.

Basis for opinion

We have been appointed auditors under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Trustees' Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent Auditor's report to the members of Milton Keynes Community Foundation Limited (continued)

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report and the incorporated Strategic Report prepared for the purpose of company law for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Report and the incorporated Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report and the incorporated Strategic Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Act 2011 require us to report to you if, in our opinion:

- adequate and sufficient accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Statement of Trustees' responsibilities set out on page 17, the trustees (who are also the directors of the charitable company for the purposes of company law) 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 trustees 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 trustees are responsible for assessing the group's and parent charitable company'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 trustees either intend to liquidate the group or parent charitable company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's report to the members of Milton Keynes Community Foundation Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sarah Mason FCA

Senior Statutory Auditor
For and behalf of RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
MK9 1BP

Date: 10 August 2018

Group Statement of Financial Activities (incorporating an Income and Expenditure Account)

for the year ended 31 March 2018

	Notes	Unrestricted Funds £	Restricted Funds £	Total 2018 £	Restated Total 2017 £
Income from:					
Donations and legacies	2	241,366	916,434	1,157,800	1,126,805
Income from other trading activities		22,213	-	22,213	25,914
Investment income	3	1,310,848	453,919	1,764,767	1,707,959
Charitable activities – property	4	260,618	-	260,618	261,849
Total income		1,835,045	1,370,353	3,205,398	3,122,527
Expenditure on:					
Raising funds					
Raising Funds		1,076,806	878	1,077,684	1,092,695
Interest payable		44,860	-	44,860	44,255
Total Expenditure on Raising funds		1,121,666	878	1,122,544	1,136,950
Charitable activities					
Grants made		535,114	1,109,767	1,644,881	1,400,732
Property activity		207,683	-	207,683	305,315
Total Expenditure on Charitable activities	8	742,797	1,109,767	1,852,564	1,706,047
Total Expenditure		1,864,463	1,110,645	2,975,108	2,842,997
Net gains on investments	14	24,399	119,195	143,594	1,959,608
Gains on revaluations of Investment Properties	12	4,445,980	-	4,445,980	5,023,750
Net income		4,440,961	378,903	4,819,864	7,262,888
Transfers		4,774	(4,774)	-	-
Net movement in Funds		4,445,735	374,129	4,819,864	7,262,888
Funds brought forward (as originally reported)		36,304,027	13,622,750	49,926,777	45,342,879
Prior period adjustment	25	7,371,000	-	7,371,000	4,692,010
Funds brought forward (as restated)		43,675,027	13,622,750	57,297,777	50,034,889
Total carried forward		48,120,762	13,996,879	62,117,641	57,297,777

Group balance sheet

at 31 March 2018

	Note	2018 £	Restated 2017 £
Fixed assets			
Tangible assets	12	46,910,110	42,495,250
Intangible assets	13	24,129	26,800
Investments	14	14,680,030	14,763,777
		<hr/>	<hr/>
		61,614,269	57,285,827
Current assets			
Debtors	15	804,208	699,832
Cash at bank and in hand		1,899,917	1,447,083
		<hr/>	<hr/>
		2,704,125	2,146,915
Creditors: Amounts falling due within one year	16	(890,753)	(884,965)
		<hr/>	<hr/>
Net current assets		1,813,372	1,261,950
Total assets less current liabilities		63,427,641	58,547,777
Creditors: Amounts falling due after one year	17	(1,310,000)	(1,250,000)
		<hr/>	<hr/>
Net assets		62,117,641	57,297,777
		<hr/> <hr/>	<hr/> <hr/>
Income funds			
Unrestricted funds			
Community	21	2,721,373	2,721,618
Designated	21	45,399,389	40,953,409
		<hr/>	<hr/>
		48,120,762	43,675,027
Restricted funds	21	13,996,879	13,622,750
		<hr/>	<hr/>
		62,117,641	57,297,777
		<hr/> <hr/>	<hr/> <hr/>

These financial statements were approved by the Board of Trustees on 19 July 2018 and were signed on its behalf by:

Stephen Norrish MBE

Trustee

Lawrence Revill

Chair

Company number 2032715

The accompanying notes form part of these financial statements.

Milton Keynes Community Foundation Limited (charitable company) balance sheet
at 31 March 2018

	Notes	2018 £	Restated 2017 £
Fixed assets			
Tangible assets	12	31,675,920	28,763,822
Intangible assets	13	24,129	26,800
Investments	14	14,680,030	14,763,777
Investment in subsidiary undertaking	14	400,001	400,000
		<hr/>	<hr/>
		46,780,080	43,954,399
Current assets			
Debtors	15	951,529	746,201
Cash at bank and in hand		1,340,921	966,926
		<hr/>	<hr/>
		2,292,450	1,713,127
Creditors: Amounts falling due within one year	16	(741,665)	(687,800)
		<hr/>	<hr/>
Net current assets		1,550,785	1,025,327
Total assets less current liabilities		48,330,865	44,979,726
Creditors: Amounts falling due after one year	17	(1,310,000)	(1,250,000)
		<hr/>	<hr/>
Net assets		47,020,865	43,729,726
		<hr/> <hr/>	<hr/> <hr/>
Income funds			
Unrestricted funds			
Community		2,598,897	2,590,245
Designated		30,425,089	27,516,731
		<hr/>	<hr/>
		33,023,986	30,106,976
Restricted		13,996,879	13,622,750
		<hr/>	<hr/>
		47,020,865	43,729,726
		<hr/> <hr/>	<hr/> <hr/>

The charity's surplus for the year was £3,291,139 (2017; £4,734,049).

These financial statements were approved by the Board of Trustees on 19 July 2018 and were signed on its behalf by:

Stephen Norrish MBE
Trustee

Lawrence Revill
Chair

Company number 2032715

The accompanying notes form part of these financial statements.

Group statement of cash flows

Year ended 31 March 2018

	<i>Notes</i>	2018 £	2017 £
Cash used in operating activities	23	(225,976)	(141,389)
Cash flow from investing activities			
Purchase of tangible fixed assets		(38,137)	(90,590)
Purchase of intangible fixed assets		(7,777)	(26,800)
Purchase of investments		(796,186)	(872,000)
Proceeds from sale of investments		998,815	869,161
Dividends and interest from investments		522,095	504,807
Cash provided by investing activities		678,810	384,578
Net increase in cash and cash equivalents in the year		452,834	243,189
Cash and cash equivalents at the beginning of the year		1,447,083	1,203,894
Cash and cash equivalents at the end of the year		1,899,917	1,447,083
Cash and cash equivalents consists of:			
Cash at bank and in hand		1,826,643	1,423,924
Short term deposits		73,274	23,159
Cash and cash equivalents at 31 March		1,899,917	1,447,083

Notes to the financial statements

(forming part of the financial statements)

1 Accounting policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

General information

Milton Keynes Community Foundation Limited ("the Community Foundation") is a private company incorporated and registered in England and Wales and limited by guarantee. The registered address is Acorn House, 381 Midsummer Boulevard, Central Milton Keynes, MK9 3HP.

Basis of accounting

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)(effective 1 January 2015)-(Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1.

Milton Keynes Community Foundation Limited meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note.

Going concern

The Trustees are satisfied that the group's assets attributable to each of its funds are available and adequate to fulfil its obligations in relation to those funds. The Trustees are confident that the Community Foundation is able to continue to meet its liabilities as they fall due for the foreseeable future and that the financial statements should be prepared on the going concern basis.

Basis of consolidation

The consolidated financial statements incorporate those of Milton Keynes Community Foundation Limited and its subsidiary MK Community Properties Limited. The results of the trading subsidiary have been incorporated on a line-by-line basis. A separate Statement of Financial Activities and Income and Expenditure account for the charity has not been presented because the group has taken advantage of the exemption afforded by section 408 of the Companies Act 2006.

Voluntary income

Donations relating to a specific period and donations by deed of covenant, or under gift aid, where the full amount has been deposited in advance are taken into income over the period to which they relate. Where possible, gifts in kind have been quantified and included in these financial statements.

Any grants the Community Foundation receives towards its administration costs are included on a receivable basis.

Donated land is recognised at market value at date of receipt.

Notes (continued)

1 Accounting policies (continued)

Investment income

Interest and investment income is accounted for on a receivable basis.

Property income

Property income represents rents and service charges (net of VAT) receivable on a straight-line basis over the life of the lease. The assets for which rent is received are included in investment properties in fixed assets. Appropriately-apportioned proceeds of property disposals are also included in property company turnover.

Property turnover has been analysed between both investment income and income from charitable activities. That element treated as investment income relates to those properties that are let on full commercial rental basis and that reported as income from charitable activities relates to income from properties let at a subsidised rent to Voluntary and Community Sector tenants.

Subsidiary company income

Property company income represents income from hire of meeting and conferencing facilities and rent from Small Business Units (net of VAT) receivable on a straight-line basis. Any surplus income generated by the subsidiary company is distributed to the MK Community Foundation as a gift aid payment within nine months of the end of the financial year.

Expenditure

Expenditure is recognised when a liability is incurred.

- Expenditure on raising funds is those costs incurred in attracting voluntary income and investment management expenses, including management of investment properties.

Expenditure on raising funds also includes the costs of the Community Foundation's trading subsidiary.

- Expenditure on charitable activities includes the value of grants awarded by the Community Foundation and both the direct and support costs relating to these activities. Grants payable are included in the SOFA when approved by the Trustees and accepted by the beneficiaries. The value of such grants unpaid at the year-end is accrued. Grants where the beneficiary has to meet certain conditions before the grant is released are not accrued but are noted as financial commitments.

Expenditure on charitable activities also includes governance costs including those incurred in the governance of the Community Foundation and its assets. Expenditure that can be recognised as wholly attributable to governance costs, for example audit fees and Trustee expenses, are directly allocated. All other costs, including staffing costs, are apportioned on the basis of an estimate of the time spent by each member of staff on governance-related issues. Such costs are primarily associated with the strategic planning processes that contribute to the future development of the Community Foundation and its statutory requirements.

- Support costs include the administrative functions and have been allocated to activity cost categories on a basis consistent with the use of resources.
- Costs that can be recognised as being wholly associated with support activities are directly allocated. All other costs, including staffing costs, are apportioned on the basis of an estimate of the time spent by each member of staff.

Tangible Fixed Assets

Depreciation is calculated to write down the cost of all tangible fixed assets other than freehold and leasehold investment properties. Fixed assets that cost £1,000 or more are capitalised and written off over their estimated useful lives by depreciation charged, which is reflected in the SOFA.

Equipment assets are depreciated on the straight line method, at rates of between 25% and 50% per annum and are held at cost less depreciation and impairment.

Notes (continued)

1 Accounting policies (continued)

Freehold and leasehold investment properties

The investment properties are held for long-term investment and are included in the group balance sheet at their open market values.

The surpluses or deficits on the revaluation of such properties are transferred to the Designated Property Fund. Depreciation is not provided in respect of investment properties.

Intangible Fixed Assets

Intangible fixed assets relate to website costs. Amortisation is calculated to write down the cost of all intangible fixed assets from the date they are brought into use. The rate of amortisation is 33% straight line.

Fixed Asset Investments

Investments are stated at their market valuation at the balance sheet date. Both realised and unrealised gains or losses are reflected in the SOFA. An exception to this is the valuation of the wholly owned subsidiary company, MK Community Properties Limited. This is held at the historic cost of the shares purchased in the company. Social Investments are held at their estimated market value.

Fund accounting

Unrestricted funds are donations and other income received or generated for expenditure on the general objectives of the group. Designated funds are unrestricted funds that have been designated for specific purposes by the Trustees.

Restricted funds are to be used for specified purposes laid down by the donor. Expenditure for those purposes is charged to the fund, together with a fair allocation of overheads and support costs where appropriate.

Financial Instruments

The organisation only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised as transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

Leasing accounting

Rentals payable under finance leases are charged to the statement of financial activities on a straight line basis over the period of the lease.

Pensions

On 1 June 2015 the organisation began operation of a pension scheme under the auto enrolment provisions. The scheme is managed by Royal London on behalf of the organisation. The scheme is accounted for as a defined contribution scheme.

The contributions made for the accounting period are treated as an expense and were £11,756 (2017: £11,440). Amounts payable at the year end are included within Other Creditors.

Notes (continued)

1 Accounting policies (continued)

Taxation

No provision for corporation tax has been made in these financial statements because the Community Foundation, a registered charity, is exempt from taxation.

All expenditure are classified under activity headings that aggregate all costs related to the category. Irrecoverable VAT is charged against the category of resources expended for which it is incurred.

Accounting for grants

Grants are included in the financial statements as they are awarded. If grants awarded over multiple years have conditions attached to future year elements then these future year elements will not be included in the figure for grants awarded unless all conditions have been met by the financial year end or payment of the grant is otherwise probable.

Critical accounting estimates and judgements

The charitable group 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 those used in estimating the market value of investment properties. These estimates 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.

In the application of the group's accounting policies, the Trustees are required to make judgements. The key judgement relates to the classification of the property portfolio. The Trustees have considered whether the group's portfolio of properties should be accounted for as tangible fixed assets or as investment properties. Many of the properties are available on occasion to be rented to the charity's beneficiaries at subsidised rents. However, the Trustees consider that the properties are primarily held for long term investment with the objective of generating financial income and/or proceeds from their sale to maximise a surplus which can be used to make grants or to support the voluntary and community sector through subsidised rent. Accordingly the Trustees consider that the properties are investment properties and that any changes in their value should be recognised as gains or losses on investment properties. However any rental income which is generated by properties let at subsidised rates is recognised as income from charitable activities rather than investment income to reflect the objectives of the charity.

Notes (continued)

2 Income from Donations and Legacies

	Unrestricted Funds £	Restricted Funds £	Total 2018 £	Unrestricted Funds £	Restricted Funds £	Total 2017 £
Donations received	57,330	905,999	963,329	71,833	855,299	927,132
Donations in kind	92,942	-	92,942	94,722	-	94,722
Funding from Government agencies		10,435	10,435	-	32,961	32,961
Grants received for administration costs	91,094	-	91,094	71,990	-	71,990
	<u>241,366</u>	<u>916,434</u>	<u>1,157,800</u>	<u>238,545</u>	<u>888,260</u>	<u>1,126,805</u>

Donations received in kind are valued on the basis that such services were purchased as a commercial transaction on an arms length basis. All such donations have been included as unrestricted income and are analysed in the table below:

	Unrestricted Total 2018 £	Unrestricted Total 2017 £
Membership and other donations:		
- Discretionary rates relief	5,542	8,503
- Search Engine Optimisation	8,700	-
- Computer Network Support	2,420	1,763
	<u>16,662</u>	<u>10,266</u>
Community Car Raffle		
- Site	60,000	65,000
- 1 st Prize	12,300	13,560
- Site Marketing	480	-
- Presentation evening	3,500	4,386
International Women's Day event	-	187
Giving Tuesday event	-	1,323
Total	<u>92,942</u>	<u>94,722</u>

Notes (continued)

3 Income from Investments

Income from investments comprises income from:

	Unrestricted Funds	Restricted Funds	Total 2018	Unrestricted Funds	Restricted Funds	Total 2017
	£	£	£	£	£	£
Listed investments	68,176	453,919	522,095	67,600	437,207	504,807
Property investments	712,332	-	712,332	751,703	-	751,703
Trading subsidiary turnover	530,340	-	530,340	451,449	-	451,449
	<u>1,310,848</u>	<u>453,919</u>	<u>1,764,767</u>	<u>1,270,752</u>	<u>437,207</u>	<u>1,707,959</u>

4 Income from charitable activities

Income from charitable activities is all unrestricted and comprises income from:

	Unrestricted Total 2018	Unrestricted Total 2017
	£	£
Property rental and service charge income	260,618	261,849
	<u>260,618</u>	<u>261,849</u>

Notes (continued)

5 Net income from trading activities of subsidiary

The charitable company's wholly-owned trading subsidiary incorporated in England and Wales, MK Community Properties Limited (company number 2650530) manages Conference and Meeting Rooms as well as 56 Small Business Units, aiming to support the Voluntary Sector in Milton Keynes, either directly through subsidised room hire and small 'easy in easy out' office space or indirectly through surplus income which is distributed as gift aid to Milton Keynes Community Foundation.

A summary of its trading results is shown below.

Profit and loss account

	Unrestricted Total 2018 £	Unrestricted Total 2017 £
Turnover	535,839	451,449
Cost of sales	(74,925)	(62,815)
	<hr/>	<hr/>
Gross profit	460,914	388,634
Administration expenses	(469,827)	(471,739)
Revaluation of Investment Properties	1,537,622	652,103
	<hr/>	<hr/>
Trading profit	1,528,709	568,998
Net interest	10	241
	<hr/>	<hr/>
Net profit, transferred from reserves	1,528,719	569,239
	<hr/> <hr/>	<hr/> <hr/>

Balance Sheet

Tangible assets	15,234,192	13,731,427
Net current assets	262,577	236,623
	<hr/>	<hr/>
Total net assets	15,496,769	13,968,050
	<hr/> <hr/>	<hr/> <hr/>
Called up share capital	400,000	400,000
Investment property revaluation reserve	15,154,800	13,617,178
Profit and loss account	(58,031)	(49,128)
	<hr/>	<hr/>
Total	15,496,769	13,968,050
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

6 Excess of income over expenditure

The charity has taken advantage of Section 408 of the Companies Act 2006 and has not included its own income and expenditure account in these financial statements.

7 Allocation of support costs and overheads

The breakdown of support costs between costs of raising funds, governance costs and the costs of charitable activities is shown in the table below.

	Property costs	Staff related costs	Investment Expenses	Audit fees	Other direct costs	Apportioned costs	Total 2018	Total 2017
	£	£	£	£	£	£	£	£
Costs of raising funds	-	109,068	-	-	150,745	46,637	306,450	312,043
Fundraising trading	-	9,655	-	-	-	8,455	18,110	14,760
Investment management	737,066	2,084	13,050	-	-	924	753,124	765,892
Charitable activities	207,683	188,855	-	-	27,375	174,654	598,567	621,249
Governance	-	69,226	-	16,025	14,670	29,726	129,647	123,334
	944,749	378,888	13,050	16,025	192,790	260,396	1,805,898	1,837,278

Property costs shown here represent the cost of managing and maintaining our extensive property portfolio.

Costs that can be recognised as wholly attributable to one of the above categories are directly allocated. All other costs, including staffing costs, are apportioned on the basis of an estimate of the time spent by each member of staff within the category. The allocation of staff time across various projects changes from year to year depending on the priorities identified and agreed by the Board. Staff costs have been apportioned as follows:

Role	Costs of raising funds	Property costs	Investment Management costs	Charitable Activities Support costs	Governance costs
Chief Executive	14%	33%	1%	27%	25%
Director of Marketing & Business Development	82%	-	-	8%	10%
Director of Finance/Deputy Chief Executive	16%	29%	4%	19%	32%
Director of Programmes	4%	12%	-	77%	7%
Executive Assistant	10%	15%	-	9%	66%
Financial Controller	22%	10%	1%	32%	35%
Grants Officers/Managers	-	-	-	100%	-
Fund Development Officers/Managers	100%	-	-	-	-
Administrative Assistants	60%	-	-	30%	10%

Notes (continued)

7 Allocation of support costs and overheads (continued)

In accordance with agreed procedures, the operating costs are borne by the Community and Arts Funds proportionate to the relative value of the funds and the donations received. In addition, donors who set up Themed Funds with the Milton Keynes Community Foundation agreed to pay a contribution to the charitable activities of the Community Foundation out of the restricted element of the donation, which is charged direct to those funds.

	Community Fund	Arts Fund	Grassroots Funds	Sport/Comic Relief Fund	Themed Funds	Total
	£	£	£	£	£	£
Raising funds	305,656	623	-	-	171	306,450
Fundraising trading	18,110	-	-	-	-	18,110
Investment management	753,109	12	-	-	3	753,124
Charitable activities	508,856	964	1,484	1,348	85,915	598,567
Governance costs	129,144	395	-	-	108	129,647
	1,714,875	1,994	1,484	1,348	86,197	1,805,898

8 Analysis of expenditure on charitable activities

The Community Foundation undertakes its charitable activities through grant making. In the year ended 31 March 2018 it awarded grants totalling £1,124,350 (2017: £947,199) to a number of voluntary and community groups and individuals in furtherance of its charitable activities (see Note 22). It also paid £12,510 (2017: £14,265) to groups which supported the Community Car Raffle.

The main aim of the Community Foundation's subsidiary company, MK Community Properties Limited, is to support the Voluntary Sector in Milton Keynes, either through subsidised Conference and Meeting Room provision or indirectly through surplus income.

	Charitable Activities	Support Costs	Total 2018	Charitable Activities	Support Costs	Total 2017
	£	£	£	£	£	£
Grants awarded	1,136,860	378,374	1,515,234	961,464	315,934	1,277,398
Governance costs	129,647	-	129,647	123,334	-	123,334
Property Costs	207,683	-	207,683	305,315	-	305,315
	1,474,190	378,374	1,852,564	1,390,113	315,934	1,706,047

Expenditure on charitable activities includes restricted expenditure of £1,109,767 (2017: £946,515) and unrestricted expenditure of £742,797 (2017: £759,532).

Notes (continued)

9 Analysis of governance costs

	2018 £	2017 £
Trustee liability insurance costs	1,969	1,978
Staff related costs	69,226	73,429
Office costs	17,393	13,562
Audit and corporate taxation fees	16,025	16,250
Recruitment costs	2,910	-
Legal and professional fees	9,750	2,000
Other costs	12,374	16,115
	<hr/>	<hr/>
	129,647	123,334
	<hr/> <hr/>	<hr/> <hr/>

10 Analysis of staff costs, Trustee remuneration and expenses, and the cost of key management personnel

	2018 £	2017 £
Salary related costs		
Wages and salaries	498,495	472,285
Social security costs	40,970	39,344
Employer pension contributions	11,756	11,440
	<hr/>	<hr/>
	551,221	523,069
	<hr/> <hr/>	<hr/> <hr/>

One employee earned between £60,001 and £70,000 (2017: 1).

The average number of employees was 19.3 (2017: 19.7), excluding Trustees. This can be analysed as follows:

	2018 Number	2017 Number	2018 FTE	2017 FTE
Salary related costs				
Marketing and Fund Development	4.6	4.6	4.4	4.3
Charitable activities	3.7	4.2	3.7	3.7
Operations	7.0	6.8	6.4	6.1
Finance and Governance	4.0	4.1	3.6	3.8
	<hr/>	<hr/>	<hr/>	<hr/>
	19.3	19.7	18.1	17.9
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

No Trustee received any remuneration during the year (2017: £Nil), no Trustee was reimbursed for expenses during the year (2017: £nil).

The key management personnel of the parent charity comprise the Trustees and the Senior Executive Team, as disclosed on page 3. The employee benefits of the key management personnel were £187,906 (2017: £235,656), including employer's national insurance of £18,559 (2017: £20,493). The key management personnel for the group are the same as for the charity.

Notes (continued)

11 Net income for the year

This is stated after charging:-

	2018 £	2017 £
Auditors' remuneration includes:		
Audit	14,150	13,750
Other services relating to taxation	2,275	2,500
Depreciation	69,257	67,539
Amortisation	10,448	-
	<u>96,130</u>	<u>83,789</u>

12 Tangible assets

The Group	Freehold Investment properties £	Leasehold Investment Properties held on long lease > 50 years £	Equipment £	Total £
Cost or valuation				
Restated at 1 April 2017	41,077,230	1,289,000	576,997	42,943,227
Additions during the year	8,190	-	29,947	38,137
Revaluation	4,489,980	(44,000)	-	4,445,980
At 31 March 2018	45,575,400	1,245,000	606,944	47,427,344
Depreciation				
At 1 April 2017	-	-	447,977	447,977
Provided in the year	-	-	69,257	69,257
At 31 March 2018	-	-	517,234	517,234
Net book amount				
At 31 March 2018	45,575,400	1,245,000	89,710	46,910,110
Restated at 31 March 2017	41,077,230	1,289,000	129,020	42,495,250

Notes (continued)

12 Tangible assets (continued)

The Company	Freehold Investment properties £	Leasehold Investment Properties held on long lease >50 years £	Equipment £	Total £
Cost or valuation				
Restated at 1 April 2017	27,460,052	1,289,000	28,022	28,777,074
Additions	8,190	-	4,322	12,512
Revaluation	2,952,358	(44,000)	-	2,908,358
At 31 March 2018	30,420,600	1,245,000	32,344	31,697,944
Depreciation				
At 1 April 2017	-	-	13,252	13,252
Provided in the year	-	-	8,772	8,772
At 31 March 2018	-	-	22,024	22,024
Net book amount				
At 31 March 2018	30,420,600	1,245,000	10,320	31,675,920
Restated at 31 March 2017	27,460,052	1,289,000	14,770	28,763,822

The investment properties were valued at 31 December 2017 by external valuers, Robinson Hall, Chartered Surveyors, on the basis of open market value in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors. The valuation approach is as described in the RICS Information Paper "Comparable Evidence in Property Valuation". The Trustees are of the opinion that there has been no material movement in value of these properties between that date and 31 March 2018.

In previous years the Investment Properties had been valued on the basis of open market value at existing use. A prior year adjustment has been made to restate Investment Properties to Open Market Value in line with FRS 102, as explained in Note 26. Each year the Trustees obtain two valuations, one based on market value for the purposes of financial reporting as required by FRS 102 to be included at fair value, and one reflecting the concessionary leasing policy, which is used for internal purposes to project the policy of allowing voluntary and community sector groups to apply for a rent subsidy of up to 75%. If the existing use valuation were to be used the Group Land and Buildings would be valued at £40,151,322, a decrease of £6,669,078. The historical cost of the properties is £2,986,789 (2017: £2,986,786). No provision has been made for deferred tax or any potential liability under the clawback arrangements described in note 18 that would arise if the properties were to be sold at open market value, as the Trustees do not foresee any circumstances under which disposals of the relevant properties would be made such as to give rise to either a tax or a clawback liability. Included in the above investment properties are premises that are occupied by the charity. The Trustees do not consider the own use element of their value to be material in the context of Acorn House. Some of the investment properties are available to let at subsidised rates to charitable entities and therefore there may be an element of mixed motive investments included.

Notes (continued)

13 Intangible assets

The Group and the Company

	Website £
Cost or valuation	
At 1 April 2017	26,800
Additions	7,777
	<hr/>
At 31 March 2018	34,577
	<hr/> <hr/>
Amortisation	
At 1 April 2017	-
Amortisation for the year	10,448
	<hr/>
At 31 March 2018	10,448
	<hr/> <hr/>
Net book amount	
At 31 March 2018	24,129
	<hr/> <hr/>
At 31 March 2017	26,800
	<hr/> <hr/>

Notes (continued)

14 Investments

The Group and Company

The unrestricted endowment fund is mainly held in a segregated fund. This is managed by UBS AG. At 31 March 2018 no single holding within this part of the portfolio represented more than 5% of the value of the fund (2017: none). During the year the Community Foundation purchased a direct equity holding of £10,000 in Future Wolverton to help fund a social enterprise project in the city (2017: Nil). During the year a further £215,258 of funds were placed with CCLA in their Charities Ethical Common Investment Fund. At 31 March 2018 these funds had an open market value of £12,018,430. Total funds invested with CCLA represented 81.8% of the total investment portfolio.

These investments are analysed as follows:

	2018	2017
	Total	Total
	£	£
Equities	1,719,843	1,757,884
Common Investment Funds	12,018,430	12,179,084
Corporate Bonds	589,548	585,821
Cash/Deposits	342,209	240,988
	<hr/>	<hr/>
Listed Investments	14,670,030	14,763,777
Social Investments	10,000	-
	<hr/>	<hr/>
	14,680,030	14,763,777
	<hr/> <hr/>	<hr/> <hr/>

Listed investments

	2018	2017
	Total	Total
	£	£
Valuation at 1 April	14,763,777	12,870,827
Disposals	(998,815)	(869,161)
Additions	786,186	871,999
Increase in market value during the year	118,882	1,890,112
	<hr/>	<hr/>
Valuation at 31 March	14,670,030	14,763,777
	<hr/> <hr/>	<hr/> <hr/>

The historical cost of investments held at 31 March 2018 was £12,255,754 (2017: £10,585,378).

Notes (continued)

14 Investments (continued)

The Company

Investment in subsidiary undertakings

	£
Cost at 1 April 2017 and 31 March 2018	400,001
	<u> </u>

The company owns 100% of the ordinary share capital, comprising 400,000 £1 ordinary shares in MK Community Properties Limited, which is registered in England and Wales and was incorporated on 2 October 1991. It traded throughout the year to 31 March 2018 as a provider of Meeting and Conference Facilities and Small Business Units. The company also owns 100% of the ordinary share capital, comprising 1 £1 ordinary shares in MKCP Limited, which is registered in England and Wales and was incorporated on 3 March 2015. This company has been dormant since incorporation.

15 Debtors

	Group		The Company	
	2018	2017	2018	2017
	£	£	£	£
Trade debtors	213,385	199,360	133,579	133,728
Accrued income	311,937	263,975	264,895	263,975
Other debtors and prepayments	278,886	236,497	278,886	176,411
Due from subsidiary company	-	-	274,169	172,087
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	804,208	699,832	951,529	746,201
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Included in group other debtors is £96,660 (2017: £74,886) relating to sales proceeds of Community Foundation Land which are due in more than one year.

16 Creditors: amounts falling due within one year

	Group		The Company	
	2018	2017	2018	2017
	£	£	£	£
Trade creditors	122,848	199,611	119,993	109,832
Social Security and other taxes	33,661	23,104	21,151	39,724
Other creditors	194,683	204,076	95,069	104,228
Deferred income	111,813	102,088	85,908	78,879
Accruals	146,979	126,586	138,774	125,636
Grants payable (see note 22)	280,769	229,500	280,769	229,500
Due to subsidiary company	-	-	1	1
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	890,753	884,965	741,665	687,800
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

At 31 March 2018 there were no outstanding pension contributions (2017: £nil).

Notes (continued)

16 Creditors: amounts falling due within one year (continued)

Deferred income represents Rent and Service Charge income received in advance

	Group £	Company £
Balance as at 1 April 2017	102,088	78,879
Amount released to income in year	(102,088)	(78,879)
Amount deferred in the year	111,813	85,907
	<hr/>	<hr/>
Balance as at 31 March 2018	111,813	85,907
	<hr/> <hr/>	<hr/> <hr/>

17 Creditors: amounts falling due after one year

The Group and the Company

	Total 2018 £	Total 2017 £
Due within two to five years:		
Bank Loan	1,250,000	1,250,000
Grants payable	60,000	-
	<hr/>	<hr/>
	1,310,000	1,250,000
	<hr/> <hr/>	<hr/> <hr/>

On 31 March 2015, as part of the group re-organisation, a loan was taken out with Handelsbanken for £1.25M. The loan was fixed at 2.06% for three years followed by a variable rate of 2.35% over 3M Libor for a further two years. At 31 March 2018 there was a break clause enabling the Community Foundation to repay the fixed loan without penalty. On 3 April 2018 the loan was renewed. Under the new loan agreement there is a loan of £1,000,000 fixed for three years at 2.07% over bank fixed rate and a loan of £250,000 which is on a variable rate of 2.42% over LIBOR over three years. The loan is secured by a fixed charge over Margaret Powell House, Acorn House and the units in Burners Lane, Stacey Bushes. The carrying value of these properties is £9,150,000.

Notes (continued)

18 Contingent liabilities

Under the arrangements surrounding the transfer on 27 November 1992 of certain properties from English Partnerships, previously known as the Commission for the New Towns, the group is under a contractual obligation to repay amounts to English Partnerships ("clawback") in respect of the net capital gains arising on certain disposals or change of use in relation to either Community Related Assets (certain industrial units at Kiln Farm, Stacey Bushes and Number 56 Buckingham Street Wolverton) or Community Foundation Land sites (32 undeveloped and 1 developed sites). The liability was 100% during the first year after transfer, reducing by 2% per annum.

Based on the open market value, as at 31 March 2018 the total potential liability for clawback was £20,533,308 (2017: £15,905,708). No provision has been made for deferred tax that may arise if the properties were sold in the future. It is the Trustees' opinion that no tax would arise on a future sale of the properties as any profits from such a sale would be distributed via Gift Aid to the company's charitable parent Milton Keynes Community Foundation from its subsidiary company, MK Community Properties Limited. Milton Keynes Community Foundation is part of a VAT group with its subsidiary, MK Community Properties, and is therefore jointly liable for any VAT debts of MK Community Properties.

19 Related party transactions

A number of Trustees, as well as being individual members of the Community Foundation, are associated with organisations that are corporate members of the Community Foundation. Total donations received from Trustees in the year amounted to £5,935. Neither the Trustees nor their associated organisations derive any benefit as a result of their membership of the Community Foundation.

Furthermore, as mentioned previously in this report, the Community Foundation is also able to support the not-for-profit sector in Milton Keynes through the provision of properties that are let on preferential terms. The amount of this subsidy, the difference between the full commercial rental and the subsidised rent paid by the not-for-profit sector tenants, is in excess of £813,000 per annum for the year to 31 March 2018 (2017: £796,000). Three Trustees worked for or were Trustees of organisations that currently receive subsidised accommodation, namely:

Mr S Norrish MBE, Milton Keynes Christian Foundation Ltd (MKCF)
Mrs F Komolafe, Into the Community (ITC)
Mrs M Beck, MK City Centre Management (MKCCM)

Prior to providing subsidised accommodation, a process is in place to assess the client to ensure that they are providing services that match the needs of the community.

Set out below is a summary of the amounts that were charged to related parties during the financial year and the amounts that remain outstanding as at 31 March 2018.

Related party transactions

	2018 MKCCM £	2018 MKCF £	2017 ITC £	2017 MKCCM £	2017 MKCF £	2017 ITC £
Rent	10,608	5,950	4,625	2,626	5,590	4,596
Service charge/insurance	12,981	3,579	3,119	4,005	3,588	2,620
Car parking etc	1,400	-	-	1,400	-	-
Meeting rooms etc	1,041	-	-	826	-	-
Total charges	26,030	9,529	7,744	8,857	9,178	7,216
Balance due/(to) tenant at 31 March 2018	103	276	237	308	(835)	(463)

Notes (continued)

19 Related party transactions (continued)

During the financial year, MK Community Properties Limited purchased catering services from Milton Keynes Christian Foundation Ltd amounting to £9,092 (2017: £25,989). These purchases were made at arm's length. At 31 March 2018 the balance due to Milton Keynes Christian Foundation Ltd was £nil (2017: £5,594).

During the year Milton Keynes Community Foundation Limited charged rent and service charges to MK Community Properties Limited in the sum of £289,261 (2017: £239,944). Milton Keynes Community Foundation Limited hired meeting rooms from MK Community Properties Limited during the year amounting to £3,599 (2016: £543). These transactions have been removed on consolidation.

20 Indemnity insurance

The group has purchased insurance for the Trustees and staff of the charity and the directors of the subsidiary company, MK Community Properties Limited, against liability arising for wrongful acts in relation to the charity and its wholly owned subsidiary. The cost of this insurance amounts to £1,969 (2017: £1,978).

21 Accumulated funds

Milton Keynes Community Foundation maintains a number of separate funds, the movement on which is detailed in notes 21.4 and 21.6 below and the net assets of which are analysed in note 21.5 below. Monies held in funds can be either flow-through (monies donated in one year are spent in the next along with any investment income earned) or endowment (monies are held in the fund until the fund reaches an agreed level at which time the annual income on the fund balance is spent).

Details of the funds are as follows:

Unrestricted fund

21.1 Community Fund £2,721,373

This fund is the main fund of the Community Foundation into which the majority of donations are made. Most grants are paid out of this fund and the majority of the administration costs are borne by this fund. Interest and investment income is added to this fund as earned.

Designated funds

21.2 Property Fund £45,399,389

This fund represents the net book value of the freehold and leasehold properties owned by the group, less mortgages raised to purchase properties, together with a reserve towards future property maintenance.

Restricted funds

21.3 Various £13,996,879

Details of the various restricted funds can be found in Note 21.4 and on our website;
www.mkcommunityfoundation.co.uk/About-us/Our-Year-2017-2018.

Notes (continued)

21 Accumulated funds (continued)

21.4 Accumulated funds - Analysis of group income and expenditure

	Restated balance at 01/04/17	Income	Transfers	Revaluation of Investment Assets	Expenditure	Balance at 31/03/18
	£	£	£	£	£	£
Unrestricted funds						
Community	2,721,618	1,835,045	4,774	24,399	(1,864,463)	2,721,373
Designated – Property	40,953,409	-	-	4,445,980	-	45,389,389
Total unrestricted funds	43,675,027	1,835,045	4,774	4,470,379	(1,864,463)	48,120,762
Restricted funds						
Arts	364,164	21,306	-	3,726	(22,532)	366,664
Sport Relief	9,856	8,870	-	-	(14,185)	4,541
Margaret Powell (Grants)	3,868	-	-	-	(2,725)	1,143
MK DASS	256,842	9,481	-	2,361	(6,180)	262,504
RSM	601	570	-	-	(486)	685
Women's thecentre:mk	25,886	3,326	-	225	(1,892)	27,545
NiftyLift	44,821	1,284	-	320	(5,706)	40,719
Family Funds	119,278	44,976	-	824	(16,334)	148,744
Edward Hurley Memorial Fund	245,922	9,078	-	2,261	(7,716)	249,545
Grassroots Endowment Fund	782,368	28,640	-	7,130	(16,329)	801,809
Shoosmiths Fund	13,292	1,110	-	-	(4,400)	10,002
Surviving Winter	20,997	11,354	-	-	-	32,351
Open University Fund	-	-	-	-	1,563	1,563
Local Giving	29,663	322,750	-	-	(286,990)	65,423
New Communities Funds	298,858	97,072	-	-	(6,919)	389,011
Jubilee Sports Fund	14,936	7,258	(6,600)	-	(14,152)	1,442
Community First EMC	10,995,930	437,322	-	101,536	(490,805)	11,043,983
Hopkinson Music Fund	59,533	2,146	-	535	(2,200)	60,014
Coventry Building Society Fund	1,286	1,286	-	-	(1,286)	1,286
VW Fund	11,609	15,000	-	-	(10,665)	15,944
Music Centre Fund	8,539	-	1,826	-	-	10,365
Business Leaders Fund	12,364	3,187	-	-	(3,363)	12,188
Big Local Conniburrow Funds	171,931	139,900	-	-	(109,330)	202,501
Great Linford Waterside Festival Fund	34,640	1,277	-	319	(1,203)	35,033
Prevention of Crime Fund	864	18,222	-	-	(6,362)	12,724
MK Council MK50 Fund	9,634	5	-	-	(9,639)	-
Rainscourt Fund	4,875	6,250	-	-	(3,300)	7,825
Tony Byrne Financial Services Fund	12,543	10,332	-	(109)	(5,445)	17,321
Youth Social Action Fund	16,500	11,000	-	-	(10,542)	16,958
Bramwell Fund	10,000	10,000	-	-	(3,850)	16,150
Chichley Fund	30,000	6,758	-	67	(1,499)	35,326
CCG Fund	10,000	10,000	-	-	(11,967)	8,033
ICAEW Social Mobility Fund	-	100,000	-	-	(2,750)	97,250
Netherfield Children Centre Legacy Fund	-	25,358	-	-	(25,071)	287
Mars Goodness Knows Fund	-	5,235	-	-	(5,235)	-
Total restricted funds	13,622,750	1,370,353	(4,774)	119,195	(1,110,645)	13,996,879
Total funds	57,297,777	3,205,398	-	4,589,574	(2,975,108)	62,117,641

Notes (continued)

21 Accumulated funds (continued)

21.5 Accumulated funds - Analysis of group net assets at 31 March 2018

Unrestricted funds	Fixed Assets £	Investments £	Net Current Assets/(Liabilities) £	Long Term Liabilities £	Total £
Community	113,839	2,661,600	5,934	(60,000)	2,721,373
Designated – Property	46,820,400	-	(171,011)	(1,250,000)	45,399,389
Total unrestricted funds	46,934,239	2,661,600	(165,077)	(1,310,000)	48,120,762
Restricted funds					
Arts	-	395,124	(28,460)	-	366,664
Sport Relief	-	-	4,541	-	4,541
Margaret Powell (Grants)	-	-	1,143	-	1,143
MK DASS	-	250,369	12,135	-	262,504
RSM	-	-	685	-	685
Women's thecentre:mk	-	23,755	3,790	-	27,545
NiftyLift	-	-	-	-	-
NiftyLift	-	33,903	6,816	-	40,719
Family Funds	-	115,267	33,477	-	148,744
Edward Hurley Memorial Fund	-	239,724	9,821	-	249,545
Grassroots Endowment Funds	-	756,289	45,520	-	801,809
Shoosmiths Fund	-	-	10,002	-	10,002
Surviving Winter	-	-	32,351	-	32,351
Open university	-	-	1,563	-	1,563
Local Giving	-	-	65,423	-	65,423
New Communities Funds	-	-	389,011	-	389,011
Jubilee Sports Fund	-	-	1,442	-	1,442
Community First Endowment Funds	-	10,076,967	967,016	-	11,043,983
Hopkinson Music Fund	-	56,681	3,333	-	60,014
Coventry Building Society Fund	-	-	1,286	-	1,286
VW Fund	-	-	15,944	-	15,944
Music Centre Fund	-	-	10,365	-	10,365
Business Leaders Fund	-	-	12,188	-	12,188
Big Local Conniburrow Fund	-	-	202,501	-	202,501
Great Linford Waterside Festival Fund	-	33,735	1,298	-	35,033
Prevention of Crime Fund	-	-	12,724	-	12,724
MK Council MK50 Fund	-	-	-	-	-
Rainscourt Fund	-	-	7,825	-	7,825
Tony Byrne Financial Services Fund	-	11,549	5,772	-	17,321
Youth Social Action Fund	-	-	16,958	-	16,958
Bramwell Fund	-	-	16,150	-	16,150
Chichley Fund	-	25,067	10,259	-	35,326
CCG Fund	-	-	8,033	-	8,033
ICAEW Social Mobility Fund	-	-	97,250	-	97,250
Netherfield Children Centre Legacy Fund	-	-	287	-	287
Mars Goodness Knows Fund	-	-	-	-	-
Total restricted funds	-	12,018,430	1,978,449	-	13,996,879
Total funds	46,934,239	14,680,030	1,813,372	(1,310,000)	62,117,641

Notes (continued)

21 Accumulated funds (continued)

21.6 Accumulated funds - Analysis of charity income and expenditure

Unrestricted funds	Restated Balance at 1 April 2017	Income	Expenditure	Transfers	Revaluation of Investment Assets	Balance at 31 March 2018
	£	£	£	£	£	£
Community Designated – Property	2,590,245	1,597,555	(1,618,076)	4,774	24,399	2,598,897
	27,516,731	-	-	-	2,908,358	30,425,089
Total unrestricted funds	30,106,976	1,597,555	(1,618,076)	4,774	2,932,757	33,023,986
Restricted funds	13,622,750	1,370,353	(1,110,645)	(4,774)	119,195	13,996,879
Total funds	43,729,726	2,967,908	(2,728,721)	-	3,051,952	47,020,865

21.7 Summary performance of the charity

The summary performance of the charity alone is:

	2018 £	2017 £
Income	2,967,908	2,910,781
Expenditure	(2,728,721)	(2,548,379)
Revaluation of investment assets	3,051,952	6,331,255
Net income	3,291,139	6,693,657
Total funds brought forward (as originally reported)	36,358,726	32,344,059
Prior period adjustment	7,371,000	4,692,010
Funds brought forward (as restated)	43,729,726	37,036,069
Total funds carried forward	47,020,865	43,729,726
Represented by:		
Unrestricted funds	33,023,986	30,106,976
Restricted funds	13,996,879	13,622,750
Total	47,020,865	43,729,726

Notes (continued)

22 Grants made (continued)

Analysis of grants made	Unrestricted Funds	Restricted Funds	Big Local Conniburrow	Local Giving	Total
	£	£	£	£	£
Voluntary groups and charities	94,797	633,896	104,124	270,033	1,102,850
Individuals	10,000	11,500	-	-	21,500
Total	104,797	645,396	104,124	270,033	1,124,350

A complete list of all grant recipients for the year can be found on our website www.mkcommunityfoundation.co.uk/about-us-our-Year-2017-2018.

Reconciliation of grants payable	2018	2017
	£	£
Grants to Voluntary Groups and Charities	728,693	556,086
Grants through local giving	270,033	268,332
Big Local Conniburrow Project	104,124	109,281
Grants to Individuals	21,500	13,500
Total grants awarded	1,124,350	947,199
Commitments at 1 April	229,550	185,299
Commitments made in the year	1,133,703	965,885
Grants cancelled or recovered	(9,353)	(18,686)
Grants payable for the year	1,124,350	947,199
Grants paid during the year	(1,013,131)	(902,948)
Commitments at 31 March	340,769	229,550
Commitments at 31 March are payable as follows		
Within one year (see note 16)	280,769	229,550
After one year (see note 17)	60,000	-
	340,769	229,550

Notes (continued)

23 Reconciliation of net movement in funds to net cash flow used in operating activities

	2018 £	2017 £
Net movement in funds	4,819,864	7,262,888
Depreciation charges	79,705	67,539
(Gains) on investments	(4,564,862)	(6,913,861)
Dividends and interest from investments	(522,095)	(504,807)
(Increase)/decrease in debtors	(104,376)	30,648
Increase/(decrease) in creditors	65,788	(83,796)
	(225,976)	(141,389)
	(225,976)	(141,389)

24 Financial Instruments

The carrying amount of the group's financial instruments at 31 March were

	Group		Milton Keynes Community Foundation	
	2018 £	2017 £	2018 £	2017 £
Financial assets				
Debt instruments measured at amortised cost	605,505	463,335	672,643	569,790
Financial liabilities				
Measured at amortised cost	2,056,670	2,009,773	1,944,605	1,819,196

25 Post balance Sheet Events

Subsequent to the year end a plot of Community Foundation Land at Neath Hill was sold on long leasehold to The Murugan Temple Trust for £157,500. The group had successfully applied for a subsidy on the value of the land included in these accounts at a value of £567,000.

26 Prior period adjustment

A significant prior period adjustment has been recorded to correct an error identified to the prior financial statements.

Buildings classified as investment properties have historically been valued at their Existing Use value in error. Such a value reflects the Charity's concessionary leasing policy rather than a market value at market rates. This has now been corrected and investment properties are now valued at their open market value. This does not affect the Community Foundation Land within investment properties, which was correctly valued at open market value in the prior period.

The correction of this error has led to an increase in both the unrestricted designated – property fund and investment properties at 31 March 2017 of £7,371,000 for both the group and the charity. This is categorised as an increase of £6,752,000 for freehold investment properties and £619,000 for leasehold investment properties. The impact at 1 April 2016 is an increase to unrestricted designated – property fund and investment properties of £4,692,010 for both the group and the charity and an increase in the net income and movement in funds reported for the 2016 financial year of £2,678,990 from £4,583,898 (as originally reported) to £7,262,888 (as restated).