Statement of Accounts 2018/19

Luton

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Chief Finance Officer's Narrative Report

Introduction

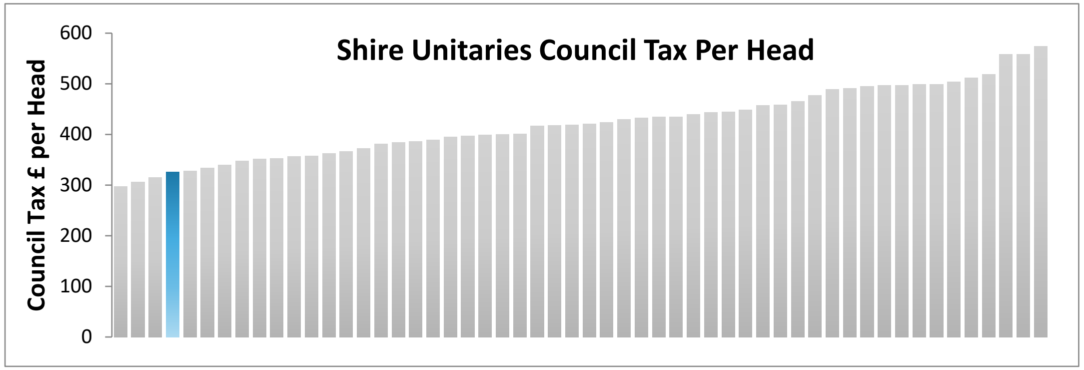
The financial landscape for Local Government continues to be challenging, and especially hard to manage due to Brexit and the ongoing debate on a realistic level of funding required by local authorities to be sustainable. This is clouded further by the uncertainty surrounding business rates retention and the delay of the government's spending review. The outcomes of all these changes are not yet fully understood but may impact significantly on the Council's finances.

The Council is not alone in unprecedented service pressures in relation to Children's Social Care, Homelessness and general increases in demand across all service provisions. Luton continues to remain agile and proactive in managing these demands whilst maintaining financial stability and maximising the value for money delivered to the local tax payer.

Notwithstanding these financial challenges and uncertain backdrop the Council continues to deliver on its progressive place building strategy, the 'Luton Investment Framework', with remarkable progress in the construction of the Luton DART, application to expand London Luton Airport and numerous commercial development projects. Together with our partners, we are on schedule to secure £1.5 billion investment to transform the town and create 18,500 quality jobs for local people; while driving improvements to health and wellbeing, creating opportunities for residents, raising aspirations and enhancing prosperity across the town.

During 2018/19 the Council has been successful in bidding for £100 million of Special Infrastructure Rate loans from the Public Works Loan Board and is currently negotiating an additional £125 million of loans from the European Investment Bank. These successful applications support the strong vision and financial management of the Council and the major projects it is undertaking; not to mention the considerable financial savings achieved by the competitive interest rates of the loans.

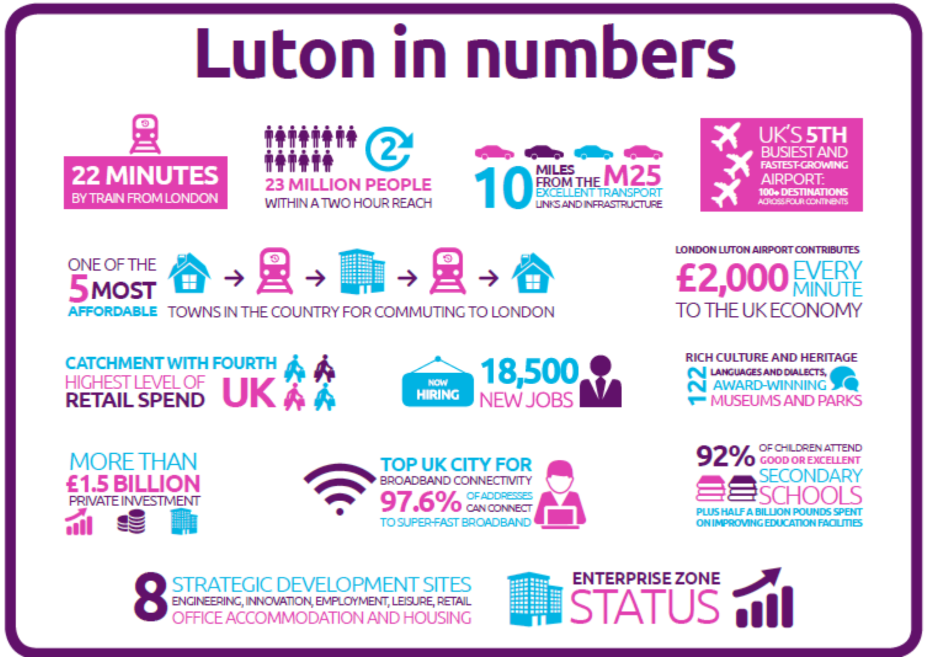
In the 2018/19 budget the Council regrettably was left with little other option than to include a Council Tax increase of 2.99% in addition to a 3% precept for Adult Social Care. These increases were a necessity in order to prevent the reduction of front line services and potential job losses. Nevertheless the council continues to deliver good value for money for the local population. Luton has the 4th lowest Council Tax per head of population in comparison to all other Shire Unitary Councils.



The Council's financial management remained robust during 2018/19 with the ability to increase reserves in revenue, capital and the Housing Revenue Account (HRA). Significant revenue pressures do continue to exist with non-recurring savings relieving a number of the costs during the financial year. 2019/20 is expected to be another financially challenging year for the Council as we continue to balance additional investment for the future against increasing service demands.

Background

Luton is a vibrant, modern and diverse town in the East of England. Thirty miles north of London, and at the centre of the Oxford-Cambridge strategic growth corridor, the town has excellent transport links by road, rail and air. London Luton Airport is the fifth largest airport in the UK today, with over 15 million passengers annually. Luton is situated by the M1 motorway, just 10 miles from the M25 and is 22 minutes from London by train.



The official estimate of Luton's population for 2016 was 216,800. The town is densely populated with around 49 persons per hectare. Luton is now the third youngest town in the UK, according to the centre for cities. The 2011 census showed that 22% of the population was under the age of 15, compared with just 18% both regionally and nationally.

The town is also ethnically diverse, with approximately 55% of the population being of non-white British origins. Due to its industrial base and international airport, Luton is home to significant Asian, African, Caribbean, Irish and Eastern European communities. Less than half of the population were recorded as Christian at the last Census, with around 24% of people identifying as Muslims and many people of other faiths including Hindus, Sikhs, Jews and Buddhists.

Historically, Luton's economy has resembled that of an industrial town in the North of England. From the famous hat-making trade of the Victorian age to the Vauxhall plant which has employed thousands of Lutonians for the best part of a century, high-quality manufacturing has long been a feature of the town. Aviation and engineering are now among the largest employers in Luton, with major companies such as easyJet, Leonardo and GKN all based in the town.

While the coming years are beginning to look extremely bright for our town, there are still immense challenges around health and deprivation. In 2015 Luton was ranked as the 59th most deprived local authority in the country, compared with being 87th almost a decade earlier.

A study by the Centre for Research in Social Policy showed that around a third of children in the town were in poverty in 2016. The latest figures from Public Health England also show that Luton is faring worse than the national average on key indicators including life expectancy and childhood obesity.

With a young and relatively deprived population, national issues such as housing and skills shortages remain an important challenge in Luton. Recent figures show that just 51% of Luton's students gained 5 A*-Cs at GCSE including English and Maths; compared to the national average of 57.8%. Despite this Luton was ranked 68th out of 324 local authorities nationally for social mobility in 2017 and we are also in the top 25% for early years' education. With the University of Bedfordshire at the heart of the town and the growth of apprenticeships and adult learning opportunities, pathways from the classroom into work are becoming clearer in Luton.

Corporate Governance

Luton Borough Council has a responsibility to report on how it is fulfilling its statutory duties and how it is providing cost effective, good quality services to businesses and residents in Luton. The Council needs to make sure that it does this in a clear, open and easy to understand way so that everyone can see where we are performing well, in addition to any areas where we need to improve.

The Council has developed a new Strategic Planning Framework which builds upon reporting processes and draws together different plans and strategies across the Council into one, comprehensive reporting structure.

The Corporate Plan tells residents what the Council is going to do over the next few years along with what it will be doing differently and why.

Sitting directly below the Corporate Plan are other key plans or strategies which directly address the Council's priorities. Each Service Director is required to have a service plan which shows how their services will undertake activities to meet the Council's six strategic priorities and clearly demonstrates the expected positive impact that they will deliver for Luton residents. The most relevant strategies and plans are listed below.

Achievements in Luton

April – June 2018

- Luton Council announced an agreed investment package of a £3.2m grant with Peugeot SA, securing the Vauxhall van factory's future and the creation of over 200 new jobs. This will also mean protecting many local supply and support jobs which depend on the operations of the plant. The package also includes reduced business rates. There will also be support for the recruitment of additional workers needed for the plant's expansion, and help to secure permanent jobs at the plant for the over 50s and long-term unemployed.

- A ground-breaking ceremony at the site of the Luton DART marked the official start of the works on the state-of-the-art £225m fast transit system. The DART will link London Luton Airport with Luton Airport Parkway station in just under 4 minutes.

- The new Total Wellbeing service for Luton was launched at Hightown Community Sports and Arts Centre. This is the first of its kind in the UK offering integrated emotional and physical wellbeing services and is a partnership between the national social enterprise Turning Point and Active Luton.

- Luton town centre received Purple Flag status by the Association of Town and City Management for its diverse, safe and enjoyable nightlife. Luton is now one of 70 town and city centres in the UK and Ireland with the award which is comparable to the 'Green Flag' for parks and 'Blue Flag' for beaches. This is a sought after accreditation for areas with a vibrant mix of dining, entertainment and culture while promoting the safety and wellbeing of visitors and residents.

- The Aspiration Centre was launched at an event in St George's Square. The pilot project aims to provide people with the skills they need to improve their jobs and career prospects. This mobile unit forms part of the £1.9m skills and opportunities programme – a three year plan to drive aspiration and highlight career opportunities across Luton.

- Almost 1.5 million passengers travelled through London Luton Airport in May 2018. This is a 3.6% increase compared to May last year. This is the 16th consecutive month that over one million passengers have passed through the airport and represents the busiest May ever.

- The skills platform (www.lutonskills.com) was officially launched. It provides information on job searching, in- work benefits that may be available, grants to help with study, study options, apprenticeships and more. It allows employers to advertise local vacancies free of charge. Visitors to the Aspiration Centre are encouraged to sign up to the skills platform where they can view local job opportunities, training courses and volunteering positons. The platform can be accessed easily at home and on mobile devices.

- A vacant plot of land at 33 Guildford Street was secured to build Hat Studios – the fourth and final building in the Hat District project. This is the biggest investment and use of the Local Growth Fund from South East Midlands Local Enterprise Partnership (SEMLEP). The new building will provide 8,500 sq. ft. of workspace for creative industries and retail managed by Luton Culture.

- The first of three Meet the Buyer events was held by the procurement team of Volker Fitzpatrick-Kier who have been appointed contractors for the Luton Airport DART project. The event enabled businesses interested in providing products and services for the £225m infrastructure scheme to find out more about the opportunities open to them.

Luton

July – September 2018

- Active Luton announced the LINK initiative for residents. Funded by the European Social Fund it focuses on supporting adults who are unemployed and not in education, or those working less than 16 hours a week who want to upskill.
- Active Luton's impact report for 2017/18 was published highlighting over half a million pounds worth of investment in Luton's leisure centres and around one and a half million visits made.
- The Mayor of Luton opened the first ever STEM (Science, Technology, Engineering and Maths) Champion Conference at Stopsley High School. The event aimed to inspire and encourage careers in these sectors.
- London Luton Airport (LLA) celebrated its 80th anniversary with staff, passengers, and the local community. Celebrations included the launch of a limited-edition birthday Campari cocktail from Oriel Grande Brasserie inspired by Lorraine Chase, and goodie bags and macarons for passengers.
- The implementation of the Public Spaces Protection Order in the town centre was launched which aims to reduce and prevent a range of anti-social behaviours. The Neighbourhood Enforcement Team undertook over 200 actions to enforce breaches of the order in the first four weeks alone.
- Luton's approach to early year's language development was praised by Damian Hinds, Secretary of State for Education. This followed a visit to Luton in April by the Secretary of State and Nadhim Zahawi, Parliamentary Under-Secretary of State for Children and Families. The Secretary of State mentioned Luton when launching the Government's new ambition to improve school readiness, which is part of a wider strategy to improve social mobility.
- Students across Luton received their GCSE results and it's been another good year. Eighty per cent of the students who took the English exam achieved a grade nine to four, and 13 out of 14 maths students achieved a nine to four. Grade nine is the highest; grades five to nine count as a 'strong pass' and grade four is a 'standard pass'. Luton Adult Learning also announced that 100% of learners that took a Maths and English GCSE this year passed their exams.
- Ryanair announced an investment of £156m at LLA with two new based aircraft for its winter 2018 schedule and it added six new routes including Alicante, Athens, Barcelona, Bologna, Cork and Malaga and more flights on its existing Vilnius route. Ryanair's winter 2018 schedule from LLA will now deliver a total of 21 routes.
- The council's airport company, LLAL completed its initial consultation on the proposed expansion. More than 1,700 people visited a series of 19 community events which took place during the consultation period. More than 800 online and paper feedback forms, emails and letters have been received which are now being recorded and analysed.
- Limbury Baptist Church hosted the first Your Say Your Way (YSYW) decision day of the autumn round of funding. Applicants from Bramingham, Limbury and Icknield wards presented their project ideas to members of the local community, in the hope of being voted for. A total of £10,000 was awarded to eight projects ranging from sports activities; youth groups and toddler stay and play sessions.
- Passport to Employment was launched by the council, initially in partnership with Vauxhall Motors and Jobcentre Plus to help achieve the LIF aim of local jobs for local people. The programme will also be rolled out to other employers. This exclusive and bespoke programme has been designed to assess the needs of the local workforce and provide support to overcoming barriers in order to access the labour market.

October – December 2018

- The council's dog warden team was awarded a Platinum PawPrint Award in recognition of winning continuous gold awards for five years in a row.
- Manor Road Park was officially re-opened by Deputy Mayor, Cllr Mark Rivers following extensive improvement works to the River Lea that runs through the park. The works were carried out by Affinity Water in collaboration with the council, The Luton Lea River Catchment Partnership and The Environment Agency.
- Luton's superfast broadband coverage hit 99.5% with some parts of the town achieving 100%. Councillors approved a contribution of £180,000 three years ago towards superfast broadband in Luton and this investment unlocked an additional £180,000 investment from the government's Broadband Delivery UK (BDUK) funding.
- The Total Wellbeing Luton integrated wellness service formally launched at Inspire. The service has already supported 4,500 residents to improve their physical and emotional wellbeing.
- Strategic Community Services (SCS) and the Housing Strategy and Development Team joined forces for a morning of networking and consultation on the council's Housing Strategy 2019 - 2022. Over 50 stakeholders from statutory and third sector organisations participated in the event. Partnership working, networking and sign posting were key to the success of the event. It concluded with a stakeholders consultation.
- Luton Council secured £1m from The Construction Industry Training Board's (CITB) Skills Fund to create a construction skills training hub, which will initially be based at the Luton Direct Air-Rail Transit (DART) scheme site. The funding will enable 720 local people to be trained in a variety of construction skills, and provide local and regional employers with access to trained potential employees. The programme aims to ensure 45% of trainees are from underrepresented groups, whilst 15% of trainees will be people looking to switch careers.
- The Leader of the council Cllr Simmons MBE opened this year's Lewsey Ward YSYW decision day at Lewsey Community Centre. The event enabled grassroot projects to secure community support for innovative and creative projects. BIG Health & Fitness, a Community Café and Cultural Dance Workshops, were amongst the seven successfully funded projects.
- Luton Family Safeguarding is the model of care for children, young people and families at the highest risk of harm. The Corporate Director for People at Luton Council held a service event and recognised family safeguarding as the strength of the directorate. The service is going from strength to strength with 789 children and families being supported through the family safeguarding approach.
- The University of Bedfordshire was successful in attracting £1.7m EU Funding to support graduate secondments to local businesses. The programme funds 60% of a graduate's salary for up to 10 weeks to work within any local business to help solve some of their most challenging problems.
- Love Luton sixth half-marathon and 10k was attended by a record number of runners. Both courses took runners through Luton's award winning parks finishing at the town centre.
- The first red route in Luton was introduced on Airport Way. Following a public consultation the council's Executive gave approval to implement red routes on Airport Way in November and the town centre in January 2019 as a trial known as an experimental order.
- The Bike Recycling Scheme won the award for Excellence in Cycling at the 2018 National Sustainable Travel Awards, Modeshift Convention.

- The Luton Priority Anti-social Behaviour Team, a partnership between Luton Council and Bedfordshire Police, won the ‘Keeping Luton Safe’ category at Luton Best Awards.

- The council’s airport company, LLAL, received planning permission for the £100m employment site at Bartlett Square, a mixed commercial development at Kimpton Road, next to Luton Airport Parkway and the forthcoming Luton Direct Air-Rail Transit (Luton DART) station which is already under construction. The site should create 2,000 new jobs for local people.

- The ninth Luton’s Best Awards was held at Luton Hoo, hosted by broadcaster and former tennis player Andrew Castle. The awards recognise community achievement across the region in areas such as fundraising, care, community projects and volunteering.

- Partners came together in the first Rough Sleeping Strategic Forum to support the implementation of MHCLG funded Rough Sleeping Initiatives (RSI) and existing projects that work to end rough sleeping in Luton.

- Foxhall Homes announced that its first residential development scheme at Solway Road is in contract, and work on site has now commenced. The scheme will provide 15 homes for market sale and affordable rent and a new community centre. The contractor Taylor French Developments, have extensive experience of building high quality homes.

- Neville Construction undertook the final phase of Hat House. This new facility in the centre of town will provide studios, creative workspace and dining over five floors. Hat House already has a new roof, new windows and repaired or replaced window lintels. It is now ready for its final stage fit out and is due to open in summer 2019.

- Community Led Local Development (CLLD) launched a new round of funding to provide programmes to increase skills and employment in 11 of the most deprived wards of Luton.

- The Inclusive Growth Commission was established. Throughout the early part of 2019 they will be undertaking an extensive engagement and consultation programme across the borough to obtain evidence to help shape key recommendations and proposals to ensure Luton residents benefit from the town’s growing economy.

- The Rt Hon Chris Grayling MP, the Secretary of State for Transport officially opened London Luton Airport’s newly-upgraded terminal, marking the culmination of LLA’s three-year transformation project. The £160m redevelopment has made significant improvements to the terminal and the ways people get to and from the airport. Improvements include 30 new high street and luxury stores, over 1,000 more seats, free Wi-Fi, a new boarding pier with eight additional boarding gates, an expanded security search area, a new dual carriageway, bus interchange and multi-storey car park. The transformation of the airport will increase its annual capacity by 50% to 18 million passengers by 2020.

January – March 2019

- Luton Town Football Club (LTFC) and a local primary school are embarking on a wonderful new partnership in football for young children in the town. Stopsley Community Primary School has joined forces with LTFC to give children incredible opportunities that wouldn’t usually be received in the normal PE, English and PSHE curriculum.

- Luton Inclusive Growth Commission started work with a series of public events setup to hear people’s ideas and thoughts about what they want to see as Luton grows and prospers.

- Outstanding Ofsted inspection for Denbigh Primary School with all five areas receiving an outstanding evaluation.
  - Luton successful in application for government funding to support ultra-low emission taxis. The funding is ring-fenced for the installation of four rapid charging units in the town centre.
- New bin collection service achieves a 4% increase in the rate of recycling in the town. An additional food waste trial has been launch to build upon this success. The food waste trail is being rolled across two wards with the aim of reducing the level of food waste across the region.
  - The Central Eastern Partnership, comprising of Hertfordshire County Council, Bedford Borough Council and Luton Borough Council, has launched an exciting new fast track programme in child and family social care.
- Following a public consultation the Council's subsidiary, London Luton Airport Ltd, announces its preferred option for the sustainable future growth of the UK's fifth largest and fastest growing major airport. Using the existing runway, the expansion is targeting an increase of 14 million to 32 million passengers per annum.
  - Official launch of the Luton Construction Skills Academy following the announcement of a £1 million fund secured from the Construction Industry Training Board's (CITB) Skills Fund late in 2018. The project is located at the DART site and is expected to run until March 2020.
- Plans for a new key employment site that will bring up to 3,200 new jobs to the south-eastern edge of Luton at New Century Park have been backed by the Council's Development Control committee. London Luton Airport Ltd has received outline permission to deliver 70 acres of commercial development, facilitated by a new 1.6 mile access road which is part of the ongoing £1.5 billion transformation of Luton.

Corporate Performance

A corporate performance report is provided to the management team, Overview and Scrutiny Board and Executive on a quarterly basis. Current performance is measured using selected performance indicators against the key priorities of the Corporate Plan.

The report highlights where indicators are not being met and details service recovery plans in place to rectify the position. The next report is due in June 2019 and it will cover the fourth quarter of 2018/19. Website link to the report: O&S Report.

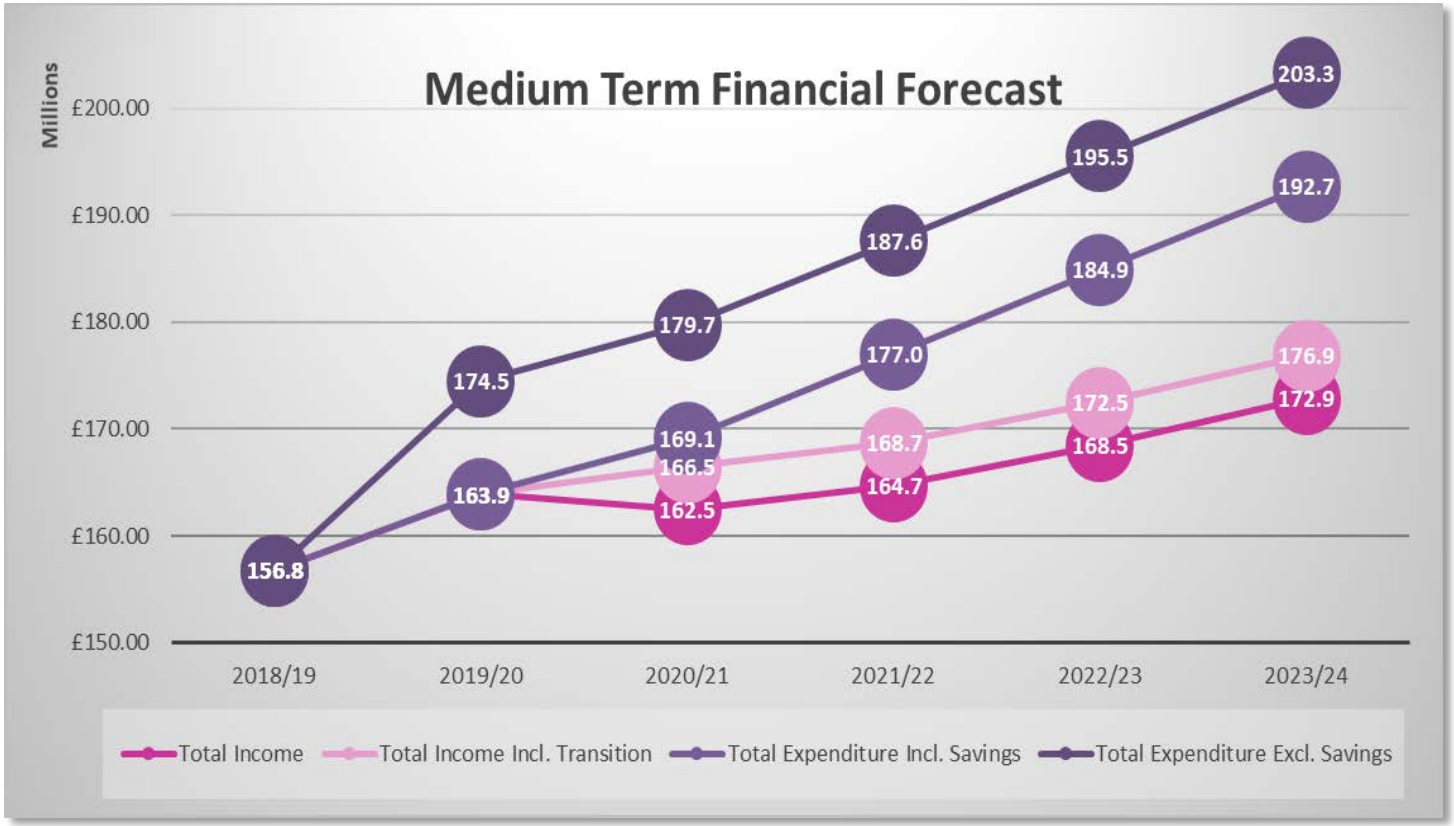
Financial Performance

Medium Term Financial Plan (MTFP)

The Medium Term Financial Plan (MTFP) sets out how resources will be prioritised in order to achieve the Council's objectives, including enabling the successful implementation of the Luton Investment Framework, and how the Council can seek to achieve them in the context of expected reductions and uncertainties in future Council funding as well as additional demand for services.

For many years the Council has provided value to the taxpayers of Luton by setting a Council Tax per head of population below the national average, and considerably below the level of the council tax elsewhere in Bedfordshire. The capacity to raise funds through council tax is made more challenging by the high percentage of Band A, B and C properties and the average number of heads per household in Luton. In comparison to other Shire Unitaries Luton has one of the lowest Council Tax per head in the country.

There are a vast number of scenarios which could change the figures significantly. On this basis, when considering targets for planning purposes, the Council needs to bear in mind that the figures are a single point in a range of potential outcomes. This position reflected the budget gap present at the start of the 2019/20 budget process.



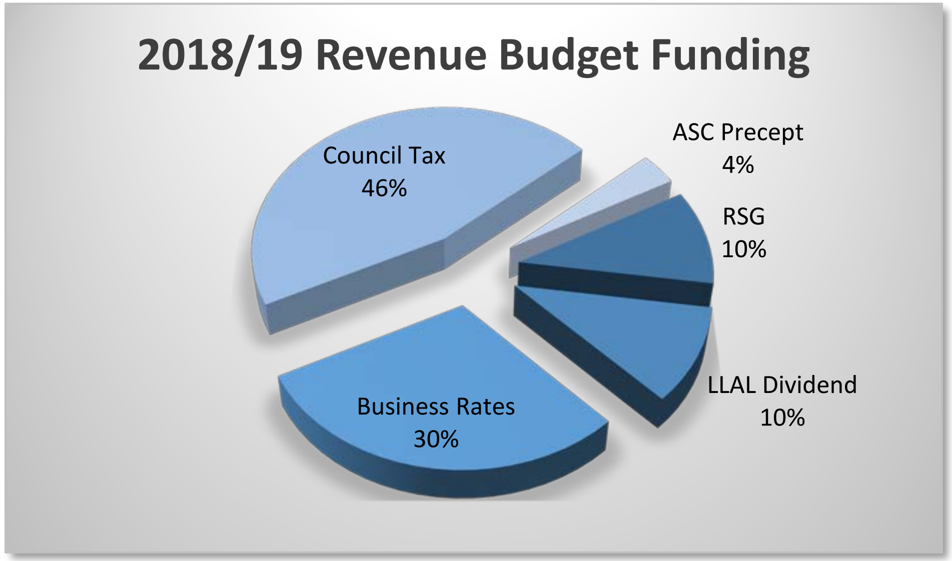
Over the next five years, the Council has to achieve £15.9m of savings. The MTFP assumes that nearly half of iBCF and Social Care support grant amounting to £4m is maintained as part of the next Spending Review in 2021/22. Any further reduction to this grant will increase the future budget gap. The level of savings required each year could easily vary by up to £3 million either way.

Revenue Financing

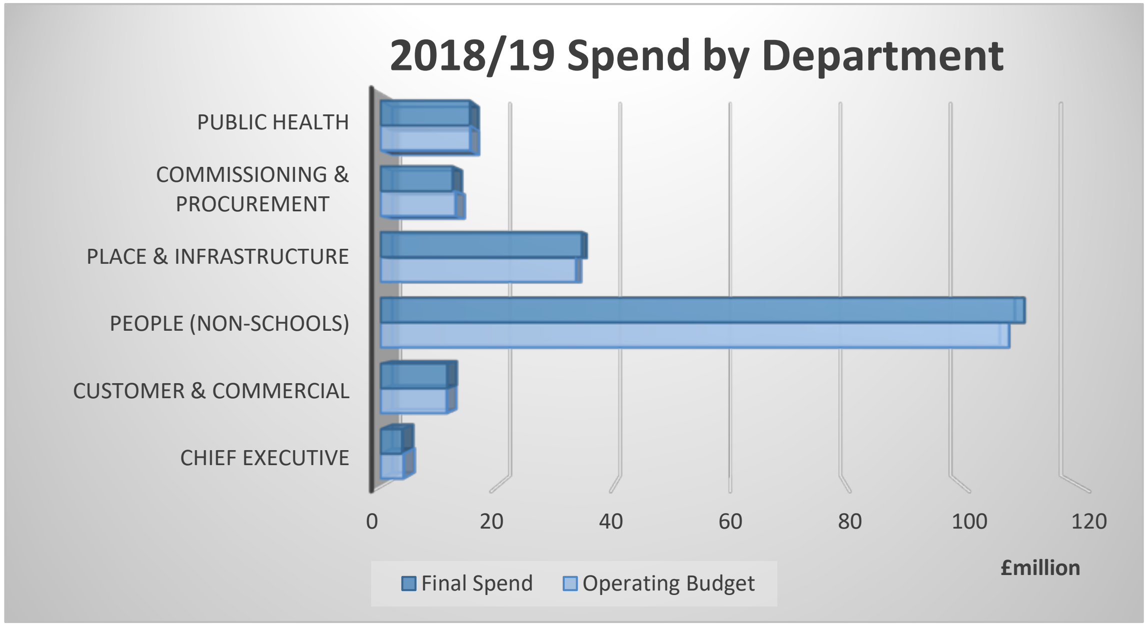
The Council net revenue expenditure was financed by:

- £70.3 million Council Tax
- £45.7 million Business Rates (including top-up)
- £15.9 million Revenue Support Grant (RSG)
- £16 million London Luton Airport Ltd (LLAL) Dividend
- £5.3 million Adults Social Care Precept

The budgeted dividend from LLAL of £16 million (10%) was a significant funding source for 2018/19. This is above the amount RSG the Council receives from Central Government. The most significant increase in recent years is in Council Tax. The additional Adults Social Care precept levy and the increased referendum limits have created the capacity for a higher percentage increase over the last few years.



Departmental Net Spend



The Council's final spend by department illustrates the significant service pressures the Council is experiencing. The total revenue outturn has been proactively managed within the set operating budget for the year; however this was assisted by one-off income and fully releasing the annual revenue contingency.

The continued service demands from Homelessness and Adults and Children's social care continue to dominate the prominence of service commitments. These service pressures are expected to increase over the medium to long term creating further pressure on the delivery of other services to the public.

Service demand pressures will continue to put great importance on the Council's ability to deliver service efficiencies, corporate procurement and commissioning savings and transform the way services are delivered.

Financial Position

Useable Reserves increased by £6.9 million to £124 million during 2018/19. The increase includes additional General Fund Balances of £10.7 million and a reduction of £5.3 million in Capital Receipts. Of the £124 million, £76 million is ring-fenced for specific projects and service pressures, £22 million is ring-fenced for capital purposes and £11 million is ring-fenced to the Housing Revenue Account. The only non-specific reserve has a balance of £14 million held to cover wider risks and unforeseen service pressures. This is reviewed on an annual basis to ensure it is sufficient to manage the level of risk and uncertainty the Council faces.

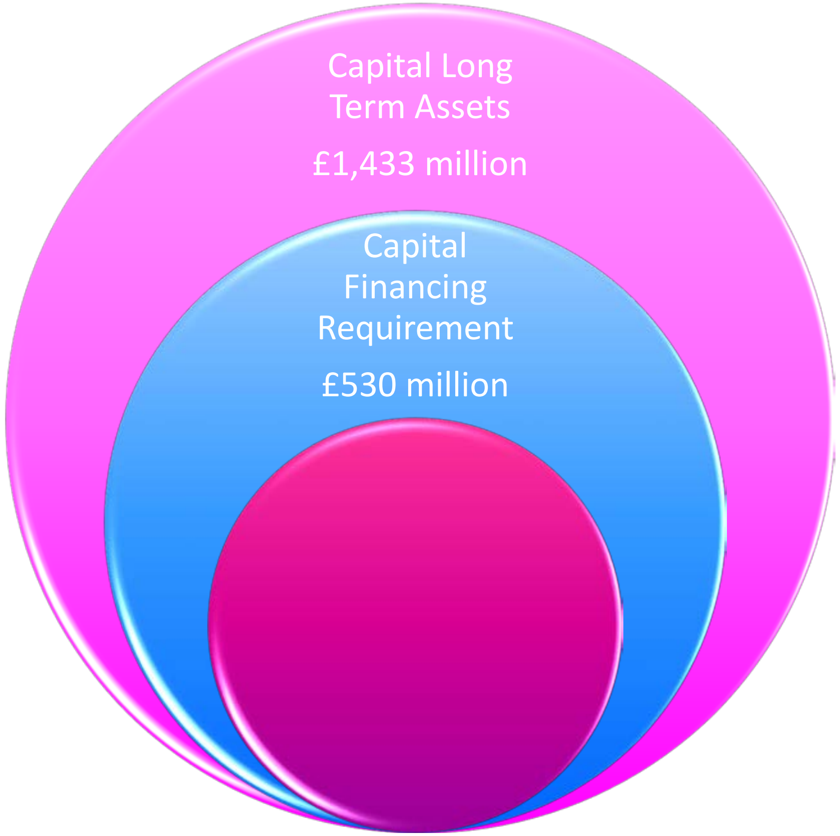
During 2018/19 unusable reserves have reduced from £517 million to £480 million. Unusable reserves are not available now for the Council to utilise, but they do represent underlying threats and opportunities to the Council. The most notable movement during 2018/19 has been a reduction of £58 million in the revaluation reserve due to the disposal of two schools which have converted to academy status. There has also been a £12.4 million increase in the Pensions Reserve deficit which has mainly been driven by changes in financial assumptions applied by the actuary.

The most fundamental change to the Council's financial position was the increase in external borrowing of £114 million during the 12 month period. A significant proportion of this expenditure related to the investments in wholly owned subsidiaries. A substantial proportion of this figure relates to the construction of the Direct Air Rail Transit project being developed by London Luton Airport Ltd (LLAL).

£100m of the additional debt was issued from the Public Works Loan Board as part of the Council's successful application for the Special Infrastructure Rate Loan Scheme. An additional £5.5 million was borrowed as part of a LOBO loan re-financing arrangement; which will deliver significant savings to the General Fund and HRA over the life of the loan.

The Capital Financing Requirement increased by £108 million during the financial year. This was less than original budgeted £144 million increase (as reported in the Treasury Outturn Report). This reduction is only a timing issue and the budgets have been re-profiled into 2019/20 and future years.

The net movement in working capital and cash backed reserves offset to a minimal balance. This created an increase of £5.4 million in cash and cash equivalent balances.



Luton

Revenue Outturn

The provisional outturn is reported to Executive in June 2019. The report includes the summary table shown. Variations are before the allocation of the contingency budget.

Net spend on General Fund services during 2018/19 is £127.8 million prior to movements in reserves, with a further £1.6 million of spend to be incurred in 2019/20 from the budgets carried forward from the current year.

Overall General Fund reserves have increased by £9.3 million in 2018/19 (Note 22). This includes a net increase of £0.7 million in General Fund Earmarked Reserves. Included within these movements is a transfer of £6.4 million into the Funding Equalisation Reserve and £2.8 million into the Service Specific Reserve. The reserve movement also includes a top-up of £0.041 million to the Public Health Reserve.

School Reserves have increased by £1.411 million to £20.894 million as at 31st March 2019. The majority of the 2018/19 HRA operational surplus has been allocated to a general reserve. The HRA general reserve now totals £10.534 million at 31st March 2019.

The Council has continued to manage a number of significant demand-led service pressures over 2018/19, including the high levels of support needed for vulnerable children and families in the town and providing accommodation for members of the community that are homeless, together with other emerging pressures in services that have placed additional strain on the overall Budget. Cost pressures were reported to the Executive and early actions were taken to work toward improving the final outturn position for the year including: containing current costs as far as possible, finding compensating cost savings or additional income across the Council and working towards reducing future costs to more sustainable levels.

Although the Council has achieved a balanced outturn position for 2018/19, this is partly due to a number of one-off cost reductions and income gains; and the main cost pressures reported in 2018/19 will continue to place

General Fund Position 2018/19 Compared to Operating Budget	Operating Budget	Final Spend	Total Variation
	£million	£million	£ million
Chief Executive	3.959	3.715	(0.244)
Customer & Commercial	11.349	11.444	0.095
People (excluding schools)	107.795	110.437	2.642
Place & Infrastructure	33.525	34.522	0.997
Commissioning & Procurement	12.856	12.370	(0.486)
Public Health	15.382	15.341	(0.041)
Public Health Grant	(15.382)	(15.382)	0.000
General Contingencies	2.326	0	(2.326)
Corporate Accounts (excl. reserves)	(38.611)	(44.662)	(6.051)
In Year Spend Prior to Reserves	**133.199**	**127.785**	**(5.414)**
Carry Forwards to 18/19 (incl. PH)	0	0.418	0.418
Movements in Specific Reserves	4.022	8.174	4.152
Transfer to Property Commerc. Reserve	0	0.844	0.844
Net General Fund Expenditure	**137.221**	**137.221**	**0.000**

pressure on the 2019/20 budget, alongside the need to deliver £10.8 million of further savings already in the budget. Plans for managing the ongoing cost pressures, corporate efficiency savings and income targets in 2019/20 and 2020/21 are being further developed and progress will be regularly reported.

The Council is part way through its Luton Investment Framework (LIF) strategy which includes a significant increase in the Capital Financing Requirement. This creates additional pressure on the revenue budget due to higher MRP and debt interest costs. These costs are planned and expected to be offset by additional returns or service savings. Significant due diligence and 'Green Book' compliant Business Cases are required before additional investment is approved.

Capital Outturn

The original 2018/19 capital programme approved in February 2018 totalled £305.605 million for the General Fund with a further £22.589 million for the HRA. Capital projects have been monitored monthly during 2018/19, with progress reported to the Executive on a quarterly cumulative basis.

Final capital expenditure for the year is £140.113 million for the General Fund and £22.773 million for the HRA. A breakdown of the expenditure compared to the original programme for the year is shown in the table.

In comparison to the original budget the final capital spend is substantially lower. The capital expenditure not incurred during 2018/19 is still expected in later financial years and therefore does not generate a permanent saving to the Council. The majority of the programme has been delivered in budget with some low level underspends released. The only exceptions are the HRA cladding project which is forecasting total costs in excess of the original estimates, and overspends in relation to the Crematorium extension.

The final financing of capital spend compared to the original programme is shown in the table below. The majority of the major schemes which have been re-profiled to later years are to be funded by borrowing.

Capital Programme 2018/19 General Fund Funding Analysis	Original Funding	Final Capital Funding	Total Variation
	£million	£million	£ million
Grants & Contributions	18.637	14.679	(3.958)
Revenue Contributions	0.904	0.633	(0.271)
LLAL Dividend - Capital Element	4.084	5.153	1.069
Capital Receipts	10.273	9.839	(0.434)
Prudential Borrowing	271.707	109.809	(161.898)
Total General Fund Financing	**305.605**	**140.113**	**(165.493)**

Capital Programme 2018/19 Spend Analysis	Original Programme	Final Capital Spend	Total Variation
	£million	£million	£ million
Place & Infrastructure	33.993	24.190	(9.803)
People Department	10.900	8.324	(2.576)
Chief Executive's Department	2.641	1.551	(1.090)
Customer & Commercial	19.897	25.906	6.009
Corporate Projects	238.174	80.141	(158.033)
Total General Fund Programme	**305.605**	**140.113**	**(165.493)**
Housing Revenue Account	22.589	22.773	0.184
Total LBC Capital Programme	**328.194**	**162.886**	**(165.309)**

The total underspends of £165.3 million reflects the re-phasing of a number of schemes; which includes:

- £128.7 million in LLAL financing
- £29.4 million in Foxhall Homes financing
- £3.0 million in Investment Property purchases

These reductions were offset by the new Temporary Accommodation Purchase Scheme (TAPS) approved during the year for £9.1 million.

Notwithstanding the significant budget movement to later years, £162.9 million was spent on capital projects. Outside of the normal council capital programme £79.3 million was debt financing of LLAL to resource the DART project, £22.5 million on TAPS and £10.0 million on Investment Properties.

The revised Capital Programme is forecasted to spend £527.4 million over the next five financial years. This includes an additional £135.7 million on DART and £48.5 million on the Development Consent Order to gain planning permission to expand the airport.

Financial Statements Explained

Section	Description
Comprehensive Income and Expenditure Statement	This statement shows the accounting cost in the year of providing service in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
Movement in Reserves Statement	This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) / Deficit on the Provision of Services Line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for setting council tax and dwellings rent.
Balance Sheet	The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council are matched by the reserves held by the Council. Reserves are reported in two categories – usable and unusable. Usable reserves, i.e. those reserves that the Council may use to provide services, subject to statutory limitations and the need to maintain prudent levels of reserves for financial stability. Unusable reserves cannot be used to fund Council services.
Cash Flow Statement	The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipient of services provided by the Council. Investing activities represent the cash outflows which have been made for intended future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital.
Group Accounts	The Council is involved with a number of companies whose assets and liabilities are not included in the Council's single entity statements. Most of these companies are small simple investments and are not included within the Group. Currently only the wholly owned subsidiaries of London Luton Airport Ltd and Foxhall Homes plus two PFI related joint ventures are included in the Group Boundary.
Notes to the Accounts	Explanatory notes to explain in more detail the assets and liabilities as at the balance sheet and income and expenditure for the financial year. This section also includes other unique disclosures to local government, such as Member allowances and officer remuneration.
Housing Revenue Account	The Council is required by the Local Government and Housing Act 1989 (section 74) to keep a Housing Revenue Account (HRA) which records all revenue expenditure and income relating to the provision of council dwellings and related services. The use of this account is prescribed by statute and the Council is not allowed to fund any expenditure for non-housing services from this account.
Collection Fund Statement	The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection of council tax and non-domestic rates from taxpayers and distribution of this income to the Council, Police, Fire and the Government

People Plan

In the three years since it was created, our People Plan has played a crucial role in helping the council to change and develop. Just as the Luton Investment Framework is driving the agenda for reviving the town's fortunes and raising its profile, the People Plan is a key factor in our ongoing progress as an employer that is able to recruit, retain and develop the very best. Elements of the People Plan have already become firmly embedded. The Career Pathways initiative is helping colleagues in a range of roles to identify and pursue their professional ambitions, while our commitment to apprenticeships and the National Graduate Development Programme has brought an influx of new talent across the council.

Our new recruitment website and the roll-out of the Employee Value Proposition is helping us bring in the right people, and schemes such as our ambitious Employee Wellness programme and expanded employee benefits offer is helping to keep them, with recent developments including the introduction of flexible retirement and the option to buy additional holiday.

Now the People Plan is being refreshed and revitalised to ensure that it continues to offer employees the support, options and opportunities that will make Luton Council a place where the best can be their best.

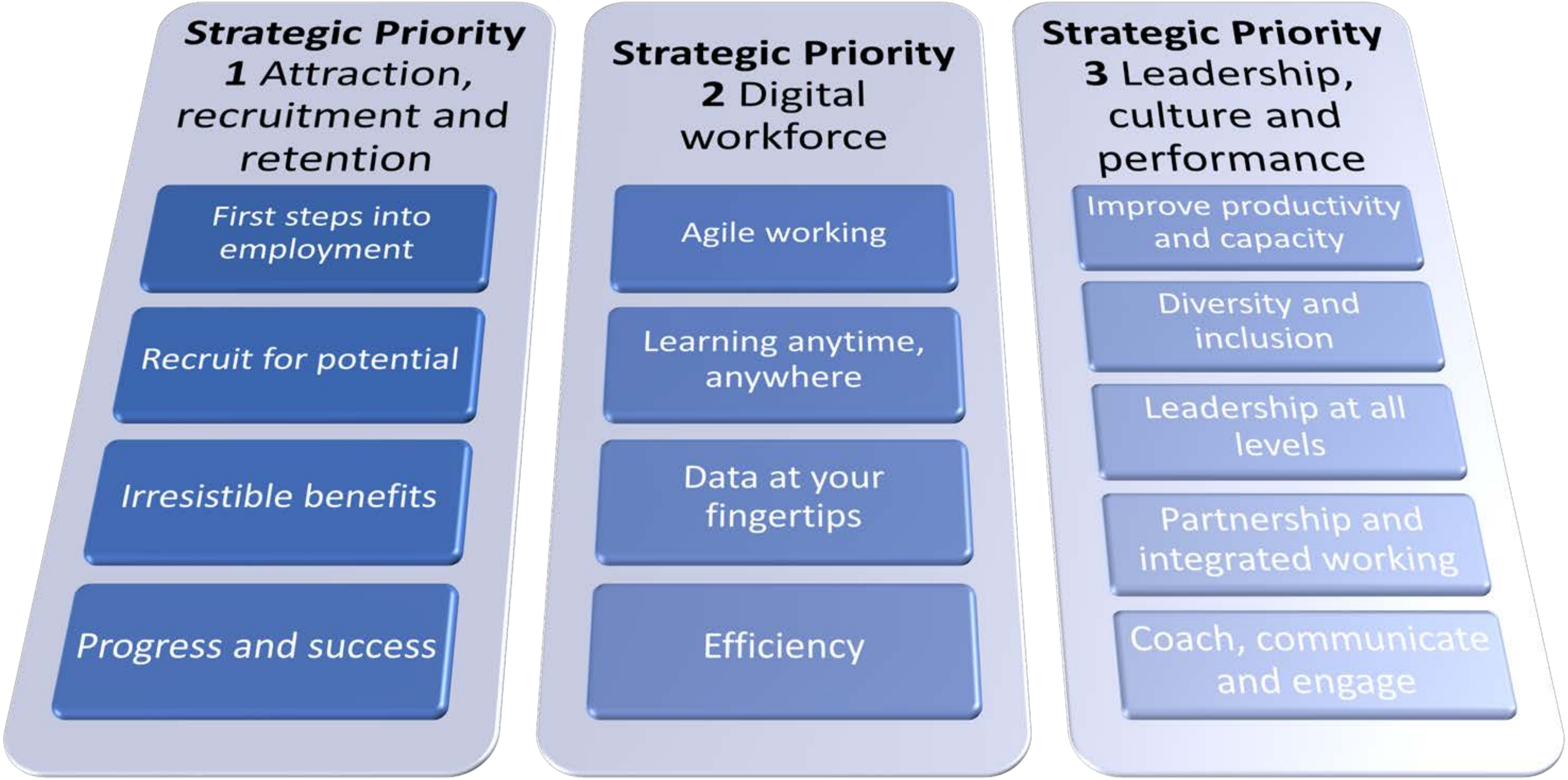
Developments you can expect to see in the coming months include new initiatives to encourage those leaving education into the workforce; a new, forward-thinking approach to how we assess and advance people's performance in the workplace; increased focus on employee physical and mental health and wellbeing, and expanded opportunities to access online learning.

There will be a drive to promote the benefits of agile working, combined with continued efforts to achieve the council's long-term goal of becoming a 'paperless' organisation.

Achievements

Luton

People Plan Strategic Priorities



Strategic Risk Management

The Council's updated corporate Risk Management Strategy was approved by Executive in April 2018. It sets out the Council's strategy for the effective management of risks and opportunities. The Audit & Governance Committee are provided with an update of the Council's corporate risks, to assist the committee to fulfil their obligations to periodically review the Authority's corporate risk register and to consider the effectiveness of the Council's risk management arrangements.

Key Risk	Impact	Control Measure Update
Financial Stability	Failure to keep to approved budget, particularly for demand-led services, new pressures, savings targets, loss of income. Impact will be most apparent in Social Care due to the statutory nature of the service	• Monthly budget monitoring procedures; including volatile budget reporting & deficit recovery plans • Forecasts and management information to predict patterns (e.g. children's, homelessness) • Financial training for managers to support robust monitoring & deliver services within operational budget • Sufficient budgeted contingency & current pressures in the MTFS to assess financial sustainability • Strategies to generate additional income and commercial returns to balance the Council budget
Staff Recruitment & Retention	Failure to recruit/retain staff. Luton not preferred living area. Potentially losing top performing staff and staff not having the right skill set	• People Plan signed off by Corporate Management Team in September 2016 • Internal 'Team Luton' communications and events to inform officers of the vision going forward • New development strategies: Apprenticeship Strategy & Career Pathways • Other schemes: National Graduate Development Programme, Management & Leadership Development, Employee Value Proposition (EVP), Employee Well-being plan
Decline in Economic value and Performance of the Town Centre	Lack of jobs and opportunities for local people Low level of Commercial activities due to inability of the Town to attract investments Decline in quality of life and work of the local people	• The council is on schedule to secure £1.5billion investment to transform the town and create 18,500 jobs for local people. • The successful implementation of the Luton Investment Framework which includes the construction of the Luton DART, expansion of London Luton Airport and numerous commercial development projects • Town Centre Masterplan
Loss of IT systems or data	Disruption to service delivery. Loss of personal data belonging to Council employees, local taxpayers, suppliers, and users	• Training of staff to deal with Data Protection, IT security and IT Governance and Data Protection. • Implementation of a new Security Incident Management process and Security Maintenance Plan. • Staff have now completed mandatory IS training
Significant Projects	Failure to control project expenditure & significant abortive costs if projects are not successful	• Governance arrangements are in place in LLAL and LBC to monitor and report on significant projects • Significant risks will be reported the Executive as appropriate

Statement of Responsibility for the Statement of Accounts

A. The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration for those affairs, in line with statute this is the Section 151 Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts

B. The Responsibilities of the Service Director (Finance & Audit)

The Service Director (Finance & Audit) is responsible for the preparation of the Council's Statement of Accounts which are, in accordance with proper practice as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'), present fairly the financial position of the Council at the accounting date and the income and expenditure for the year.

In preparing these Statements of Accounts, the Section 151 Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the local authority Code.

The Section 151 Officer has also:

- kept proper accounting records which were up to date.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Signed:

Dev Gopal FCA, FCPFA, FCCA, CMgr MCMI
Service Director (Finance & Audit)

C. Approval of Statement of Accounts

The Council's constitution states that the Audit and Governance Committee has the responsibility to approve the Council's Statement of Accounts. The Accounts and Audit Regulations 2015 introduced a requirement for the chair or deputy chair of the meeting at which approval is given to sign the accounts. This formally represents the completion of the Council's approval process of the accounts.

Signed:

Councillor Raja Ahmed
Chair of Audit & Governance Committee

Luton

Annual Governance Statement

A. Scope of Responsibilities

A1. Luton Borough Council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. As the Council is continually changing and seeking improvement, it is important that governance arrangements are robust and flexible enough to manage change effectively and positively support our aims and objectives.

A2. In discharging this overall responsibility, the Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk. In exercising this responsibility the Council places reliance on the Chief Executive to support the governance and risk management processes. The Council has approved and adopted a code of corporate governance, which was updated in 2013. It can be found at: http://democracy.luton.gov.uk/cmis5public/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/4534/Committee/1005/Default.aspx, as item 12 appendix A.

A3. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

A4. The Council comprises 48 councillors and they are elected en-bloc every four years. The leader of the Council is Councillor Hazell Simmons. An election took place on 2nd May 2019 and the constitution of seats is as follows:

- Labour – 32 seats
- Liberal Democrats - 12 seats
- Conservatives – 4 seats

A5. The International Federation of Accountants (IFAC) and the Chartered Institute of Public Finance and Accountancy (CIPFA) have together developed the International Framework: Good Governance in the Public Sector. This states that to deliver good governance in the public sector, both governing bodies and individuals working for them must try to achieve their entity's objectives while acting in the public interest at all times. The Council's governance arrangements aim to ensure that we meet our objectives and responsibilities in a lawful, timely, open and honest manner and that our public money and resources are safeguarded, properly accounted for and used economically, efficiently and effectively.

A6. To monitor the effectiveness of our corporate governance systems, the Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE publication "Delivering Good Governance in Local Government – Framework (2016 Edition)".

B. The Purpose of the Governance Framework

B1. The governance framework comprises the systems and processes, and culture and values by which the Council is directed and controlled and its activities through which it accounts to and engages with the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.

B2. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and foreseeable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, to manage them effectively, efficiently and economically.

B3. The governance framework has been in place at the Council for the year ended 31st March 2019 and up to the date of approval of the Statement of Accounts.

C. The Governance Framework - Outline

C1. This section describes the key elements of the systems and processes that comprise the governance arrangements that have been put in place for the Council and how they are linked to each other.

Strategic Planning

C2. This section describes the Council's Strategic Planning Framework.

C3. The Prospectus was produced in 2013 and 'lays the groundwork for Luton's path to prosperity'. It provided a financial assessment for the Council and set a number of propositions in relation to 'business and growth', 'education and lifelong learning' and 'health and social care'.

C4. The Prospectus helped to shape the Luton Investment Framework (LIF) which sets out a 20 year strategy for major transformation of the town through inward investment. The Framework was approved by Executive in June 2015.

C5. The Corporate Plan 2017-2020 was approved in 2017, which refreshed the Council's mission, vision and priorities in light of the Investment Framework and also takes into account new Executive portfolios, senior management structure, organisation development strategy and Council brand.

C6. The Investment Framework sets out plans to achieve £1.5billion of private investment, upskill our local workforce, create 18,500 new jobs, build 5,700 new homes and two new schools. It sets out plans to improve the health and wellbeing of Luton residents including increased life expectancy and life choices and provides support to 5,000 families in parenting Luton's young children. The framework includes investment in green travel and carbon reduction. It also sets out investment in the voluntary sector. At the heart of the framework is business growth – attracting new large businesses and improving connectivity by road, rail and air. Central to this is an Enterprise Zone announced by government in 2015 that is intended to stimulate growth around London Luton Airport, the fastest growing airport in the UK. Major infrastructure works are planned, including a new road to open up New Century Park, part of the enterprise zone, and work has begun to build a new passenger transport system (Luton Direct Air Rail Transit (DART) linking Luton Parkway railway station with the airport terminal. Further details on the Investment Framework can be found at: Luton Investment Framework.

C7. On a more detailed level, 3 year service plans (latest update 2017-2020 produced by each Service Director for their own services), enable the Council to review and manage performance across all areas of Council business. It helps to provide the "golden thread" between corporate strategies such as the People Plan and service delivery projects and actions.

C8. The strategic planning framework enables a clear and demonstrable line of sight between the Luton Investment Framework, Corporate Plan, service plans, team plans and people's PPAs. This is the 'golden thread' measurement and monitoring that takes place through a range of delivery mechanisms including performance indicators and individual performance objectives.

Ensuring Delivery of Services and the Best Use of Available Resources

C9. This section explains how the quality of services is measured and how the Council ensures that they are delivered effectively in accordance with its objectives.

C10. Service delivery, and the measurement of quality of services, is linked to the Council's Prospectus themes and corporate objectives through its service planning processes (as detailed above). Specific performance targets are set in line with these objectives. Service, team and project and delivery plans are also prepared to align with this framework. Objectives for individuals are then linked with those team plans through the Personal Performance Appraisals to ensure consistency of service aims and delivery in line with objectives.

C11. The measurement of quality of services is linked through the same process, with team and service performance indicators and targets being set to reflect their expected contributions to meeting corporate objectives and Prospectus themes. The most important performance measures corporately have been determined by the Council's Corporate Leadership Management Team, and are reported to Executive and Overview Scrutiny Board on a quarterly basis via a 'score card' which includes appropriate targets, commentary and a RAG rating to help monitor and improve performance. In addition, there are a series of indicators mandated by the Government for national assessment of the quality and delivery of key local government services, particularly in relation to children's services and adult social care. These are measured and the assessment externally verified as part of the audit process.

C12. The Council's risk management process is key to ensuring the effective delivery of service. Consideration of risk in order to develop plans including effective risk mitigation measures is designed to enable the Council to deliver effectively, by planning for risks before they happen. It is also designed to enable the Council to take effective advantage of opportunities in a planned and structured way, by ensuring that opportunities that link directly with the Council's overall objectives are the ones that are pursued.

C13. Delivery and accountability meetings provide an approximately quarterly review and challenge of service and financial performance, risk management, and challenge of specific areas such as sickness, overtime, completion of appraisals, debt and agency costs.

C14. The budget and medium term planning process is directly linked to the delivery of services in line with objectives. Proposals for variations to the budget are assessed in terms of their potential impact, and prioritised accordingly.

C15. The Council's transformation strategy is in the process of being updated and will form a key part of the Council's savings programme to improve productivity and drive down costs.

C16. The Council's value for money is now assessed by the external auditors each year. An unqualified Value for Money ('VFM') opinion was issued in January 2019.

Roles and Responsibilities

C17. The Council's Constitution is available via the following link: Council constitution - Luton Council. It sets out how Luton Borough Council operates, how decisions are made and the processes that are followed to ensure that decision making is efficient, transparent and accountable to local people. A number of the codes of practice and procedures within the constitution are required by law, whilst some are chosen to reflect best practice arrangements. The constitution further sets out the role of key governance officers, including the statutory posts. It explains the processes that are in place to ensure that the Council meets its statutory obligations and also for the provision of advice to councillors, officers and committees on staff management, financial, legal and ethical governance issues.

C18. Part 2 of the Constitution also sets out the Council's management structure, and the specific functions of three statutory posts that are an important part of the Council's governance – the Head of Paid Service (the Chief Executive), the Monitoring Officer (the Service Director Human Resources and Monitoring Officer) and the Chief Finance Officer (the Service Director, Finance & Audit).

C19. The Constitution also includes Standing Orders and Financial Regulations, which define how the Council conducts its business in a consistent and appropriate manner.

Standards of Conduct

C20. The Council's Constitution includes codes of conduct for both members and officers that comply with the requirements of the Localism Act 2011.

C21. The Council's Standards Committee is an advisory committee, responsible for the promotion of high standards of conduct. Of the fifteen members on Standards Committee, five are independent members, i.e. not elected members, who are co-opted to serve on the Committee.

C22. Complaints against members are investigated by a subcommittee of the Standards Committee, in conjunction with the Independent Person (IP). There is a panel of three IPs who can be called upon when required. This was arranged as part of a collaborative process with other public sector bodies locally.

C23. A complaint may be referred to the Standards Committee for investigation, hearing and sanction. During 2018/19, neither of the complaints lodged against members reached the level required to make an arguable case that the Council's Code of Conduct had been breached. Therefore there were no referrals.

C24. The Council's three political Group Leaders have determined that training on the Council's Code of Conduct for elected members and the "standards" regime is mandatory for all councillors and is required to be undertaken once every four year period.

C25. At each formal meeting of the Council, the Executive and also of all the Council's committees, members are reminded to declare any pecuniary interests in relation to the business to be discussed and decisions to be taken. As a necessary part of being a member all members are provided with a Members' Handbook. This contains a section which gives advice on matters relating to compliance with the Code of Conduct.

C26. The Council has a register of member interests, maintained by the Monitoring Officer, in which all registrable interests must be entered for both the elected Member and their spouse or partner. Members are reminded on a regular basis of the need to register their interests. Registrable interests include gifts and hospitality received by members.

C27. Each new member of staff receives an induction pack which has been updated during 2018/19, which includes the Code of Conduct for Officers, and the importance of adhering to this Code is emphasised.

C28. Professional staff are subject to the codes of conduct of their particular professions and all staff must adhere to the code of conduct for officers.

Standing Orders, Financial Instructions, Delegations, Contract Regulations and Their Update

C29. The Council's Standing Orders, including regulations regarding contracts, and Financial Regulations form part of the Council's Constitution.

C30. The Council has a Constitution Committee, which meets as necessary to consider changes to the Constitution and make recommendations to the full Council, which can also make changes to the Constitution on the recommendation of any of the three statutory officers.

C31. Financial Regulations include a section on risk management, and the importance of managing risk within every aspect of management. This is also emphasised in the Risk Management Strategy.

C32. The Service Director Finance and Audit has identified that the Financial Regulations require updating, and has produced a draft that has had an initial consideration by the Corporate Leadership Management Team (CLMT) and requires submission to Constitution Committee and then Full Council for member approval.

Whistleblowing and Complaints

C33. The Whistleblowing Policy applies to all individuals working in or for the organisation, including elected members, directly employed employees, agency workers, contractors and suppliers. During 2018/19, nineteen whistleblowing allegations were received. All were subject to review, some of which involved referrals to other functions within the Council such as Internal Audit, Quality assurance, Safeguarding and Human Resources.

C34. Anyone wishing to make a serious allegation typically raises it with their immediate manager. However, this may depend on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. For these reasons staff can make whistleblowing allegations direct to the Council's Monitoring Officer on a confidential basis.

C35. The Council has set out and published procedures for dealing with complaints with target times for complaints to be acknowledged, investigated and responded to, and with each department having a nominated complaints co-ordinator to review progress.

Financial Management Arrangements

C36. The Chartered Institute of Public Finance and Accountancy (CIPFA) published a statement on the role of the Chief Financial Officer in 2010. The Council conforms to the governance requirements as published by CIPFA. These include a significant number of governance requirements in relation to financial management and the role and responsibilities of the Chief Financial Officer (CFO) in particular. These include the requirement that the CFO 'should report directly to the Chief Executive and be a member of the Leadership Team, with a status at least equivalent to the other members.' This is not the case in Luton, and the statement requires the reasons for this to be explained, together with how the arrangements adopted deliver the same impact.

C37. In Luton, along with a number of other Councils, the role of Chief Financial Officer is at Service Director level, rather than at Corporate Director level. This ensures that the CFO's role is focussed on the core financial and strategic responsibilities rather than being diluted by taking on a wider remit. The CFO reports to the Corporate Director Customer and Commercial. However, the CFO attends all meetings of the Corporate Leadership Management Team (CLMT) as a full team member, attends all corporate officer meetings with elected members, as well as being able to go directly to the Chief Executive whenever necessary.

C38. Luton's financial management arrangements are in line with the other key governance requirements in the CIPFA statement. A member of the Luton Borough Council staff acts as Chief Financial Officer and Company Secretary (on behalf of Luton Borough Council) for London Luton Airport Limited (LLAL), and is responsible for the production of LLAL accounts with assistance from PricewaterhouseCoopers.

The Role and Functioning Of the Audit and Governance Committee

C39. The Audit and Governance Committee of the Council discharges the functions of the Council as required by the Practical Guidance for Local Authorities on Audit Committees published by the Chartered Institute of Public Finance and Accountancy. The Committee, which meets quarterly, helps improve the corporate focus on the core issues arising from internal control, reporting and management, and receives regular reports on Internal Audit reviews, as well as reports from external audit, and an annual review of risk management.

Compliance with Law and Internal Policy and Procedure

C40. The Chief Executive is responsible for the effective and efficient administration of the Council. The Service Director, Human Resources and Monitoring Officer, as Monitoring Officer, is required to ensure that agreed procedures are followed and that the Council conducts its business lawfully and in accordance with all applicable statutes and regulations. If the Monitoring Officer becomes aware that the Council or any Committee or officer on its behalf has or is about to embark upon an unlawful course, then she has a duty to report the matter to either the Full Council or, in the case of executive functions, to the Council's Executive. The precise scope of this duty is set out in Sections 5 and 5A of the Local Government and Housing Act 1989 (as amended).

C41. The Service Director, Finance & Audit as Chief Finance Officer is similarly required to report issues of a financial nature to the Council where they may give rise to a breach of requirements, be they statutory or otherwise.

C42. All papers to be considered by members at formal meetings are scrutinised by the statutory officers, or staff acting on their behalf, to ensure compliance with regulatory requirements. This includes scrutiny by Finance officers to ensure that all expenditure is lawful.

C43. Service Directors are also required to ensure that their services comply with legislation and regulation. They are aided by numerous professional networks, and they are required to review, at the end of each year, that the service has complied with legislation, regulation, internal policy, including the application and maintenance of internal controls and procedure, as part of their annual assurance Statement of Governance and Controls.

Development of Members and Senior Officers

C44. The Council has a member development programme, and a corporate training programme for officers. The personal performance appraisal system has been developed as an assessment of individual staff performance and competency and has recently been revised slightly in light of feedback and evaluation and now the process involves quarterly check ins.

C45. The cross party Member Development Steering Group oversees the learning and development of councillors. The group has implemented a range of initiatives including a new induction process and Councillor Handbook, personal development plans, workshops and e-learning courses.

Engagement with Communities and Other Stakeholders

C46. The council is committed to listening to the views of local people to help ensure that it is able to provide effective services in line with their needs.

C47. Consultation and community engagement is seen as an integral part of service planning, delivery and decision-making and this is reflected in the council's values. Consultation on a number of large scale/high profile projects have been successfully delivered to inform the council's strategic priorities and shape services. The Council maintains a range of corporate and service specific consultation and user engagement mechanisms including registered residents on the Luton consultation portal, service-user databases and planned events.

C48. The council has a good track record of working with its partners in the statutory and third sector on consultation initiatives. Key areas of joint working include the integration of pharmaceutical needs assessment and better health through better food choices.

C49. Luton Council and Luton Clinical Commissioning Group (LCCG) work together to enable Luton people to live healthier lives. The commissioning functions of the two organisations are now integrated and joint commissioning arrangements are in place to ensure that the public and patients' voices are at the centre of health and social care decision-making.

C50. The Council has adopted a communications strategy for 2018-2023 and communicates with local citizens via a range of approaches including a monthly electronic newsletter eLuton and the website (including videos, social networking opportunities and regular news updates). There is also a mix of traditional local media, direct mailings, member surgeries and exhibitions.

Partnerships

C51. Partnership working is an essential part of modern local government. The Council has a large number of collaborative/partnership arrangements with other organisations and the Partnership Register clearly identifies the Council's key strategic partnerships and funding associated arrangements. This supports coordination across partnerships – for example, collaborative working between the Health and wellbeing Board and the Community Safety Executive.

C52. Representatives from schools, nurseries, academies and Local Authority make up the schools forum. The forum acts as a consultative body on some issues and a decision making body on others. In Luton we normally have seven schools forums during an academic year.

C53. The forum acts in a consultative role for:

- changes to the local funding formula (the local authority makes the final decision) – however the council has now adopted the national funding formula, so this will not be a function of the forum in future;
- proposed changes to the operation of the minimum funding guarantee;
- changes to or new contracts affecting schools (school meals, for example);
- arrangements for pupils with special educational needs, in pupil referral units, and in early years provision.

The forum decides:

- how much funding may be retained by the local authority within the dedicated schools grant (for example, providing an admissions service, or providing additional funding for growing schools);
- any proposed carry forward of deficits on central spend from one year to the next;
- proposals to de-delegate funding from maintained primary and secondary schools (for example, for staff supply cover, insurance, behaviour support);
- changes to the scheme of financial management.

Group Governance

C54. The Council owns or controls the entire issued share capital of London Luton Airport Ltd, the company that, by virtue of the requirements of the Airports Act 1986, owns London Luton Airport. The airport is operated by an unrelated entity, London Luton Airport Operations Ltd., under a Concession Agreement, which terminates on 31st March 2031.

C55. London Luton Airport Ltd. is controlled by a board a directors, in accordance with its Memorandum and Articles of Association. Professional, operational and company secretarial advice is provided to the company by the Council under a management services agreement.

C56. The accounts of London Luton Airport Ltd. are incorporated into the group accounts of Luton Borough Council, and the assessment of governance and controls made by the Service Director of Finance & Audit includes that relating specifically to London Luton Airport Ltd.

C57. London Luton Airport Limited have instigated a major programme of infrastructure works, plus an application for a Development Control Order (DCO), an application for significant expansion, from a current maximum of 18 million passengers per annum, up to a maximum of 38 million passengers per annum. The funding of this programme is intended to be by way of debenture loans from Luton Borough Council.

C58. The Council uses a registered company, Luton Traded Services Limited, as a vehicle through which to trade with the private sector. This company is not affiliated to Luton Borough Council and does not form part of the Group Accounts. As part of the Council Housing Strategy, the Council has set up a wholly owned housing company (Foxhall Homes) as a residential development company. The capital programme has set aside £30.3 million to provide funding to Foxhall Homes in form of debentures and the Council has subscribed to the share capital of that company.

D. Review of Effectiveness

D1. Luton Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including the system of internal control. The review of effectiveness is informed by the work of the Corporate Directors and Service Directors who have responsibility for the development and maintenance of the governance environment, Internal Audit's annual report, and also by the reviews of the external auditors and other review agencies and inspectorates.

D2. This review is administered by the Risk and Internal Control Group and includes full coordination of the Council's Risk Registers and quarterly statements of governance produced by Service Directors. It also considers the Delivery and Accountability meetings held by the Chief Executive, the Director of Customer & Commercial Services, and the Service Director of Finance and Audit with all Service Directors that directly review and challenge performance, finance, sickness and risk in each service area.

D3. The Council itself maintains overall control of its governance framework.

D4. The Executive is responsible for all Council functions except as specifically provided otherwise by law (and this is reflected in the Constitution).

D5. The Audit and Governance Committee considered external assessments and internal audit reports throughout the year.

D6. The Overview and Scrutiny Board review and where appropriate challenge Executive decisions during the year. The Board focussed on an evidence-based approach and the use of Task and Finish groups for particular projects. Such as the debenture loan for London Luton Airport Ltd.

D7. The Finance Review Group is responsible for the scrutiny of the budget and other financial issues.

D8. The Standards Committee oversees the framework of the Code of Conduct for Members on an annual basis.

D9. The Development Control Committee discharges development control functions

D10. The Licensing Committee discharges functions under the 2003 Licensing Act

D11. Internal Audit undertake audits throughout the year using risk-based audit assessments and works to the standards prescribed by the Public Sector Internal Audit Standards (PSIAS).The Authority's first external assessment on the effectiveness of the Council's Internal Audit Service and compliance with PSIAS and the Code of Ethics took place in March 2018. The External Assessor confirmed that the service "generally

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conforms" with the majority of the Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing. The External Assessor also stated that the service is good in its reflection of the standards and operating with efficiency. The Council's external auditor also carries out an annual review of the Council's internal audit arrangements.

D12. Except for those issues included in section F below, the Chief Finance Officer and Monitoring Officer have provided assurances that no major issues relating to their responsibilities have arisen during 2018/19. As noted in C.34 above, the Chief Finance Officer has determined that the Financial Regulations need updating and has produced a comprehensive proposed update.

D13. The external auditor's annual audit letter confirmed that the Council's accounts gave a true and fair view of the Council's financial affairs for 2017/18. The Audit Results Report, published on the Council's website, issues an unqualified opinion on the Value for Money assessment. This letter and associated report is published on the Council website.

D14. The Annual Audit Report included one key recommendation to assist the improvement in financial reconciliations and the production of the financial statements. The report highlighted the importance of documenting the challenge the Council has on its subsidiary financial statements, with particular focus on the Airport valuation, the associated deferred tax liability and the capitalisation of major project expenditure. Additional working papers evidencing the communications and challenges across the group will be available as part of the 2018/19 audit of accounts. The Council has robust budget monitoring procedures in place with monthly reports provided to the corporate management team and quarterly reports to members. The 2018/19 monitoring identified significant budget pressures in services from the start of the year and recovery measures were put in place early to address this, that worked toward achieving a balanced budget by the end of the financial year and to improve the longer term resilience and sustainability of the budget. The monitoring reports for quarters 2 & 3 predicted that a balanced budget would be achieved after full use of the approved contingency budget; with the final forecast for the year predicting a net underspend of around £1m compared to budget. The predicted and final outturn position included some significant short term or one-off gains in the Council's corporate resource accounts that also helped to meet the significant budget pressures reported in several demand-led services during the year, including the increasing cost of children's care, providing temporary accommodation to reduce homelessness and the costs of maintaining the corporate property estate. The final outturn position achieved for 2018/19 is close to the final forecast with a net underspend of around £0.8m. Funding has also been set aside in reserves from the 2018/19 outturn position, to provide additional support to business and employment in the town and to enhance financial resilience and risk cover for future changes in key funding streams. Increased budget resources have been provided in several key services for 2019/20 to mitigate current budget pressures. Progress with the longer term recovery plan and the ongoing impact of the cost pressures reported is being assessed, to refine future monitoring and preparations for the 2020/21 Budget including refreshing the Medium Term Financial Strategy.

D15. The monitoring shows that there was a shortfall in achieving all of the savings planned for 2018/19, mainly on meeting some increased income targets set for the year including those set for recovering aged debt. The shortfall has been managed within the final outturn position achieved for 2018/19 and final net costs are within the budget set for the year, including the full use of the 2017/18 contingency budget to help meet demand-driven cost pressures. The 2019/20 budget has been set with £ 11.2 million of savings and additional income and detailed delivery and implementation plans are being produced. Progress will be monitored and scrutinised via departmental 'Savings Trackers' and results will be incorporated in to the monthly reporting. The savings proposals have been developed with members to ensure that all options are considered and prioritised in line with the aims of the Council's Prospectus.

D16. Even though major savings have been required and achieved for the last 8 years, the vast majority of the savings proposals included in the budget have been delivered and further work is being done to deliver savings through procurement, commissioning and modernisation.

D17. Outcomes continue to improve in some key areas. The amount of council tax and business rates collected in year, have again improved. This will help maintain vital services during difficult financial times, even though hard choices will have to be made over the coming years.

E. Review of Progress In Relation To Significant Governance and Internal Control Issues in the 2017-18 Statement

E1. In 2018/19 Internal Audit followed up on the key governance, risk management and internal control issues identified in their 2017/18 reviews and report as follows:

- During 2018/19 we carried out physical follow up reviews of the 8 'Limited' and 1 'No' assurance audits issued the previous year (2017/18). Of these we are pleased to report that the opinions for all 9 audits have been raised to 'Adequate' assurance. In relation to the 3 'Qualified' audit opinions issued we can confirm that all recommendations have now been fully implemented.
- Physical follow up reviews were carried out on Social Care Financial Contributions Recovery and Adults' Direct Payments. The follow up reviews identified that considerable improvements have been made in the procedures for the review and management of debt, in line with our recommendations, and based on the progress made we have raised the audit opinion to 'Adequate' assurance.
- There were physical follow up reviews for the IT Asset Register, Mobile Phones, and Commercial Property Management, which identified that considerable progress has been made to address the outstanding weaknesses and gaps in internal control. In all 3 instances, the audit opinion was raised to 'Adequate' assurance.
- During 2018/19 there was a physical follow up review for Payroll Operations. Our review identified that the majority of the recommendations raised in the August 2017 Internal Audit Report have now been implemented, and that based on the areas covered by the follow up review, the compensating controls in place and management monitoring of the risks associated with payroll fraud and error, we can now provide 'Adequate' assurance on the current standards of internal control.

E2. The Luton Families Programme has been developed to deliver change and improvement across Children services in Luton Council. The programme vision is to keep children, young people and families at the centre of everything we do, ensuring that efforts are focused on delivering effective services to Luton families and ultimately improving their outcomes and opportunities in the short and longer terms. A detailed programme based approach is being jointly developed between the People directorate and the Public Health, Commissioning and Procurement directorate to take forward the improvement programme and will report to a strengthened Children's Improvement Board; there will be greater accountability to ensure we have a more robust integrated approach to ensure key leads and projects can agree the delivery process and time line for securing any further savings considered achievable and realistic. This newly developed Luton Families Programme is bringing together all the Children's Services in a recurrent deficit position, which, through a combination of invest to save projects, is planned to reduce the deficit over the next 5 year period. Initially this programme will incorporate:

- The workplan of the former Glidepath Programme
- Recommendations for improvement from Ofsted including the recent focused visit
- PeopleToo recommendations
- Children's services MTFP

E3. There were significant control issues identified by the external auditors relating to the Teachers' Pension Scheme return. However, the 2016/17 report (only received after the preparation of the 2017/18 Annual Governance Statement) shows a much better position with only minor recommendations for improvement which have been acted upon.

E4. The Council is continuing to experience difficulties in recruiting permanent qualified staff although the People Plan is addressing these issues. In 2018/19, a reduction in the employment of agency staff has been achieved along with a reduction in the level of staff sickness.

E5. There was an upward trend in terms of value of uncollected debt amassing on the Council's Balance Sheet. However, there has been an improvement to this position in 2018/19.The actions in place to improve ongoing collection performance and to assess, and collect where possible, outstanding aged debt has resulted in an improvement in 2018/19.

E6. The Council has been able to close the accounts in order to meet the deadline as set by central government i.e. 31 May 2019. This required considerable planning and input from all the departments. The audit for this year's accounts has progressed well and the auditors can't see any reason why this year's audit won't be completed on time. No significant issues have been raised by the external auditors as part of the interim audit.

F. Significant Governance & Internal Control Issues

F1. The key issues identified from the internal audit reviews carried out during the year (2018/19) were as follows:

- We issued 5 'Limited' assurance opinions, of which 4 had been issued to schools. 'Limited' assurance opinions are issued when weaknesses in the system of controls are such as to put most or all of the key service objectives at risk and/or the level of non-compliance puts most or all of the system objectives at risk. Physical follow up reviews are currently in progress for 3 of these schools. Our reviews have so far indicated that 1 school has made considerable progress in implementing audit recommendations, and 2 schools have made limited progress in addressing the control weaknesses identified. The physical follow up review for the remaining school will be carried out during 2019/20 and the final AGS will be updated accordingly.
- During a review of the Annual Statement of Governance Returns we noted that some contracts had not been awarded in accordance with the council's Standing Orders and that there are some gaps in the Corporate Contracts Register. We understand that a contract review programme is underway to determine the extent of this issue and to address any concerns.

F2. During the year we received requests from management to carry out audit reviews and investigations on areas of concern. On completion of 2 of these reviews we noted some common weaknesses in internal control which related to:

- Failure to adhere to policies and procedures.
- Absence of an audit trail and poor record keeping.
- Lack of segregation of duties and no independent review / management monitoring.

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F3. The above weaknesses in control could potentially increase the risk of fraud and error, and result in financial and reputational loss. Where internal control weaknesses are identified during a review an action plan is put in place with management to address these weaknesses, and follow up reviews are carried out. For all audits that have received a 'Limited' or 'No' assurance opinion a physical follow up review is undertaken, and the results are reported to the Audit & Governance Committee. We plan to carry out further work in other areas to determine the extent of these weaknesses and to address any concerns and the final AGS will be updated accordingly.

G. Approval of Annual Governance Statement

Signed:

Robin Porter

Chief Executive

Signed:

Councillor Hazel Simmons

Leader of the Council

Independent Auditor’s Report

To follow the audit of the accounts

02 Contents

Core Financial Statements

Luton

Comprehensive Income and Expenditure Statement (Group)

This statement shows the accounting cost of providing service for the group in accordance with generally accepted accounting practices. Councils raise taxation and other charges to cover expenditure in accordance with regulations which may differ from the accounting cost.

RESTATED 31/03/2018				31/03/2019		
Spend £000	Income £000	Net Spend £000	Group	Spend £000	Income £000	Net Spend £000
4,748	(1,313)	**3,435**	Chief Executive	6,501	(2,229)	**4,273**
64,985	(16,051)	**48,934**	Place and Infrastructure	66,598	(18,017)	**48,580**
122,114	(109,282)	**12,832**	Customer and Commercial	117,486	(109,913)	**7,574**
29,040	(16,548)	**12,492**	Public Health, Commissioning & Procurement	28,982	(16,186)	**12,796**
166,742	(50,617)	**116,125**	People	171,592	(55,772)	**115,820**
174,782	(172,358)	**2,424**	Schools Individual Budgets	175,624	(172,304)	**3,320**
38,539	(38,351)	**189**	Housing Revenue Account	34,929	(39,420)	**(4,491)**
334	(1,208)	**(874)**	Other Corporate Accounts	6,000	(1,739)	**4,261**
601,284	**(405,726)**	**195,558**	**Total Net Cost of Services**	**607,711**	**(415,579)**	**192,132**
		(2,848)	Other operating expenditure *Note 9*			**8,960**
		(28,391)	Financing and investment income and expenditure *Note 10*			**(50,390)**
		(152,136)	Taxation and non-specific grant income *Note 11*			**(151,389)**
		12,183	**Group (Surplus) or Deficit on Provision of Services**			**(687)**
		4,622	Tax expenses of subsidiary (LLAL)			**9,963**
		0	Tax expenses of subsidiary (Foxhall Homes)			**0**
		16,805	**Group (Surplus) or Deficit on Provision of Services**			**9,276**
		(41,827)	Surplus or deficit on revaluation of Property, Plant and Equipment assets			**3,273**
		(15,241)	Re-measurements of the net defined benefit liability			**(4,704)**
		(57,068)	**Other Comprehensive Income and Expenditure**			**(1,431)**
		(40,263)	**Total Comprehensive Income and Expenditure**			**7,845**

Comprehensive Income and Expenditure Statement (Single)

This statement shows the accounting cost in the year of providing service in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. This is the second year the service segments within the CIES are presented in the same format as the Council's organisational directorates. In previous years the segments were strictly aligned to the service areas described by CIPFA guidance.

	31/03/2018				31/03/2019	
Spend £000	Income £000	Net Spend £000	Single	Spend £000	Income £000	Net Spend £000
4,748	(1,501)	**3,247**	Chief Executive	6,501	(2,476)	**4,026**
64,985	(20,320)	**44,665**	Place and Infrastructure	66,598	(20,892)	**45,706**
122,114	(109,921)	**12,193**	Customer and Commercial	117,486	(110,590)	**6,896**
29,040	(16,788)	**12,252**	Public Health, Commissioning & Procurement	28,982	(16,506)	**12,476**
166,742	(50,617)	**116,125**	People	171,592	(55,772)	**115,820**
174,782	(172,358)	**2,424**	Schools Individual Budgets	175,624	(172,304)	**3,320**
38,539	(38,351)	**189**	Housing Revenue Account	34,929	(39,420)	**(4,491)**
334	(1,208)	**(874)**	Other Corporate Accounts	6,000	(1,801)	**4,199**
601,284	**(411,062)**	**190,222**	**Total Net Cost of Services**	**607,711**	**(419,760)**	**187,951**
		(2,848)	Other operating expenditure *Note 9*			**8,960**
		(11,752)	Financing and investment income and expenditure *Note 10*			**(14,069)**
		(152,136)	Taxation and non-specific grant income *Note 11*			**(151,389)**
		23,486	**(Surplus) or Deficit on Provision of Services**			**31,454**
		(41,827)	Surplus or deficit on revaluation of Property, Plant and Equipment assets			**3,273**
		(15,198)	Re-measurements of the net defined benefit liability			**(4,691)**
		(57,025)	**Other Comprehensive Income and Expenditure**			**(1,418)**
		(33,539)	**Total Comprehensive Income and Expenditure**			**30,036**

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Movement in Reserves Statement (Group)

This statement summarises the differences between the outturn on the Group Comprehensive Income and Expenditure Account and the movement on the General Fund Balance and Housing Revenue Account. It also shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) On the Provision of Services Line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

Group RESTATED	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	LLAL Profit & Loss Account £000	Foxhall Homes Profit & Loss Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2017	**(76,920)**	**(10,182)**	**(2,539)**	**(17,179)**	**(5,494)**	**(431,633)**	**0**	**(543,947)**	**(471,372)**	**(1,015,319)**
Movement in Reserves 2017/18										
Total Comprehensive Income & Expenditure	17,133	6,353				(7,193)	470	**16,763**	(57,026)	**(40,263)**
Adj. between accounting basis & funding basis under regulations	(20,561)	(6,818)	(593)	(1,956)	1,509	0	0	**(28,418)**	28,418	**0**
(Increase) or Decrease in 2017/18	**17,133**	**6,353**	**0**	**0**	**0**	**(7,193)**	**470**	**16,763**	**(57,026)**	**(40,263)**
Balance at 31 March 2018	**(80,348)**	**(10,647)**	**(3,132)**	**(19,135)**	**(3,985)**	**(438,826)**	**470**	**(555,602)**	**(499,980)**	**(1,055,582)**
Movement in Reserves 2018/19										
Total Comprehensive Income & Expenditure	33,697	(2,243)				(22,592)	401	**9,263**	(1,417)	**7,846**
Adj. between accounting basis & funding basis under regulations	(44,419)	1,924	(299)	5,331	(868)	0	0	**(38,331)**	38,331	**0**
(Increase) or Decrease in 2018/19	**(10,722)**	**(319)**	**(299)**	**5,331**	**(868)**	**(22,592)**	**401**	**(29,068)**	**36,914**	**7,846**
Balance at 31 March 2019	**(91,070)**	**(10,966)**	**(3,431)**	**(13,804)**	**(4,853)**	**(461,418)**	**871**	**(584,671)**	**(463,066)**	**(1,047,736)**

Movement in Reserves Statement (Single)

This statement summarises the differences between the outturn on the Comprehensive Income and Expenditure Account and the movement on the General Fund Balance and Housing Revenue Account. It also shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) On the Provision of Services Line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

Single	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2017	**(76,920)**	**(10,182)**	**(2,539)**	**(17,179)**	**(5,494)**	**(112,314)**	**(488,294)**	**(600,608)**
Movement in Reserves 2017/18								
Total Comprehensive Income & Expenditure	17,133	6,353	0	0	0	23,486	(57,025)	(33,539)
Adj. between accounting basis & funding basis under regulations	(20,561)	(6,818)	(593)	(1,956)	1,509	(28,418)	28,418	0
(Increase) or Decrease in 2017/18	**(3,428)**	**(465)**	**(593)**	**(1,956)**	**1,509**	**(4,932)**	**(28,607)**	**(33,539)**
Balance at 31 March 2018	**(80,348)**	**(10,647)**	**(3,132)**	**(19,135)**	**(3,985)**	**(117,246)**	**(516,901)**	**(634,147)**
Movement in Reserves 2018/19								
Total Comprehensive Income & Expenditure	33,697	(2,243)	0	0	0	31,454	(1,418)	30,036
Adj. between accounting basis & funding basis under regulations	(44,419)	1,924	(299)	5,331	(868)	(38,331)	38,331	0
(Increase) or Decrease in 2018/19	**(10,722)**	**(320)**	**(299)**	**5,331**	**(868)**	**(6,877)**	**36,914**	**30,036**
Balance at 31 March 2019	**(91,071)**	**(10,966)**	**(3,431)**	**(13,804)**	**(4,853)**	**(124,125)**	**(479,987)**	**(604,111)**

Balance Sheet (Group & Single)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council are matched by the reserves held by the Council.

31/03/2018 Group £000	31/03/2018 Single £000	Net Assets		31/03/2019 Group £000	31/03/2019 Single £000
1,153,890	1,126,752	Property, Plant & Equipment	*Note 31*	1,213,078	1,131,228
674,122	102,900	Investment Property	*Note 32*	724,573	108,862
898	898	Intangible Assets	*Note 33*	728	728
5,881	5,881	Heritage Assets	*Note 34*	5,881	5,881
1,831	104,589	Long Term Investments	*Note 36*	1,896	184,754
328	328	Long Term Debtors	*Note 36*	3,071	3,071
1,836,950	**1,341,348**	**Total Long Term Assets**		**1,949,226**	**1,434,524**
3,503	3,503	Short Term Investments	*Note 36*	0	0
1,533	858	Inventories		2,546	1,064
57,926	71,363	Short Term Debtors	*Note 42*	65,428	73,197
27,718	23,389	Cash and Cash Equivalents	*Note 43*	29,786	28,786
90,680	**99,113**	**Total Current Assets**		**97,759**	**103,046**
(2,396)	(2,396)	Short Term Borrowing	*Note 36*	(11,314)	(11,314)
(74,649)	(64,885)	Short Term Creditors	*Note 44*	(64,451)	(60,070)
(2,810)	(2,810)	Current Provisions	*Note 45*	(2,814)	(2,814)
(8,348)	(8,348)	Revenue Receipts in Advance	*Note 47*	(6,599)	(6,599)
(88,203)	**(78,439)**	**Total Current Liabilities**		**(85,177)**	**(80,796)**
(59,037)	(5,074)	Non Current Provisions	*Note 45*	(65,534)	(6,078)
(20,703)	(20,703)	Capital Grants Receipts in Advance	*Note 46*	(27,762)	(27,762)
(2,418)	(2,418)	Long Term Creditors	*Note 44*	(1,587)	(1,557)
(23,030)	(23,030)	Other Long Term Liabilities	*Note 38*	(22,678)	(22,678)
(403,861)	(401,855)	Net Pensions Asset/Liability	*Note 40*	(416,216)	(414,292)
(274,796)	(274,796)	Long Term Borrowing	*Note 36*	(380,296)	(380,296)
(783,846)	**(727,876)**	**Total Long Term Liabilities**		**(914,074)**	**(852,664)**
1,055,582	**634,147**	**Total Net Assets**		**1,047,736**	**604,111**

Balance Sheet (Group & Single)

31/03/2018 Group £000	31/03/2018 Single £000	Reserves		31/03/2019 Group £000	31/03/2019 Single £000
(80,348)	(80,348)	General Fund Reserves	*Note 22*	(91,070)	(91,070)
(10,647)	(10,647)	Housing Revenue Account	*Note 22*	(10,967)	(10,967)
(3,132)	(3,132)	Major Repairs Reserve		(3,431)	(3,431)
(19,135)	(19,135)	Capital Receipts Reserve		(13,804)	(13,804)
(3,985)	(3,985)	Capital Grants Unapplied		(4,853)	(4,853)
(438,825)		LLAL Profit & Loss Account		(461,416)	
470		Foxhall Homes Profit & Loss Account		871	
(555,603)	**(117,248)**	**Total Usable Reserves**		**(584,670)**	**(124,124)**
(267,313)	(267,313)	Revaluation Reserve	*Note 24*	(208,941)	(208,941)
(634,828)	(634,828)	Capital Adjustment Account	*Note 25*	(674,021)	(674,021)
401,855	401,855	Pensions Reserve	*Note 26*	414,292	414,292
1,095	1,095	Financial Instruments Adjustment Account	*Note 27*	6,479	6,479
(17)	(16,938)	Deferred Capital Receipts	*Note 28*	(2,743)	(19,664)
(3,394)	(3,394)	Collection Fund Adjustment Account	*Note 29*	(694)	(694)
2,623	2,623	Accumulated Leave Reserve	*Note 30*	2,564	2,564
(499,979)	**(516,900)**	**Unusable Reserves**		**(463,064)**	**(479,985)**
(1,055,582)	**(634,147)**	**Total Reserves**		**(1,047,736)**	**(604,111)**

Certification by the Chief Financial Officer

I certify that the statement of accounts presents a true and fair view of the financial position as at 31st March 2019 and its income and expenditure for the year then ended.

Dev Gopal FCA, FCPFA, FCCA, CMgr MCMI

Service Director, Finance & Audit (s151 Officer) Date: 31st May 2019

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Cash Flow Statement (Group & Single)

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipient of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

31/03/2018 Group £000	31/03/2018 Single £000		31/03/2019 Group £000	31/03/2019 Single £000
(16,759)	(23,486)	Net surplus or (deficit) on the provision of services	(9,263)	(31,454)
80,938	79,002	Adjustments to net surplus or deficit on the provision of services for non-cash movements	37,613	69,017
(26,711)	(26,711)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(13,244)	(13,244)
37,468	**28,805**	**Net cash flows from Operating Activities** ***(Note 48)***	**15,106**	**24,309**
(49,227)	(24,748)	Investing Activities *(Note 49)*	(114,909)	(120,793)
2,192	2,192	Financing Activities *(Note 50)*	101,881	101,881
(9,568)	**6,249**	**Net increase or decrease in cash and cash equivalents**	**2,068**	**5,397**
37,286	17,140	Cash and cash equivalents at the beginning of the reporting period	27,718	23,389
27,718	**23,389**	**Cash and cash equivalents at the end of the reporting period**	**29,786**	**28,786**

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Notes to the Core Statements

Luton

General Accounting Policies & Judgements

Note 1) Basis of Group Consolidation

Subsidiaries are entities that the Council has the power to govern. In the Council's financial statements, the investment in the subsidiary is carried at cost. In the Group financial statements, the subsidiary is accounted for using the acquisition accounting method where assets, liabilities, revenue and expenditure are added in on a line-by-line basis.

The Group Accounts include all supporting notes which are materially changed by the amalgamation with the subsidiary's financial statements.

The Luton Borough Council Group consists of Luton Borough Council, London Luton Airport Limited (a wholly owned subsidiary of the Council) and Foxhall Homes Limited (a wholly owned subsidiary of the Council). The Group Accounts have been prepared on the basis of a full consolidation; this means that all transactions between the Group entities are eliminated.

The Group includes these two subsidiaries only.

London Luton Airport Limited (LLAL)

This company is a full subsidiary of the Council and the Group Accounts consist of the consolidation of its financial statements with those of the Council's.

The principal activity of the com00pany is the ownership of airport facilities. In 1998/99 the company entered into a thirty-year concession with London Luton Airport Operations Limited to operate the airport. The Council holds 44,836,999 ordinary £1 shares, equivalent to 100% of the company's share capital carried at a historic valuation of £44.837 million. It also held debentures totalling £137.221 million at 31st March 2019.

At the year ended 31st March 2019, the company had net assets of £493.134 million (£466.741 million at 31st March 2018). The 2018/19 profit before tax was £56.528 million and after tax was £46.565 million (profit before tax £31.273 million and after tax was £26.651 million for 2017/18).

A dividend of £20.159 million has been declared in 2018/19, £2.159 million paid in year and £18 million due to be paid in 2019/20. Debenture interest of £3.862 million was payable by the company to the Council during 2018/19 (£3.862 million in 2017/18).

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Concession Contracts

On 20 August 1998 ('the concession date') the company entered into a concession contract with an unrelated entity, London Luton Airport Operations Limited ("LLAOL").

Under the terms of this contract LLAOL was granted a concession to operate the airport for a period of 30 years ('the concession period') and a lease over the company's land and buildings. In return LLAOL undertook to pay an annual concession fee to the company comprising of £3 million as a minimum fixed payment or a greater amount based on workload units (being each departing and arriving passenger and each 100 tonnes of freight) as prescribed in the concession agreement and, subject to the continuing growth of passenger numbers, fund an extensive capital investment programme. At the end of the concession period, the assets, liabilities and operations of the airport revert to the ownership and use of the company.

In August 2012 a supplemental agreement to the concession contract was reached between LLAL and LLAOL. This agreement commits the operators to undertake a significant programme of development works to increase the Airport's capacity to handle throughput of up to 18 million passengers per year, in return for an extension of the Concession Period to March 31st 2031. The concession agreement was further amended in January 2014 to provide for a scheme to rebate the Concession Fee Rate payable by the airport operator in certain circumstances, in order to encourage passenger growth.

At the concession date the trading assets and liabilities of the company were transferred to LLAOL at book value. No profit or loss arose on the transfer of these assets and liabilities. The employees of the company were also transferred to LLAOL.

As the company no longer operates the airport itself, the land and buildings have become investment properties. At the instruction of the company, Deloitte LLP has valued the freehold interest in London Luton Airport as at 31st March 2016. The next valuation is due to be undertaken as at 31st March 2020; it has, however, been agreed that, given the rate at which passenger numbers are currently growing, and the other developments currently being carried out by the company, the valuation will be reviewed annually in the intervening periods to ensure the investment properties are reflected at fair value.

Fixed Assets

The company includes investment properties at their fair value at the balance sheet date on the basis of the external valuer's valuation. Any gains or losses through the change in fair value are recorded through the income statement.

Given the rapid growth in passenger numbers at the airport over the past two years, and the acquisition by the company of a number of strategic property assets adjacent to or connected with the airport, the Board commissioned a full valuation as at 31st March 2016, and this has been reviewed and updated at 31st March 2018.

The balance of Property, Plant & Equipment consists of expenditure incurred to date on the Direct Air Rail Transit (DART) project. This is not operational as of 31st March 2018 and therefore it is classified as Assets Under Construction and is therefore valued at historical cost.

The ongoing capital expenditure incurred in relation to the major schemes is only capitalised when it meets the definition of an asset and the future economic benefits or service potential will flow to the authority, and the cost of the item can be measured reliably.

Foxhall Homes Limited

This company is a full subsidiary of the Council and the Group Accounts consist of the consolidation of its financial statements with those of the Council's.

2017/18 represented the first year of inclusion within the Group accounts of Foxhall Homes Ltd, this includes the period from inception (February 2017) to the Balance sheet date (31st March 2018). The period of February to March 2017 having been previously been assessed as immaterial to 2016/17 accounts.

The principal activity of the company is to provide the Council with a means to develop a mix of property types of different tenures, maximising resources to assist in the delivery of much needed homes. The Council holds 1 ordinary £1 shares, equivalent to 100% of the company's share capital.

At the year ended 31st March 2019, the company had net assets of negative £0.470 million (net liabilities). The loss before and after tax was £0.470 million.

QED Luton (Challney) Limited

The group accounts in relation to QED Luton (Challney) Ltd has been deemed as not material and not consolidated into the group accounts.

In January 2019, the Council took a 50% stake in QED Luton (Challney) Ltd, the other 50% stake is held by Wates Construction Limited.

The company manages the Challney School PFI arrangement. They are almost solely financed by the Council via DfE Grant. The income is used to finance asset lifecycle costs, pay the private sector financing costs and management overheads.

Luton Learning and Community Partnership Limited

The group accounts in relation to Luton Learning and Community Partnership Ltd has been deemed as not material and not consolidated into the group accounts.

In January 2019, the Council took a 50% stake in QED Luton (Challney) Ltd, the other 50% stake is held by Wates Construction Limited.

The principal activity of the Group and company is the construction and maintenance of local infrastructure for the Council of Luton. Currently the activity of the company is focused upon the provision of facilities maintenance and ICT services to certain schools in the school estate of Luton Borough Council.

Note 2) General Accounting Policies

General Principles and Basis of Preparation

The Statement of Accounts summarises Luton Borough Council's transactions for the year ending 31st March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015. The regulations require the accounts to be prepared in accordance with proper accounting practices.

These practices primarily comprise the following:

- The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19
- The Service Reporting Code of Practice for Local Authorities 2018/19

and are supported by International Financial Reporting Standards (IFRS).

The accounts are prepared on a going concern basis and the accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of Income and Expenditure

The accounts are maintained on an accruals basis, this means that activity is accounted for in the year that it takes place, not simply when cash payments are made or received. This means that the following applies:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can reliably assume that the transaction will be completed and it is probable that economic benefits associated will flow to the Council.
- Goods procured by the Council are accounted for when consumed, which is normally when they are delivered. Where there is a gap between delivery of goods and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received, including services provided by employees of the Council, are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings are accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised in the accounts, but the cash transaction has not yet happened, a debtor or creditor will be recorded in the Balance Sheet for the relevant amount. For debtors where it is doubtful that the amount due will be received, the balance is reduced and a charge is made to revenue for the income that may not be collected.
- Revenue relating to such things as council tax, general rates, etc. shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates. Revenue should be recognised when it is probable that the economic benefit will flow to the Council, and the amount of revenue can be measured reliably.

Overheads and Support Services

In accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2018/19 (SeRCOP), the costs of central departments are charged to services broadly on the basis of time spent by officers or an appropriate applicable measurement. Information Management Services are charged on a range of bases such as unit cost for desktop facilities, actual cost for applications, productive hours for application and network support etc. Accommodation is allocated on a floor/desk area occupied basis. The total absorption costing principle is used, the full cost of overheads and support services are shared between users in proportion to the benefits received.

The full service cost is included within the service segments included in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

Schools Recognition

Schools maintained by the Council are recognised on the Balance Sheet as the balance of control lies with the Council. Consequently all those schools' assets, liabilities, reserves and cash flows are recognised in the financial statements. Voluntary aided and voluntary controlled schools are not recognised on the Council's Balance Sheet as the balance of control for these schools lies with the respective dioceses. The Council does not however recognise schools funded by PF2 arrangements on its balance sheet, but does account for the income & expenditure in the CIES (as per VA & VC schools).

Value Added Tax (Vat)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Significant changes adopted in the 2018/19 statement of accounts

The major change to the CIPFA Code of Practice on Local Authority Accounting 2018/19 was the implementation of IFRS 9 Financial Instruments. This has seen a significant change to the way investments are categorised and an enhanced disclosure requirement to Note 36 is included in the Council's accounts. With the adoption of IFRS 9, the new standard sets out that investments in equity should be recognised as fair value through profit and loss. This would mean that any changes in valuation would impact the Council's revenue budget. However, the only equity shares held by the Council are with wholly owned subsidiaries or joint ventures. These are being held at historical cost.

Note 3) Accounting Standards That Have Been Issued but Have Yet Been Adopted

For 2019/20 the Local Authority Accounting Code of Practice includes a number of changes resulting from revisions to accounting standards, these are;

- Amendments to IAS 40 Investment Property: Transfers of Investment Property,
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle,
- IFRIC 22 Foreign Currency Transactions and Advance Consideration,
- IFRIC 23 Uncertainty over Income Tax Treatments and
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

None of the changes are expected to have a material impact on the Statement of Accounts.

Note 4) Assumptions Made About the Future and Other Major Sources Of Estimation Uncertainty

The Statement of Accounts, prepared on a going concern basis, contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items which there are a significant risk of material adjustment in the forthcoming financial year are included in the table over the page.

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Item	Uncertainty Explanation	Consequences of Uncertainty
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. For HRA dwellings, the use of the major repairs allowance as a proxy for depreciation is no longer acceptable. The new treatment of depreciation is further explained in ***Note 31.***	If the useful lives of assets are reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by approximately £1 million for General Fund and £0.4 million for the HRA for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways; during 2018/19, the Council's actuaries advised that the net pension's liability had increased by 12.437 million. Please see ***Note 39*** for sensitivity analysis.
Business Rates Appeals	At 31st March 2019, the Council had a provision for NNDR appeals of £5.104 million (49% of £10.415 million of the total appeals provision attributable to the Collection Fund). Please see Provisions ***Note 45.***	Analyse Local provide up to date analyses and projections of appeals based on the latest appeals data released by the Valuation Office. The estimate can fluctuate significantly between financial years. The four largest known appeals total £2.347 million, which is 22.5% of the total provision. If another significant appeal of £1 million was lodged the provision could increase by 10%. Currently there are 138 known appeals outstanding at an approximate average of £27,414. If the number of known appeals increased by 10%, at the average amount, this would increase the provision by approximately £378,313 (3.6%).
Doubtful Debts	As at 31st March 2019, the Council had outstanding arrears of £119.044 million, of which £21.500 million is with LLAL and FH ltd. £45.848 million has been provided for in case of non-collection of debts. ***Note 42***. If there was a reduction in the rate of collection there would be an increase need to contribute to the provision on an annual basis.	If the provision was incorrectly calculated and higher than expected debt write offs were required, future financial years would have to incur additional budgetary costs. If the downturn in collection rates was representative of longer term collection, then the Council may need to revise the doubtful debt provision calculation and annual budgeted contribution.

Please note the fair value concept is explained further in note 53 and PPE valuations explained in note 31.

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Note 5) Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out above, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The main critical judgements made in the Statement of Accounts are:

Funding

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. This is because the Council is determined to preserve front line services as far as possible.

The Council also prepare the accounts based on it being a going concern.

Group Boundaries

The group boundaries have been assessed using the criteria associated with the Code. In line with this, the Council has identified two material subsidiaries (London Luton Airport Ltd and Foxhall Homes Ltd and produced Group Accounts accordingly.

The Council's group boundary includes the wholly owned housing company, Foxhall Homes Ltd, last year (2017/18) being its first year as part of the group. The two material Joint Ventures have been included for the first time in 2018/19 following the purchase of additional equity in the companies.

Judgement on the grounds on materiality is that group accounts are required by the Council and are therefore consolidated as such.

Schools

In accordance with the Code, the Council recognises schools on the Balance Sheet where future economic benefits or service potential associated with the school will flow to the Authority. Where the Authority can employ staff and is responsible for the admission criteria, these schools are recognised.

There are several types of school within the Borough with Community Schools and Foundation Schools recognised on the balance sheet. The schools that are not recognised on the balance sheet are Voluntary Aided, Academies and Free Schools.

School assets are treated as a disposal from the Balance Sheet on the date a school is converted to an academy.

Local Enterprise Partnership (LEP)

South East Midlands Local Enterprise Partnership (SEMLEP) is a locally owned public private partnership and therefore involves a large number of stakeholders including 14 local authorities, local businesses, business organisations and many other private, public and third sector organisations.

Luton Borough Council is the accountable body for the SEMLEP. There is a clear governance framework which states Luton Borough Council acts an agent in this arrangement and has no rights to use the funding for local services, unless authorised by the SEMLEP board.

Embedded Leases

Annually the contracts register is reviewed to ascertain where infrastructure assets are being used solely to deliver services to the Council. The correct accounting treatment for these arrangements is to separate the contract payments into revenue and capital. Currently there are two contracts which have been judged to contain infrastructure assets. They are the highways contract with Volker Highways and the multi-functional devices provided by Xerox. These arrangements are explained in more detail within Note 38.

Property, Plant & Equipment

Judgement is made in assessing PPE assets into appropriate asset categories as prescribed under the Code. These are subject to a degree of interpretation and judgement but given the Code's outlines the Council believe all classifications are as accurate as possible given the circumstances of each asset.

Better Care Fund (BCf)

In respect of the BCF the terms of the Section 75 agreement means that contracts are stand-alone with the financial risk being retained by the lead body. Each partner then manages the contracts with their own providers of BCF services and each partner retains any financial risk relating to those contracts.

The BCF is not a separate legal entity and has been accounted for as a pooled budget arrangement (see Note 18), since it is not an entity, joint operation or joint venture. It should be noted that neither party has unilateral control of the BCF, as decisions of the Board need to be made unanimously.

Note 6) Events after the Reporting Period

The Draft Statement of Accounts was authorised for issue by the Service Director (Finance & Audit) on 31st May 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Comprehensive Income and Expenditure Statement Notes

Note 7) Expenditure and Funding Analysis

2018/19 is the second year of the Expenditure and Funding Analysis note. This note demonstrates how the funding available to the Council for the year 2018/19 been used to provide services in comparison with those resources consumed or earned under generally accepted accounting practice (GAAP). The Expenditure and Funding analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under GAAP is presented more fully in the Comprehensive Income and Expenditure Statement.

2017/18				2018/19		
Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure Comprehensive Income and Expenditure Statement £000
2,908	339	3,247	Chief Executive	3,715	310	4,026
30,736	13,929	44,665	Place and Infrastructure	36,874	8,832	45,706
10,737	1,456	12,193	Customer and Commercial	11,561	(4,664)	6,896
12,387	(134)	12,252	Public Health, Commissioning & Procurement	12,247	229	12,476
112,829	3,296	116,125	People	113,477	2,343	115,820
(2,638)	5,062	2,424	Schools Individual Budgets	(1,411)	4,730	3,320
(466)	655	189	Housing Revenue Account	(319)	(4,172)	(4,491)
(38,785)	37,914	(871)	Other Corporate Accounts	(43,707)	47,906	4,199
127,708	62,516	190,225	**Net Cost of Services**	132,437	55,514	187,951
(131,600)	(35,136)	(166,736)	Other Income & Expenditure	(143,479)	(13,018)	(156,498)
(3,892)	27,380	23,488	**(Surplus) or Deficit**	(11,043)	42,495	31,454
(87,102)			**Opening General Fund & HRA Balance**	(90,995)		
(3,893)			Movement In Year	(11,042)		
(90,995)			**Closing General Fund & HRA Balance**	(102,037)		

The movement in year is split between the General Fund and Housing Revenue Account within the Movement in Reserves Statement.

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Adjustments from the General Fund to the amounts presented in the Comprehensive Income and Expenditure Statement:

2017/18					2018/19			
Adjustment for Capital Purposes Note 1 £000	Net change for the Pensions Adjustment Note 2 £000	Other Differences Note 3 £000	Total Adjustment £000		Adjustment for Capital Purposes Note 1 £000	Net change for the Pensions Adjustment Note 2 £000	Other Differences Note 3 £000	Total Adjustment £000
0	435	(96)	339	Chief Executive	0	496	(186)	310
0	2,017	11,912	13,929	Place and Infrastructure	326	2,014	6,491	8,832
0	2,288	(832)	1,456	Customer and Commercial	0	(3,867)	(797)	(4,664)
0	(134)	0	(134)	Public Health, Commissioning & Procurement	0	232	(4)	229
0	3,411	(115)	3,296	People	0	2,544	(201)	2,343
0	5,738	(676)	5,062	Schools Individual Budgets	(200)	5,169	(239)	4,730
7,213	263	(6,821)	655	Housing Revenue Account	(398)	256	(4,030)	(4,172)
18,967	0	18,947	37,914	Other Corporate Accounts	19,379	0	28,527	47,906
26,180	14,017	22,320	62,516	**Net Cost of Services**	19,107	6,844	29,562	55,514
(21,027)	10,383	(24,492)	(35,136)	Other Income & Expenditure	(1,765)	10,284	(21,538)	(13,018)
5,152	24,400	(2,172)	27,380	**(Surplus) or Deficit**	17,343	17,128	8,025	42,495

Other income and expenditure represents the income and expenditure included in the Comprehensive Income and Expenditure Statement outside of the Net Cost of Services, and is explained in more detail in the following Notes 8, 9 and 10.

Note 1 – Capital accounting charges and financing, including; Depreciation, Amortisation, Revaluations, Revenue Expenditure Funded Capital Under Statute (REFCUS), Disposals, Capital Receipts, Minimum Revenue Provision (MRP), Major Repairs Allowance, Direct Revenue Financing and Capital Grants & Contributions.

Note 2 – IAS19 pension adjustments. This includes the accounting adjustments to remove historical deficit contributions and to recognise financing costs and returns for the financial year.

Note 3 – Other accounting adjustments, including; Employee Benefits Accrual, Financial Instruments Accounting Adjustments and Collection Fund Accounting Adjustments. In addition to these accounting adjustments all transfers out of the Net Cost of Services to the Other Income and Expenditure line is incorporated in this column.

The below table illustrates the material items of income and expenditure included in Net Expenditure Chargeable to the General Fund and HRA Balances column of the Expenditure Funding Analysis.

2017/18				2018/19		
Depreciation, amortisation, impairment £000	Fees & Charges £000	Internal Recharges £000		Depreciation, amortisation, impairment £000	Fees & Charges £000	Internal Recharges £000
1,800	(588)	(15,612)	Chief Executive	1,806	(1,618)	(13,252)
7,379	(26,209)	(28,988)	Place and Infrastructure	14,082	(26,043)	(27,290)
422	(20,655)	(42,850)	Customer and Commercial	4	(19,588)	(42,013)
1,912	(756)	(2,872)	Public Health, Commissioning & Procurement	1,939	(984)	(3,013)
15,919	(37,806)	(7,496)	People	13,426	(35,178)	(6,257)
0	(8,521)	(4,520)	Schools Individual Budgets	0	(8,679)	(6,064)
18,994	(38,351)	(128)	Housing Revenue Account	12,515	(39,420)	(164)
445	(1,216)	(3,131)	Other Corporate Accounts	0	(1,868)	(4,035)
46,871	(134,101)	(105,596)	**Total**	43,772	(133,378)	(102,088)

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Note 8) Expenditure and Income Analysed By Nature

The Authority's expenditure and income is analysed as follows:

2017/18 £000		2018/19 £000
	Expenditure	
250,028	Employee benefits expenses*	249,256
370,187	Other services expenses	378,365
55,063	Support service recharges	51,301
46,871	Depreciation, amortisation, impairment	43,772
12,092	Interest payments	18,459
113	Precepts and levies	115
651	Payments to Housing Capital Receipts Pool	651
(3,611)	Gain on the disposal of assets	8,194
731,392	**Total**	**750,113**
(105,596)	Internal recharges**	(102,088)
625,796	**Total expenditure**	**648,024**
	Income	
(134,101)	Fees, charges and other service income	(133,378)
(24,458)	Interest and investment income	(29,670)
(112,969)	Income from council tax, non-domestic rates	(118,582)
(330,783)	Government grants and contributions	(334,941)
(602,311)	**Total income**	**(616,571)**
23,485	**Surplus or Deficit on the Provision of Services**	**31,454**

Total expenditure has increased between years mainly due to capital charges relating to disposals, revaluations and depreciation.

Government grants and contributions have fallen year on year but the Council continues to maximise such revenue streams wherever possible.

Interest and investment income has increased between years due to the increased LLAL dividend for 2018/19 of £20.159 million (£19.500 million 2017/18).

* Employee benefits expenses include £30.693 million of employee costs for staff not employed by the Council. This represents the staffing costs of the 9 maintained schools which have Voluntary Aided or Foundation status.

** Internal recharges include all central support cost, internal trading and other inter department charging.

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Note 9) Other Operating Expenditure

Other operating Expenditure reported includes all levies payable, total payments made to the Government Housing Receipts Pool in line with statutory arrangements for certain property sales within the Housing Revenue Account and gains/losses generated from in year disposals of non-current assets.

The significant loss in 2018/19 was due to the disposal of Southfield Junior School (£4.1 million) and Whitefield Junior School (£4.1 million) assets who converted to academy status. No Council schools converted to academy status within 2017/18.

2017/18 £000		2018/19 £000
113	Levies	115
651	Payments to the Government Housing Capital Receipts Pool	651
(3,611)	Gains/losses on the disposal of non-current assets	8,194
(2,848)	Total	8,960

Note 10) Financing and Investment Income and Expenditure

Financing and investment income and expenditure includes interest receivable and payable on the Council's investment portfolio. The Council's net rental income on the properties it holds purely for investment purposes is also included. It also includes the interest element of the pension fund liability.

The dividend received from the Council's wholly owned subsidiary, London Luton Airport Ltd, increased by £0.659 million between financial years to create a total dividend of £20.159 million for 2018/19 (£19.500 million 2017/18).

2017/18 Group £000	2017/18 Single £000		2018/19 Group £000	2018/19 Single £000
12,092	12,092	Interest payable and similar charges	12,949	12,949
10,383	10,383	Net interest on the net defined benefit liability	10,284	10,284
(445)	(4,958)	Interest receivable and similar income	(1,644)	(9,511)
(51,396)	(10,744)	Income and expenditure in relation to investment properties and changes in their fair value (Note 32)	(73,052)	(8,705)
0	(19,500)	Dividends receivable	0	(20,159)
974	974	Trading and other investment activities (Note 20)	1,073	1,073
(28,391)	**(11,752)**	**Total Financing and Investment Income and Expenditure**	**(50,390)**	**(14,069)**

Note 11) Taxation and Non-Specific Grant Income

This note consolidates all non-specific grants and contributions receivable that cannot be directly attributable to service expenditure and therefore not included in the gross income amount relevant to the service area. All capital grants and contributions are credited to non-specific grant income even if service specific. The note also identifies the Council's proportion of council tax and business rates used to fund in year service activities.

2017/18 £000		2018/19 £000
(68,224)	Council Tax income	(73,900)
(31,186)	Non-domestic rates	(30,736)
(13,559)	Non-domestic rates Top Up Payment	(13,945)
(21,102)	Revenue Support Grant	(15,941)
(3,074)	New Homes Bonus	(2,306)
(2,651)	S31 Business Rates Compensation	(3,832)
0	Other grants	(118)
(12,340)	Capital grants and contributions	(10,610)
(152,136)	**Total Taxation and Non Specific Grant Income**	**(151,389)**

In line with Central Government austerity measures, the Council's Central Government funding, titled Revenue Support Grant, has reduced by £5.161 million between years.

Capital grants and contributions are analysed in more detail below:

2017/18 £000		2018/19 £000
(2,621)	Capital Grants -School Condition Allocation	(2,876)
(4,015)	Other Capital Grants - Education	(242)
(1,098)	Devolved Formula Capital	(1,598)
(2,779)	Local Transport Plan Block Allocation Grant	(3,395)
0	Wardown Park Museum Development Grant	(348)
(866)	Other Government Grants (<£1m)	(1,090)
(253)	Other Non-Government Grants (<£1m)	(507)
(583)	s106 Developers' Contributions	(555)
(126)	Luton Dunstable Busway Contributions	0
(12,340)	Total Capital Grants and Contributions	(10,610)

The notable difference between years is the reduction in education capital grants. The key reason for this reduction was the high proportion of Basic Needs funding which was directed to schools which are not recognised on the Balance Sheet (e.g. Academies). This type of expenditure is classified as Revenue Expenditure Funded Capital Under Statute (REFCUS) which is charged to the Net Cost of Services, and all funding sources credited to the service. This different accounting treatment is reflected in Note 12.

Note 12) Grant Income Credited to Services

Accounting Policy

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

2017/18 £000		2018/19 £000
	Revenue Grants Credited to Services	
(153,224)	Dedicated Schools Grant	(153,886)
(54,280)	Rent Allowances	(55,638)
(27,360)	Rent Rebates	(27,444)
(15,788)	Public Health Grant (main)	(15,382)
(8,720)	Pupil Premium Grant	(8,373)
(816)	Education Services Grant	0
(2,811)	Challney Girls PFI - EFA Funding	(2,811)
(2,678)	Infant Free School Meals Grant	(2,668)
(1,068)	Weekly Collection Support Scheme	(1,144)
(1,098)	HB Admin subsidy	(1,029)
(747)	Troubled Families Initiative	(1,233)
(1,085)	Discretionary Rent Allowance Benefits Subsidy	(736)
(2,728)	Homelessness Support Grant	(3,181)
(3,844)	Improved Better Care Fund	(5,247)
(1,033)	Unaccompanied Asylum Seeker Grant	(973)
(2,092)	Adult Learning- Education Skills Fund	(2,071)
0	Innovation Fund	(1,063)
(10,482)	Other Grants & Contributions	(13,573)
(289,853)	**Total Revenue Grants Credited to Services**	**(296,452)**
	Capital Grants Credited to Services	
(1,201)	Disabled Facilities Grant	(1,475)
(144)	Other Contributions to House Renovation Grants	(202)
(417)	Other Capital Grants - Education	(4,005)
(1,762)	**Total Capital Grants Credited to Services**	**(5,682)**
(291,616)	**Total Grants Credited to Services**	**(302,134)**

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Note 13) Dedicated Schools Grant

The Council's expenditure on schools is funded by the Dedicated Schools Grant (DSG) from the Department for Education. An element of DSG is recouped by the Department to fund academy schools in the Council's area. The grant can only be applied to meet net expenditure properly included with the ring-fenced schools budget, as defined in the Schools Finance (England) Regulations 2011. The schools budget includes the Individual Schools Budget, which is divided into a budget for each school and a budget for a range of services provided on a council wide basis. The two elements are required to be accounted for on a separate basis.

Details of the deployment of DSG receivable for 2018/19 are as follows:

2017/18				2018/19		
Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure Comprehensive Income and Expenditure Statement £000
27,253	190,265	217,518	Final DSG before Academy Recoupment	25,593	196,961	222,554
	(64,132)	(64,132)	Academy figure recouped	0	(67,892)	(67,892)
27,253	126,133	153,386	Total DSG after Academy Recoupment	25,593	129,069	154,662
1,123		1,123	Brought forward from previous year	3,121	0	3,121
		0	Carry-forward to next year agreed in advance	0	0	0
28,376	126,133	154,509	Agreed initial budgeted distribution in this year	28,714	129,069	157,783
(162)		(162)	In year adjustments	(777)	0	(777)
28,214	**126,133**	**154,347**	**Final budgeted distribution for this year**	**27,937**	**129,069**	**157,006**
(25,093)		(25,093)	Actual Central Expenditure for this year	(24,081)	0	(24,081)
	(126,133)	(126,133)	Actual ISB deployed to schools	0	(129,069)	(129,069)
		0	Local authority contribution for this year	0	0	0
3,121	**0**	**3,121**	**DSG (Over)/Underspend carried forward**	**3,856**	**0**	**3,856**

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Note 14) Material Items of Income and Expenditure

This note identifies material items of income and expenditure.

- £8.472 million upward revaluation of the Housing Revenue Account Council Dwellings, £7.350 million in 2017/18 (see Note 31)
- £18.338 million downward revaluation of educational assets total, £20.349 million upward in 2017/18. This was based on £6.179 million schools revalued and £12.159 million indexing schools not formally revalued.
- £36.634 million of depreciation has been charged across the General Fund and Housing revenue Account, £36.218 million in 2017/18 (see Note 31)
- £20.159 million dividend from our wholly owned subsidiary, London Luton Airport Ltd, £19.500 million in 2017/18 (see Note 10).

Note 15) Member Allowances

The Council paid the following amounts to members of the Council during 2018/19:

2017/18 £000		2018/19 £000
441	Member Allowances	436
5	Member Expenses	6
446	**Total**	**442**

Note 16) External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and for non-audit services provided by the Council's External Auditors (Ernst & Young LLP) and the previous auditor (Grant Thornton):

2017/18 Group £000	2017/18 Single £000		2018/19 Group £000	2018/19 Single £000
122	122	Appointed auditor external audit service (Ernst & Young LLP)	94	94
18	18	Certification of grant claims and returns (Ernst & Young LLP)	18	18
6	6	Certification of grant claims and returns (Grant Thornton)	15	15
45		LLAL audit services procured (PwC)	45	
10		Foxhall Homes audit services procured (PwC)	15	
201	**146**	**Total**	**187**	**127**

No accrual has been made for disputed 2016/17 and 2017/18 audit fees.

The year on year increase in Grant Thornton grant claim fees is due to the Regional Growth Fund certification in 2018/19 at a cost of £10k, which was not applicable to 2017/18.

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Note 17) Officer Remuneration

The remuneration of senior employees, defined as those who are members of the Corporate Leadership Management Team, those holding statutory posts, or those whose remuneration £150,000 or more per year, was as set out below.

Post Holder		Salary £000	Employers pension contribution £000	Compensation for loss of office £000	Total Remuneration £000
2018/19					
Chief Executive (Trevor Holden)*	To Dec 2018	145	24	0	169
Interim Chief Executive (Laura Church)	From Jan 2019	44	7	0	51
Corporate Director, Customer and Commercial		132	22	0	154
Corporate Director, People		138	22	0	159
Corporate Director, Place and Infrastructure	*To Dec 2018*	96	16	0	112
Interim Corporate Director, Place and Infrastructure	*From Dec 2018*	30	5	0	35
Corporate Director, Public Health, Commissioning & Procurement		126	17	0	143
Service Director, Human Resources and Monitoring Officer		87	15	0	102
Service Director, Finance and Audit, Section 151 Officer		87	14	0	101
Total 2018/19 Remuneration		**884**	**143**	**0**	**1,028**
2017/18					
Chief Executive (Trevor Holden)*		195	33	0	228
Corporate Director, Customer and Commercial		130	22	0	151
Corporate Director, People	*From Jan 2018*	27	4	0	31
Corporate Director, People	*To Nov 2017*	80	13	0	93
Corporate Director, Place and Infrastructure		123	20	0	143
Corporate Director, Public Health, Commissioning & Procurement		121	17	0	137
Service Director, Human Resources and Monitoring Officer		86	15	0	101
Service Director, Finance and Audit, Section 151 Officer		83	14	0	97
Total 2017/18 Remuneration		**845**	**138**	**0**	**983**

*Chief Executives' salary for 2018/19 includes no election allowances (£6,444 in 2017/18).

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The number of council employees (excluding the Senior Officers shown below) whose remuneration, excluding employer's pension contributions, was £50,000 or more is as follows:

Bandings	2017/18 Council Officers Number	2017/18 Community Schools Number	2017/18 Total Number	2018/19 Council Officers Number	2018/19 Community Schools Number	2018/19 Total Number
£50,000 to £54,999	39	29	**68**	45	49	**94**
£55,000 to £59,999	27	19	**46**	36	25	**61**
£60,000 to £64,999	13	13	**26**	13	20	**33**
£65,000 to £69,999	8	10	**18**	16	14	**30**
£70,000 to £74,999	3	7	**10**	2	12	**14**
£75,000 to £79,999	0	3	**3**	1	7	**8**
£80,000 to £84,999	3	2	**5**	1	2	**3**
£85,000 to £89,999	7	1	**8**	8	2	**10**
£90,000 to £94,999	1	2	**3**	1	2	**3**
£95,000 to £99,999	0	1	**1**	0	0	**0**
£100,000 to £104,999	0	1	**1**	0	2	**2**
£105,000 to £109,999	0	0	**0**	0	1	**1**
£110,000 to £114,999	0	0	**0**	0	0	**0**
Total	**101**	**88**	**189**	**123**	**136**	**259**

Exit package costs are included within the Senior Officer Remuneration note and the Officer Remuneration Banding note. The number and value of exit packages is included in Note 18.

The increased number of staff applicable within this note is due primarily to pay awards and increments not more posts being created.

Note 18) Exit Packages

Accounting Policy

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in which the employee worked in the Comprehensive Income and Expenditure Statement.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable, but unpaid at the year-end.

Exit Package Cost Band	Number of Exit Packages 2017/18 No.	Number of Exit Packages 2018/19 No.	Cost of Exit Packages 2017/18 £000	Cost of Exit Packages 2018/19 £000
£0 to £20,000	69	31	400	137
£20,001 to £40,000	5	11	167	310
£40,001 to £60,000	2	1	93	59
£60,001 to £80,000	0	0	0	0
£80,001 to £100,000	1	0	88	0
Total	**77**	**43**	**748**	**506**
This consists of:				
Voluntary Exits	12	16	127	152
Compulsory Exits	56	18	505	281
Other Exits	9	9	116	74
Total	**77**	**43**	**748**	**506**

The Council will recognise a termination benefit at the earlier of the following dates:

a) when the authority can no longer withdraw the offer of those benefits, and

b) when the authority recognises costs for a restructuring that is within the scope of section 8.2 of the Code and IAS 37 and involves the payment of termination benefits.

The Council terminated the contract of a number of employees in 2018/19, liabilities of £0.506 million (£0.748 million in 2017/18). The exit packages included in the accounts are set out in the table opposite.

The table includes exit packages relating to schools and external trusts. These exit package costs are all reflected in the Comprehensive Income and Expenditure Statement.

Note 19) Pooled Budgets

The council has entered into a pooled budget arrangement with NHS Luton Clinical Commissioning Group, in accordance with Section 75 of the National Health Service Act 2006, with any surplus or deficit generated being the responsibility of the respective partner to whom it is attributable to.

In 2018/19 the Council hosted three pooled budgets with NHS Luton; the Better Care Fund (BCF) which now includes the improved BCF (iBCF), the provision of a range of children's services and for the provision of learning disabilities services.

Details of the income and expenditure for each of the pooled budgets are as follows:

Total Expenditure £000	Luton Borough Council £000	NHS Luton £000	2017/18 Net (surplus)/ deficit £000	Pooled Arrangement	Total Expenditure £000	Luton Borough Council £000	NHS Luton £000	2018/19 Net (surplus)/ deficit £000
17,925	(9,627)	(8,298)	**0**	Better Care Fund (including iBCF)	17,930	(10,326)	(7,604)	**0**
2,921	(1,630)	(780)	**511**	Children & Young People's Service	2,613	(1,763)	(768)	**82**
349	(137)	(137)	**75**	Children Joint Commissioning - Staffing	426	(158)	(158)	**110**
289	(274)	(15)	**0**	Children's Public Health Services	1,579	(1,552)	(27)	**0**
5,763	(2,988)	(3,785)	**(1,010)**	Learning Disability Services – Purchased Care	6,486	(3,315)	(3,916)	**(745)**
953	(680)	(273)	**0**	Learning Disability Services – Staffing	993	(702)	(273)	**18**
28,200	**(15,336)**	**(13,288)**	**(424)**	**Total**	**30,027**	**(17,816)**	**(12,746)**	**(535)**

In respect of the BCF and iBCF the terms of the section 75 agreement means that contracts are stand-alone with the financial risk being retained by the lead body. Each partner then manages the contracts with their own providers of BCF services and each partner retains any financial risk relating to those contracts.

The BCF is not a separate legal entity and has been accounted for as a pooled budget arrangement (see Note 52), since it is not an entity, joint operation or joint venture. It should be noted that neither party has unilateral control of the BCF, as decisions of the Board need to be made unanimously.

In addition there are a number of joint arrangements with NHS Luton CCG where both parties contribute to integrated services. NHS Luton CCG leads the commissioning of Mental Health services from East London Foundation Trust. The Council's contribution to this in 2018/19 was £1.730 million (£1.729 million 2017/18). The Council also provides 'Equality and Diversity' services to NHS Luton CCG for which the contribution from NHS Luton was £0.028 million in 2018/19.

Note 20) Trading and Other Investment Activities

This note incorporates the net (profit) or loss of the Council's trading units and the centrally managed insurance accounts (£1.073 million deficit). The Council's trading units (profit) or loss for 2018/19 is summarised below:

Turnover £000	Expenditure £000	2017/18 (Surplus)/ Deficit £000	Description	Turnover £000	Expenditure £000	2018/19 (Surplus)/ Deficit £000
(20,619)	21,536	**917**	Housing maintenance	(21,859)	22,873	**1,014**
(1,603)	1,817	**214**	Insurance	(1,712)	2,010	**298**
(9,234)	9,547	**313**	Schools catering service	(9,357)	9,587	**230**
(3,350)	3,033	**(317)**	Property design and maintenance	(2,421)	1,913	**(508)**
(2,520)	2,367	**(153)**	Other trading units	(2,499)	2,538	**39**
(37,326)	**38,300**	**974**	**Total**	**(37,848)**	**38,921**	**1,073**

The £1.014 million deficit of 'Housing maintenance' is due to financial accounting adjustments, in excess of £1 million for pensions. Without these the service would have broken even.

Movement in Reserves Statement Supporting Notes

Note 21) Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

					2017/18							2018/19
General Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves		General Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
£000	£000	£000	£000	£000	£000		£000	£000	£000	£000	£000	£000
						Revenue Charges for Capital						
(25,711)	(10,506)				36,218	Charges for depreciation and impairment of non-current assets	(26,023)	(10,611)				**36,634**
(261)					261	Amortisation of intangible assets	(228)					**228**
(7,300)	(6,321)				13,621	Revaluation losses on Property, Plant and Equipment	(5,520)	(1,904)				**7,424**
5,396	(2,167)				(3,229)	Movements in the market value of Investment Properties	(90)	604				**(514)**
(2,192)	0				2,192	Revenue Expenditure funded Capital under Statute	(7,855)					**7,855**
(4,288)	(5,573)		4		9,858	Non-current assets written off on disposal or sale as part of the gain/loss on disposal	(15,083)	(2,871)				**17,954**

General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	2017/18 Unusable Reserves £000		General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	2018/19 Unusable Reserves £000
						External Capital Financing Adjustments						
8,605	437				(9,042)	Capital grants and contributions applied to CAA	9,444	746				(10,190)
5,060				(5,060)	0	Capital grants and contributions unapplied recognised in year	6,103				(6,103)	0
				6,570	(6,570)	Application of grants to capital financing transferred to the Capital Adjustment Account					5,235	(5,235)
7,437	6,128		(13,565)		0	Transfer of cash sale proceeds credited as part of the gain/loss on disposal	4,941	4,884		(7,094)		(2,730)
	(92)		92		0	Contribution from the Capital Receipts Reserve towards administrative costs of disposals		(65)		65		0
(651)			651		0	Contribution from Capital Receipts to be paid to the government capital receipts pool	(651)			651		0
			(5)		5	Transfer from Deferred Capital Receipts Reserve upon receipt of cash				(4)		4
			10,867		(10,867)	Use of the Capital Receipts Reserve to finance new capital expenditure				11,714		(11,714)

General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	2017/18 Unusable Reserves £000		General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	2018/19 Unusable Reserves £000
						Capital Financing Requirement Funding						
9,288					**(9,288)**	Minimum Revenue Provision	8,320					**(8,320)**
366					**(366)**	Statutory provision for repayment of debt (PFI)	423					**(423)**
5,413	1,603				**(7,015)**	Capital expenditure charged against the revenue	5,786	2,005				**(7,791)**
	10,178	(10,178)			**0**	Reversal of Major Repairs Allowance credited to the HRA		10,304	(10,304)			**0**
		9,585			**(9,585)**	Use of the Major Repairs Reserve to finance new capital			10,005			**(10,005)**
						Other Statutory Adjustments						
59	5				**(64)**	Amount by which finance costs differ from costs chargeable	(4,714)	(669)				**5,383**
(45,817)	(1,044)				**46,861**	Reversal of retirement benefits debited or credited to CIES	(40,272)	(1,576)				**41,848**
21,912	550				**(22,462)**	Employer's pensions contributions & direct payments to pensioners in the year	23,636	1,084				**(24,720)**
2,471					**(2,471)**	Council Tax & NNDR income credited differs from income in accordance with statute	(2,700)					**2,700**
(348)	(15)				**362**	Officer remuneration charged on an accruals basis differs from amount under statute	66	(7)				**(59)**
(20,561)	**(6,818)**	**(593)**	**(1,956)**	**1,509**	**28,418**	**Total Statutory Adjustments**	**(44,419)**	**1,924**	**(299)**	**5,331**	**(868)**	**38,331**

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Note 22) Transfer To/From General Fund & Housing Revenue Account

This note reconciles the amounts transferred to and from the General Fund and Housing Revenue Account balances, including transfers to and from named earmarked reserves. Earmarked reserves provide financing for future expenditure plans.

Reserves Description	Balance at 1 April 2017 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2018 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2019 £000
General Fund							
General Fund Reserve	**(14,021)**	**0**	**0**	**(14,021)**	**0**	**0**	**(14,021)**
Earmarked Reserves							
Invest to Save Reserve	**(4,511)**	16	(704)	**(5,199)**	231	(376)	**(5,343)**
Specific Risk Management Reserve	**(2,970)**	0	0	**(2,970)**	0	0	**(2,970)**
Service Provision Reserve	**(5,134)**	2,434	(2,860)	**(5,560)**	679	(2,759)	**(7,640)**
Butterfield Profit Share Reserve	**(837)**	79	(281)	**(1,039)**	247	(345)	**(1,137)**
Recession & Welfare Benefits Reserve	**(1,471)**	0	0	**(1,471)**	0	0	**(1,471)**
Reorganisation Reserve	**(4,843)**	3,125	0	**(1,718)**	52	0	**(1,667)**
Major Projects Reserve	**(8,362)**	0	0	**(8,362)**	0	0	**(8,362)**
Insurance Reserve	**(2,989)**	214	0	**(2,775)**	0	`(83)	**(2,859)**
Capital Reserve	**(454)**	0	(80)	**(534)**	126	0	**(408)**
Pension Fund Reserve	**(5,884)**	117	0	**(5,767)**	0	(350)	**(6,117)**
Public Health Reserve	**(376)**	0	(61)	**(437)**	0	(41)	**(478)**
Investment Reserve	**(1,200)**	284	0	**(916)**	107	0	**(809)**
Funding Equalisation Reserve	**(6,103)**	853	(1,024)	**(6,274)**	0	(6,387)	**(12,661)**
Specific Service Reserve	**(723)**	11	(18)	**(730)**	245	0	**(485)**
Luton Investment Framework Reserve	**0**	149	(2,900)	**(2,751)**	345	0	**(2,406)**
Cremator Mercury Emissions Reserve	**0**	28	(171)	**(144)**	0	(158)	**(301)**
Property Commercialisation	**0**	0	0	**0**	0	(844)	**(844)**
Other Reserves	**(196)**	0	0	**(196)**	0	0	**(196)**
Earmarked Reserves Total	**(46,052)**	**7,309**	**(8,099)**	**(46,843)**	**2,032**	**(11,343)**	**(56,154)**
School Reserves	**(16,847)**	**2,413**	**(5,050)**	**(19,484)**	**2,230**	**(3,640)**	**(20,894)**
General Fund Total	**(76,920)**	**9,723**	**(13,149)**	**(80,348)**	**4,262**	**(14,984)**	**(91,070)**

Reserves Description	Balance at 1 April 2017 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2018 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2019 £000
Housing Revenue Account							
HRA General Balance	**(8,311)**	**0**	**0**	**(8,311)**	**0**	**(2,223)**	**(10,534)**
HRA Earmarked Reserves							
Legal Disputes Reserve	(269)	0	0	(269)	136	0	(133)
Revenue Contributions to Capital	(1,602)	1,603	(2,069)	(2,068)	2,005	(238)	(301)
HRA Earmarked Reserves Total	**(1,871)**	**1,603**	**(2,069)**	**(2,337)**	**2,141**	**(238)**	**(434)**
House Revenue Account Total	**(10,182)**	**1,603**	**(2,069)**	**(10,647)**	**2,141**	**(2,461)**	**(10,967)**

The **Invest to Save Reserve** is to be utilised for initiatives, which will reduce future revenue costs.

The **Specific Risk Management Reserve** is to actively manage risk management as this becomes increasingly important for all councils. As a result, part of the General Reserve has been earmarked to cover potential loss of income, given the importance to the Council of its trading undertakings.

The **Service Provision Reserve** is earmarked for specific budget carry forward requests from 2018/19 to 2019/20.

The **Butterfield Profit Share Reserve** has been created in accordance with the agreement made with the operator of the Business Innovation Centre, the Council's share of the profit is held in this reserve for economic development.

The **Welfare Reform and Recession Reserve** (formerly the Recession Reserve) is intended for use for one-off developments and initiatives to prepare for and mitigate the impact of Welfare Reform, as well as local issues arising as a consequence of the recession that impact on the Council's key priorities.

The **Reorganisation Reserve** is to enable the Council to cover the costs of reorganisations required as a result of budget decisions. A number of approved savings will involve reducing staff numbers and whilst the council aims to redeploy staff wherever possible, redundancy and early payment of pension may become due. This reserve will be used to pay for such costs as they arise. £2.900 million of the £3.125 million transfer out of this reserve went to the Luton Investment Framework Reserve.

The **Major Projects Reserve** has been established in recognition of the scale of major construction projects, particularly infrastructure projects, being undertaken by the Council, principally on the basis of fixed amounts of grant funding from central government. This also recognises that the conditions of grant could require some repayment. The establishment of such a reserve was a recommendation of the Council's Finance Review Group, who undertake the financial scrutiny function.

The **Insurance Reserve** helps to reduce cost of external insurance by self-insurance of certain risks, the reserve is held against claims, which may be received in future years.

The **Capital Reserve** holds contributions from the Income and Expenditure Account to fund future capital expenditure.

The **Pension Fund Reserve** is earmarked for reducing future pension liabilities and will be paid to the Bedfordshire Pension Fund.

The **Public Health Reserve** is held for supporting public health functions and is a requirement of the Public Health grant.

The **Investment Reserve** was set up to fund specific investment projects. Almost all the funds are committed.

The **Funding Equalisation Reserve** was set up to help address future fluctuations in major income sources such as business rates, new homes bonus & government grants.

The **Specific Service Reserve** was set up for specific services where spend is incurred over more than one year and equalisation is required.

The **Luton Investment Framework Reserve** was set up to promote economic development in the town.

The **Cremator Mercury Emissions Reserve** is earmarked for replacement of cremator equipment.

The **Property Commercialisation** is earmarked funding in place to meet unexpected property costs and potential temporary falls in rental income.

The **HRA Revenue Contributions to Capital Reserve** was created to hold HRA revenue contributions which have been set-a-side for specific future HRA capital schemes.

Note 23) Unusable Reserves

All unusable reserves are described below; the movements in year for all reserves with a material balance are also disclosed.

2017/18 £000		2018/19 £000
(267,313)	Revaluation Reserve (note 24)	(208,941)
(634,828)	Capital Adjustment Account (note 25)	(674,021)
401,855	Pensions Reserve (note 26)	414,292
1,095	Financial Instruments Adj. Account (note 27)	6,479
(16,938)	Deferred Capital Receipts (note 28)	(19,664)
(3,394)	Collection Fund Adjustment Account (note 29)	(694)
2,623	Accumulated Leave Reserve (note 30)	2,564
(516,900)	**Total Unusable Reserves**	**(479,985)**

Note 24) Revaluation Reserve

The Revaluation Reserve includes the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation;
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1st April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2017/18 £000		2018/19 £000
(234,583)	**Opening Balance**	**(267,312)**
(50,626)	Upward revaluation of assets	(16,258)
8,799	Downward revaluation of assets	19,531
(41,827)	**(Surplus) or deficit on revaluation of non-current assets**	**3,273**
9,097	Amount written off to the CAA	55,097
(267,313)	**Closing Balance**	**(208,942)**

Note 25) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement element of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before April 2007, the date that the Revaluation Reserve was created to hold such gains.

2017/18 £000		2018/19 £000
(631,918)	**Opening Balance**	**(634,828)**
	Reversal of capital charges debited or credited to the CIES:	
36,218	Charges for depreciation and impairment of non-current assets	36,634
2,192	Revenue expenditure funded from capital under statute	7,856
261	Amortisation of intangible assets	228
9,858	Non-current assets written off on disposal or sale as part of the gain/ loss on disposal to the CIES	17,953
13,621	Revaluation losses on Property, Plant and Equipment	7,424
(3,230)	Movements on Investment Properties	(514)
58,920	**Total reversal of capital charges debited or credited to the CIES**	69,582
(9,097)	Adjusting amounts written out of the Revaluation Reserve	(55,097)
49,823	**Net written out amount of the cost of non-current assets consumed in the year**	**(14,484)**
	Capital financing applied in the year:	
(10,867)	Use of the Capital Receipts Reserve to finance new capital expenditure	(11,714)
(9,585)	Use of the Major Repairs Reserve to finance new capital expenditure	(10,005)
(9,042)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(10,190)
(6,570)	Application of grants to capital financing from the Capital grants Unapplied Account	(5,235)
(9,288)	Minimum Revenue Provision	(8,320)
(366)	Minimum Revenue Provision (PFI)	(423)
(7,015)	Capital expenditure charged against the general Fund and HRA balance	(7,791)
(52,733)	**Total capital financing applied in year**	**(53,678)**
(634,828)	**Closing Balance**	**(674,021)**

Note 26) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the pension fund or eventually pay any pension for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits are due for payment.

2017/18 £000		2018/19 £000
392,653	**Opening Balance**	**401,855**
46,861	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	41,848
(22,461)	Actual amount charged against General Fund Balance for pensions in the year	(24,720)
24,400	**Total Movement in Reserves Transfers to Reserve**	**17,128**
(15,198)	Re-measurements of the net defined benefit liability debited or credited to Other Comprehensive Income & Expenditure Statement	(4,691)
401,855	**Closing Balance**	**414,292**

Note 27) Financial Instruments Adjustment Account

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenditure relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the Account to manage premiums paid and discounts received on the early redemption of loans. Premiums are debited and discounts are credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the

General Fund Balance and Housing Revenue Account to the Account in the Movement in Reserves Statement. Over time, the net expense is posted back to the General Fund and Housing Revenue Account balances in accordance with statutory arrangements.

2017/18 £000		2018/19 £000
1,159	**Opening Balance**	1,095
(132)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(128)
	Proportion of premiums incurred in year for the redemption of loans to be charged against the General Fund in accordance with statutory requirements	5,470
68	Proportion of discounts received in previous financial years to be transferred to the General Fund Balance in accordance with statutory requirements	41
1,095	**Closing Balance**	**6,478**

Note 28) Deferred Capital Receipts

This reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2017/18 £000		2018/19 £000
(16,943)	**Opening Balance**	**(16,938)**
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	(2,730)
5	Transfer to the Capital Receipts Reserve upon receipt of cash	4
(16,938)	**Closing Balance**	**(19,664)**

Note 29) Collection Fund Adjustment Account

This reserve manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2017/18 £000		2018/19 £000
(923)	**Opening Balance**	**(3,394)**
(223)	Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	1,663
(2,248)	Amount by which non-domestic rates income credited to the CIES is different from non-domestic rates income calculated for the year in accordance with statutory requirements	1,037
(3,394)	**Closing Balance**	**(694)**

Note 30) Accumulated Absences Account

This reserve absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

There has been a £0.059 million reduction in the 31st March 2019 Balance Sheet value.

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Note 31) Property, Plant & Equipment

Accounting Policy

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition of, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains, but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. routine repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Property, Plant and Equipment is capitalised if it is capable of being used for more than one year and items individually have a cost of at least £10,000. They are also capitalised if collectively they have a cost of at least £10,000, where the assets are functionally interdependent, they have broadly simultaneous purchase dates and expected disposal dates and are under single managerial control.

Assets are initially valued at cost, comprising:

- the purchase price.
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in a Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction - historical cost net of depreciation (community assets are not depreciated).
- Council dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH) on the basis laid down by the DCLG, i.e. open market value less a specified notified percentage known as the social housing discount.
- Council offices – current value, determined as the amount that would be paid in its existing use (existing use value), except for a few offices that are situated close to the council's housing properties, where there is no market for office accommodation and that are measured at depreciated replacement cost (instant build) as an estimate of current value
- School buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost, which is used as an estimate of current value
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use.

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (i.e. the cost of reconstructing the building on a modern equivalent basis less accumulated depreciation), is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance up to the amount of the accumulated gains.
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- If there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- If there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Buildings - on a straight–line basis over their estimated useful lives. Assets are depreciated over forty years, unless a different period is advised by the Council's Valuer.
- Housing properties (dwelling and non-dwelling) - in accordance with guidelines the Housing Revenue Account is charged an amount equivalent to the depreciation charged on a straight line basis over its estimated useful lives. The Council no longer uses the Major Repairs Allowance as a proxy for Housing dwelling depreciation.
- Infrastructure - depreciated on the straight-line method using asset lives of up to sixty years.
- Vehicles & Equipment - depreciated on a 25% reducing balance method.

Where an item of Property, Plant and Equipment asset has a new major component after 1 April 2010 whose cost is significant in relation to the total cost of the item, the component will be depreciated separately. Where significant, components of existing assets are identified as part of the revaluation process.

Where a component is replaced or restored, the carrying amount of the old component is derecognised to avoid double counting and the new component reflected in the carrying amount. This recognition and de-recognition takes place regardless of whether the replaced part had been depreciated separately. The de-minimis level for this recognition and de-recognition is £150,000 (based on the capital expenditure of the new component).

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

The CIES therefore fully reflects the use of assets and the consumption of their economic benefits in the provision of services.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses. However, it is required to make an annual contribution from revenue, known as the Minimum Revenue Provision (MRP), towards the reduction in its overall borrowing requirement. The MRP is calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses are therefore replaced by the MRP, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Componentisation

The Code requires that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Within the Council's asset portfolio there are a number of asset classes where componentisation will not be considered, including:

- Equipment – as this is considered immaterial
- Asset classes which are not depreciated – such as land, investment property, heritage assets, community assets, surplus assets and assets held for sale.

The remaining assets, which are contained with the operational portfolio, are often of a specialised nature such as schools and leisure centres. The Council requires the valuation specialists to provide component information for each asset which is then reviewed to assess if inclusion of different components will have a material impact on depreciation.

Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

Interest Capitalisation

The Council’s accounting policy includes the capitalisation of borrowing costs for qualifying assets as it better reflects the costs of property, plant and equipment and helps ensure that those benefiting from the use of the asset meet those costs.

In applying the accounting policy, the Council has identified that the only scheme which meets the qualifying asset definition is currently the Direct Air Rail Transit scheme being developed by LLAL.

The council’s definition of a qualifying asset is an asset that incurs a material amount of debt interest cost during the construction of the asset.

Borrowing costs for non-qualifying assets are charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the financial year in which they were incurred.

Movements in Property, Plant & Equipment during 2018/19	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Single Total Property, Plant & Equipment £000	Group Total Property, Plant & Equipment £000
Cost or Valuation									
At 1 April 2018	**464,495**	**446,553**	**54,600**	**208,242**	**8,780**	**12,676**	**19,721**	**1,215,066**	**1,242,203**
Additions	10,749	29,670	4,347	6,752	96	0	13,577	**65,191**	**119,902**
Depreciation written out on revaluation	(9,824)	(7,481)	0	0	0	(3)	0	**(17,308)**	**(17,308)**
Revaluation increases/(decreases) to RR	10,376	(13,786)	0	0	0	137	0	**(3,273)**	**(3,273)**
Revaluation increases/(decreases) to CIES	(1,904)	(5,520)	0	0	0	0	0	**(7,424)**	**(7,424)**
Derecognition – disposals	(3,351)	(14,405)	(4,747)	(12,830)	0	0	0	**(35,333)**	**(35,333)**
Derecognition – other	0	(30)	(40)	0	0	0	0	**(70)**	**(70)**
Reclassifications- (to)/from other non-current assets	0	1,059	0	0	0	0	0	**1,059**	**1,059**
Other movements in cost or valuation	34	2,060	1,221	0	0	2,105	(5,420)	**0**	**0**
At 31 March 2019	**470,575**	**438,120**	**55,381**	**202,164**	**8,876**	**14,915**	**27,878**	**1,217,908**	**1,299,756**
Accumulated Depreciation & Impairment									
At 1 April 2018	**1**	**(20,727)**	**(31,893)**	**(35,690)**	**0**	**(3)**	**0**	**(88,312)**	**(88,312)**
Depreciation charge	(10,304)	(12,508)	(5,891)	(7,930)	0	(1)	0	**(36,634)**	**(36,634)**
Depreciation written out on revaluation	9,824	7,481	0	0	0	3	0	**17,308**	**17,308**
Derecognition – disposals	480	2,806	4,730	12,830	0	0	0	**20,846**	**20,846**
Derecognition – other	0	74	40	0	0	0	0	**114**	**114**
Assets reclassified within PPE	0	0	0	0	0	0	0	**0**	**0**
At 31 March 2019	**1**	**(22,874)**	**(33,014)**	**(30,790)**	**0**	**(1)**	**0**	**(86,678)**	**(86,678)**
Net Book Value at 31 March 2018	**464,495**	**425,826**	**22,707**	**172,551**	**8,780**	**12,675**	**19,721**	**1,126,753**	**1,153,891**
Net Book Value at 31 March 2019	**470,575**	**415,246**	**22,367**	**171,373**	**8,876**	**14,914**	**27,878**	**1,131,228**	**1,213,078**

Movements in Property, Plant & Equipment during 2017/18	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Single Total Property, Plant & Equipment £000	Group Total Property, Plant & Equipment £000
Cost or Valuation									
At 1 April 2017	**452,039**	**426,593**	**55,450**	**252,606**	**8,790**	**8,014**	**25,971**	**1,229,464**	**1,229,464**
Additions	10,006	14,342	6,790	6,252	22	126	11,689	**49,226**	**72,506**
Depreciation written out on revaluation	(10,208)	(7,395)	0	0	0	0	0	**(17,603)**	**(17,603)**
Revaluation increases/(decreases) to RR	14,360	26,331	0	0	0	1,071	0	**41,762**	**41,762**
Revaluation increases/(decreases) to CIES	(7,006)	(7,300)	0	0	0	685	0	**(13,621)**	**(13,621)**
Derecognition – disposals	(4,598)	(4,828)	(8,669)	(50,616)	0	(1,680)	0	**(70,391)**	**(70,391)**
Derecognition – other	0	(208)	(6)	0	0	0	0	**(214)**	**(214)**
Reclassifications- (to)/from other non-current assets	0	594	0	0	(32)	0	(4,119)	**(3,557)**	**301**
Other movements in cost or valuation	9,901	(1,576)	1,035	0	0	4,460	(13,820)	**(0)**	**(0)**
At 31 March 2018	**464,495**	**446,553**	**54,600**	**208,242**	**8,780**	**12,676**	**19,721**	**1,215,066**	**1,242,204**
Accumulated Depreciation & Impairment									
At 1 April 2017	0	(17,485)	(35,019)	(78,007)	0	0	0	**(130,512)**	**(130,512)**
Depreciation charge	(10,205)	(12,295)	(5,418)	(8,299)	0	0	0	**(36,218)**	**(36,218)**
Depreciation written out on revaluation	10,208	7,395	0	0	0	0	0	**17,603**	**17,603**
Derecognition – disposals	0	1,564	8,538	50,616	0	75	0	**60,793**	**60,793**
Derecognition – other	0	14	6	0	0	0	0	**20**	**20**
Assets reclassified within PPE	(2)	80	0	0	0	(78)	0	**0**	**0**
At 31 March 2018	**1**	**(20,727)**	**(31,893)**	**(35,690)**	**0**	**(3)**	**0**	**(88,314)**	**(88,314)**
Net Book Value at 31 March 2017	**452,039**	**409,108**	**20,431**	**174,599**	**8,790**	**8,014**	**25,971**	**1,098,952**	**1,098,952**
Net Book Value at 31 March 2018	**464,495**	**425,826**	**22,707**	**172,551**	**8,780**	**12,673**	**19,721**	**1,126,752**	**1,153,891**

Revaluations

The Council carries out a programme that ensures that all significant classes of Property, Plant and Equipment required to be measured at fair value are revalued. The 2018/19 Investment Properties valuations and some freehold operational properties were carried out in-house by Chartered Surveyors in the Fixed Asset Division, all members of the Royal Institute of Chartered Surveyors, as at 31st March 2019.

The HRA housing stock valuations were carried out by DVS (Commercial Arm of the Valuation Office Agency).

The properties were classified as Property Plant and Equipment and were valued to Current Value in Existing Use using either the depreciated replacement costs methodology (for specialised assets) or the investment method. Valuations of vehicles, plant, furniture and equipment are based on purchase prices.

Valuation method/date	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Investment Property	Intangible Assets	Heritage assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Held at Historic Cost	0	0	22,367	171,373	8,876	0	27,878	3	728	0	**231,225**
Held at Insurance Valuation	0	0	0	0	0	0	0	0	0	5,881	**5,881**
Valued at Current Value:											
31-Mar-19	470,575	297,339	0	0	0	5,201	0	108,859	0	0	**881,974**
31-Mar-18	0	50,315	0	0	0	6,243	0	0	0	0	**56,558**
31-Mar-17	0	56,782	0	0	0	0	0	0	0	0	**56,782**
31-Mar-16	0	1,627	0	0	0	3,472	0	0	0	0	**5,099**
31-Mar-15	0	9,183	0	0	0	0	0	0	0	0	**9,183**
Total Cost or Valuation	**470,575**	**415,246**	**22,367**	**171,373**	**8,876**	**14,914**	**27,878**	**108,862**	**728**	**5,881**	**1,246,701**

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Capital Commitments

At 31st March 2019, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19 and future years.

The existing contractual commitments, as at 31ST March 2019, in excess of £1 million are listed in the table below.

	Contractual commitment	Contract	Value
(a)	Highways Maintenance and Professional Services	Volker Highways Limited	£72.085m
(b)	Marsh Farm Central Area Redevelopment	ENGIE Regeneration Ltd	£7.982m

Note 32) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods.

Accounting Policy

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated, but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

Financial Performance

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2017/18 Group £000	2017/18 Single £000		2018/19 Group £000	2018/19 Single £000
(52,973)	(9,497)	Rental income from investment property	(58,346)	(10,137)
137	1,983	Direct operating expenses arising from investment property	1,559	1,946
(7,925)	(3,230)	Net gains/losses from fair value adjustments	(25,469)	(514)
9,365	0	Charitable Donations	9,204	0
(51,396)	**(10,744)**	**Net (gain)/loss on investment property**	**(73,052)**	**(8,705)**

Movement in Fair Value

The fair value of the authority's investment property is measured annually at each reporting date. All valuations are carried out internally by qualified RICS Registered Valuers in accordance with valuation methodologies as set out in the Royal Institution of Chartered Surveyors Professional Standards (the 'Red Book'). The authority's valuers work closely with the finance officers reporting directly to the Service Director, Finance and Audit on a regular basis regarding all financial matters.

The following table summarises the movement in the fair value of investment properties over the year:

31/03/2018 Group £000	31/03/2018 Single £000		31/03/2019 Group £000	31/03/2019 Single £000
649,536	**90,349**	**Opening Balance**	**674,122**	**102,901**
17,038	5,839	Additions - Purchases	29,727	10,016
(43)	(43)	Disposals	(3,510)	(3,510)
7,925	3,230	Total gains/losses in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	25,469	514
(334)	3,524	Transfers (to/from Inventories or PPE)	(1,235)	(1,058)
674,123	**102,900**	**Balance at end of the year**	**724,573**	**108,862**

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Note 33) Intangibles

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

2017/18 £000		2018/19 £000
1,763	Gross Carrying Amount	1,877
(718)	Accumulated Amortisation	(979)
1,045	**Net Carrying Amount**	**898**
114	Additions - Purchases	59
(261)	Amortisation	(228)
1,877	Grossing Carrying Amount	1,936
(979)	Accumulated Amortisation	(1,207)
898	**Balance at end of the year**	**728**

Accounting Policy

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Note 34) Heritage Assets

Accounting Policy

The carrying amounts of heritage assets are based on insurance valuations and are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. If it is agreed to dispose of any heritage assets the proceeds are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

The assets held include the Mossman Collection of horse-drawn vehicles, the Shillington Hoard coin collection and the Wenlok Jug. There are various other photographic and furniture collections among the heritage assets held by the Council.

There has been no significant movement in the value of Heritage Assets during 2018/19. No Heritage Asset has been re-insured.

Note 35) Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2017/18 £000		2018/19 £000
407,654	**Opening Capital Financing Requirement**	**422,292**
	Opening Balance Adjustment*	(1,548)
	Capital investment	
49,226	Property, Plant and Equipment (Note 23)	65,191
5,839	Investment Properties (Note 24)	10,016
114	Intangibles (Note 25)	59
2,192	Revenue Expenditure Funded from Capital under Statute (Note 22b)	7,856
10,000	London Luton Airport Limited Debenture Loan	79,300
0	Share Capital Expenditure (Foxhall Homes & LEP)	841
	Sources of finance	
(10,867)	Capital Receipts (Note 22b)	(11,714)
(15,611)	Government Grants and Other Contributions (Note 22b)	(15,425)
(9,585)	Major Repairs Reserve (Note 22b)	(10,005)
	Sums set aside from revenue:	
(7,015)	Direct revenue contributions (Note 22b)	(7,791)
(9,654)	MRP/loans fund principal (Note 22b)	(8,743)
422,292	**Closing Capital Financing Requirement**	**530,329**
14,638	**Underlying increase to borrow**	**108,037**

*There has been a £1.548 million reduction in the CFR due to incorrectly allocated Long-Term Debtors and Investments.

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Note 36) Financial Instruments

Financial Assets

Accounting Policy

Financial assets are classified into two types:

- Amortised cost – assets whose contractual terms are basic lending arrangements (ie, they give rise on specified dates to cash flows that are solely payments of principal or interest on the principal amount outstanding, which the Council holds under a business model whose objective is to collect those cash flows)
- Fair value through Profit and Loss (FVPL) – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.
- Fair Value through other comprehensive income (FVOCI) – These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.

Amortised cost assets are measured in the Balance Sheet at the outstanding principal repayable (plus accrued interest). Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument. Any gains or losses in fair value that might arise are not accounted for until the instrument matures or is sold.

Allowances for impairment losses have been calculated for amortised cost and FVPL cost assets, applying the expected credit losses model. For 2018/19 the impairment has been deemed immaterial. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES.

Changes in the value of assets carried at fair value (described as Fair Value through Profit or Loss) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise.

The Council currently only has equity shares and debentures, in London Luton Airport Ltd, Foxhall Homes Ltd, Local Educational Partnership Ltd and QED Challney Holdings Ltd. None of the aforementioned have quoted market price and are therefore are currently held at historic cost. These investments are reviewed annually for any impairment loss. The most recent review has determined that no impairment loss is required.

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instruments of another entity. Non exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Assets Balance Sheet Values

2017/18 Current Investments £000	2017/18 Current Debtors £000	2017/18 Non Current Investments £000	2017/18 Non Current Debtors £000		2018/19 Current Investments £000	2018/19 Current Debtors £000	2018/19 Non Current Investments £000	2018/19 Non Current Debtors £000
				Amortised Cost				
		59,093		Subsidiary Loans			138,458	
3,503				Fixed Term Deposit				
	31,817		328	Debtors		24,433		3,071
2,993				Cash & Cash Equivalents (Bank)	5,879			
6,496	**31,817**	**59,093**	**328**	**Amortised Cost Total**	**5,879**	**24,433**	**138,458**	**3,071**
				Fair Value through Profit and Loss				
		45,496		Unquoted Equity Investments			46,296	
20,396				Cash & Cash Equivalents (MMF)	22,907			
20,396	**0**	**45,496**	**0**	**Fair Value through Profit and Loss Total**	**22,907**	**0**	**47,468**	**0**
26,892	**31,817**	**104,589**	**328**	**Total Financial Assets**	**28,786**	**24,433**	**184,754**	**3,071**
0	40,466	0	0	**Non-Financial Instruments**	0	48,764	0	0
26,892	**71,363**	**104,589**	**328**	**Balance Sheet Total**	**28,786**	**73,197**	**184,754**	**3,071**

Effect of reclassification and remeasurement as at 1st April 2018

This note shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice and the remeasurements of carrying amounts then required.
Loans and receivables are a straight transfer to Amortised Cost with no impact on Balance Sheet value.

Unquoted equity investments are shares held in subsidiaries or joint ventures. These companies are included in the Group Accounts and are therefore held at historical cost.

	Carry Amount 31/03/2018 £000	New Reclassifications Amortised Cost £000	New Reclassifications Fair Value through P&L £000
Loans and receivables	94,741	94,741	
Unquoted equity investments	45,496		45,496
Cash & cash equivalents	23,389	2,993	20,396
Total Financial Assets	**163,626**	**97,734**	**65,892**

Cash and cash equivalents have been split with MMFs being allocated to Fair Value through Profit and Loss with the residual cash equivalents deemed amortised cost. The impact on value has been deemed immaterial and no value adjustments have been accounted for.

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Financial Liabilities

Accounting Policy

Financial liabilities are initially measured at fair value and are carried at their amortised cost. The fair value of loans are valued at carrying value because it is not possible to derive a fair market value for the types of loans currently held by the Council. For most of the Council's borrowings this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of /the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Liabilities Balance Sheet Values

2017/18					2018/19			
Current		Non Current			Current		Non Current	
Borrowings £000	Creditors £000	Borrowings £000	Creditors £000		Borrowings £000	Creditors £000	Borrowings £000	Creditors £000
				Amortised Cost				
(2,396)		(274,796)		Loans	(11,314)		(380,296)	
		(22,244)		PFI Liabilities			(21,821)	
		(786)		Other Liabilities			(857)	
	(49,208)		(2,418)	Creditors		(43,006)		(1,557)
(2,396)	**(49,208)**	**(297,826)**	**(2,418)**	**Amortised Cost Total**	**(11,314)**	**(43,006)**	**(402,974)**	**(1,577)**
(2,396)	**(49,208)**	**(297,826)**	**(2,418)**	**Total Financial Liabilities**	**(11,314)**	**(43,006)**	**(402,974)**	**(1,577)**
0	(15,677)	0	0	**Non-Financial Instruments**	0	(17,064)	0	0
(2,396)	**(64,885)**	**(297,826)**	**(2,418)**	**Balance Sheet Total**	**(11,314)**	**(60,070)**	**(402,974)**	**(1,577)**

Items of income, expense, gains or losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2017/18 Surplus or Deficit on the Provision of Services £000		2018/19 Surplus or Deficit on the Provision of Services £000
	Interest income:	
(4,893)	Financial assets measured at amortised cost	(9,342)
(19,565)	Other financial assets measured at fair value through Profit and Loss	(20,328)
(22,184)	**Total interest revenue (note 10)**	**(29,670)**
(17)	**Fee income**	**0**
	Interest expenses:	
12,092	Financial liabilities measured at amortised cost	12,949
11,984	**Total interest expenses (note 10)**	**12,949**
21	**Fee expense**	**98**

Fair value of financial assets and liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of cash flows that will take place over the remaining term of the instruments, using the following assumptions:

Estimated ranges of interest rates at 31st March 2019 of 1.48% to 2.23% for loans from the PWLB and 2.28% to 2.71% for other loans receivable and payable based on new lending rates for equivalent loans at that date.

- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

2017/18 Carrying Amount £000	Fair Value £000		2018/19 Carrying Amount £000	Fair Value £000
		Financial assets measured at amortised cost:		
59,093	100,670	Subsidiary Loans	138,458	238,046
3,503	3,503	Fixed Term Deposits	0	0
32,145	32,145	Debtors	27,504	27,504
2,993	2,993	Cash & Cash Equivalents (Other)	5,879	5,879
		Other financial assets measured at fair value through profit and loss:		
45,496	45,496	Unquoted Equity Investments	46,296	46,296
20,396	20,396	Cash & Cash Equivalents (MMF)	22,907	22,907
163,626	**205,203**	**Total Financial Assets**	**241,044**	**340,632**
		Financial liabilities measured at amortised cost:		
277,244	351,743	Loans	391,610	469,722
22,244	41,681	PFI Liabilities	21,821	41,230
786	885	Other Liabilities	857	982
51,626	51,626	Creditors	44,563	44,563
351,848	**445,935**	**Total Financial Liabilities**	**458,851**	**556,497**

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31st March 2019) arising from a commitment to pay interest to lenders below current market rates.

The fair value of the long term creditors is higher than the carrying amount reflecting the ability to borrow at a lower interest rate at the balance sheet date.

The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31st March 2019) attributable to the commitment to receive interest below current market rates. It should be noted that both the carrying amount and the fair value for both years includes cash in hand at the 31st March.

All shares are carried at a historic cost of £46.296 million and have not been revalued to date. The Council has no current intention to dispose of the shareholdings.

Debentures are carried at a historic cost of £138.458 million as the income is fixed and determinable. The Council has no current intention to dispose of the debentures.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Note 37) Nature and extent of risk

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Re-financing risk - the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Council uses the creditworthiness service provided by its Treasury advisers Link Asset Services, their model combines the ratings of all the three main agencies – Fitch, Moody's and Standard and Poors. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

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The credit criteria in respect of financial assets held by the council are detailed below:

Group	Rating	Exposure	Maximum Maturity
A	Combination scoring method - highest band (all at least AA+ with one agency)	£25.0 m	24 Months
B	Combination scoring method - second band (all at least AA- with one agency)	£22.5 m	364 Days
C	Combination scoring method - third band (all at least A with one agency)	£15.0 m	6 Months
D	Combination scoring method - fourth band (all at least A with one agency)	£11.5 m	3 Months
E	UK Local Authorities	£15.0 m	364 Days
F	AAA Rated Money Market Liquidity Funds	£50.0 m	On call
F1	Part owned or supported under guarantee scheme by UK Government	£30.0 m	2 years

Institutions in Groups A to D must all be in countries with a sovereign rating of AAA/AA.

The Council's maximum exposure to credit risk in relation to its investments in banks cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all the Council's deposits, but there was no evidence at the 31st March 2019 that this was likely to crystallise.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with parameters set by the relevant department of the Council.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. The Council does not generally allow credit for customers, such that only £2.586 million of the total debt past the due date has been outstanding longer than one month.

The analysis below includes all sundry debts before any impairment and excludes any social care debt.

Sundry debt continues to be collected efficiently with minimal write offs. The debts over 12 months are now being chased by our legal services. The majority of this debt has been provided for in chase of non-collection.

31/03/2018 £000	Debt past due date	31/03/2019 £000
10,014	Less than one month	9,885
1,147	One to three months	620
452	Three months to one year	896
568	More than one year	1,070
12,181	**Total**	**12,471**

In addition to sundry debts, the Council is owed considerable debt in the relation to housing tenants (£11.840 million) and housing benefit overpayments (£11.922 million). Due to the nature of the debt the Council has impaired the debt on a very prudent basis, housing tenants by £11.499 million (97.1%) and housing benefit overpayments by £11.251 million (94.4%).

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that not more than 15% of loans are due to mature within any one year through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

Borrowing age profile	31/03/2019 £000
Less than 1 year	11,314
between 12 months & 24 months	0
between 24 months & 5 years	97,838
5 years and above	282,458
Total	**391,610**

There are a number of Lender Option Borrower Option Loans with maturities over 40 years, some of which have call dates within five years.

All trade and other payables are due to be paid in less than one year.

Refinancing and Maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer-term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

Market Risk

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31st March 2019, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Sensitivity analysis	£000
Decrease in fair value of fixed rate investment assets	19,270
Decrease in fair value of fixed rate borrowings liabilities	75,285
Decrease in fair value of fixed rate PFI and long term liabilities	3,247

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

The Council does not generally invest in equity shares; it's only current shareholdings are in London Luton Airport Limited and Foxhall Homes Ltd, where the Council owns 100% of the shares and the shares are not traded. More details regarding this shareholding can be found in the Group Accounts. The Council is therefore not exposed to losses arising from movements in the prices of shares.

Foreign Exchange Risk

The Council has no financial assets/liabilities denominated in foreign currencies.

Note 38) Other Long Term Liabilities

The long term liabilities recorded in the Balance Sheet represent the agreements listed below:

Ref	Liabilities	31/03/2019 £000	31/03/2018 £000
(A)	Challney Girls PFI Scheme	(21,821)	(22,244)
(B)	Multi-Functional Devices	(371)	(250)
(C)	Highways Vehicles	(486)	(535)
	Total	**(22,678)**	**(23,030)**

Agreements for Multi-functional Devices (B) and Highways Vehicles (C) are both explained in more detail within the service concessions sub-section of this note.

Please note during 2018/19 the MFD contract changed suppliers. The devices are now provided through Xerox.

Private Finance Initiatives and Similar Contracts

Accounting Policy

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are re-valued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement

- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- Life cycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

Building Schools for the Future PFI Scheme

There is a 25 year PFI contract for the construction, maintenance, and facilities management of Challney Girls School. The financial close for the project was achieved on 3rd June 2009 and construction commenced almost immediately. The new school building was handed over to the Council on 31st December 2010. The school was one of the Council's Community Schools.

The contract specifies minimum standards for the services provided by the contractor to the school. The contractor took on the obligation to construct the school and maintain it in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the school. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for the costs incurred and future profits that would have been generated over the remaining term of the contract.

During March 2018 the PFI operating body re-financed the full loan debt portfolio. This reduced the level of interest payable with a corresponding uplift in the total liability. The new structure of the debt does not alter the financial relationship the council has with the Local Education Partnership Ltd

Property, Plant and Equipment

The assets used to provide services at the school were recognised on the Council's Balance Sheet until the school converted to Academy status during 2016/17.

Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31st March 2019 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Payment profile	Payment for services £000	Capital Charge £000	Interest element £000	Total £000
Payable in current year	1,126	484	2,345	3,955
Payable within 2 to 5 years	4,872	2,505	8,836	16,213
Payable within 6 to 10 years	7,089	4,905	9,230	21,224
Payable within 11 to 15 years	7,408	9,382	5,631	22,421
Payable within 16 to 20 years	2,900	4,542	715	8,157
Total	**23,395**	**21,818**	**26,757**	**71,970**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value for the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

Balance outstanding	2017/18 £000	2018/19 £000
Opening balance	**22,609**	**22,243**
Loan repayment	(2,796)	(2,813)
Interest incurred	2,430	2,390
Closing balance	**22,243**	**21,820**

Service Concessions

Service concessions are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. As the Council is deemed to control the assets that are provided under these schemes, and as the Council is to receive substantially all of the assets economic output, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on estimated purchase price) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets related to these contracts which are recognised on the Balance Sheet are revalued and depreciated on a straight line basis over the duration of the contract.

The Council's policy is to charge Minimum Revenue Provision equal to the amount of principal repaid during the financial year. This policy ensures the contract payment is equal to the charge to General Fund.

Multi-Functional Devices

Towards the end of 2018/19 the Council entered into a five year contract for the provision of Multi-Functional Devices across a number of Council sites. The agreement included printing consumables, maintenance costs and the financing charges for the supply of the equipment.

This agreement has been restated as if the assets were recognised as at inception of the agreement. The revenue costs associated with consumables and maintenance costs this will continue to be charged to the associated service. The interest element will be charged to the financing and investment income and expenditure.

An estimate of the original capital value is £0.377 million. This is offset by an equal and opposite financial liability on the Balance Sheet. The residual balance represents a timing difference between the principal repaid and the depreciation charged on the asset. The residual balance is posted to the Capital Adjustment Account.

Highways Vehicles

A new highways contract was entered into with Volker Highways during 2016/17 for them to provide highways maintenance and professional services across the Council's region. Part of the contract includes the purchase of a number of vehicles by Volker Highways to carry out highways work solely for the Luton Borough Council contract. The vehicles are branded and are stored in a Council owned depot. The majority of the annual contract price of £8 million represents the direct labour and management costs of running the highways contract. There will be an element for vehicles and equipment which are used on the contract, but these are not branded or solely used for Luton works. All of these costs will be recognised as revenue expenditure.

Using estimated capital cost per vehicle, provided by a fleet specialist, the embedded asset, and its financing costs, have been stripped out of the £8 million highways annual payment.

Property, Plant and Equipment

The assets used to provide services under the service concession contracts are recognised on the Council's Balance Sheet. Movements in their value are detailed below. These amounts are included within the PPE Note 31.

	Opening £000	Additions £000	Depreciation £000	Closing £000
MFDs (old contract)	222	0	(222)	0
MFDs (new contract)	0	377	0	377
Highways Vehicles	520	0	(59)	460
Total	**742**	**377**	**(281)**	**837**

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Payments

The Council makes agreed payments each year to the operators, increased in line with inflation where stated in the contract and similarly reduced if performance falls below minimum standards in any year. Payments remaining to be made under the PFI contract at 31st March 2019 (including an estimate of inflation) are as follows:

Payment profile	Payment for services £000	Capital Charge £000	Interest element £000	Total £000
Multi-functional Devices				
Payable within 12 months	110	68	20	198
Payable within 2 to 5 years	432	303	42	777
Total	**542**	**371**	**63**	**976**
Highways Vehicles				
Payable within 12 months	7,921	52	27	8,000
Payable within 2 to 5 years	31,685	238	77	32,000
Payable within 6 to 10 years	21,783	196	21	22,000
Total	**61,390**	**486**	**124**	**62,000**

Note 39) Pensions Schemes Accounted For As Defined Contribution Schemes

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement and the Council contributes towards the cost by making contributions based on a percentage of scheme members' pensionable salaries.

The Scheme is technically a defined benefit scheme however, the scheme is unfunded. The Department for Education uses a notional fund as the basis for calculating the employer's contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes.

For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2018/19, the Council paid £7.330 million (2017/18 £7.206 million) to the Teachers Pensions Agency in respect of teachers' retirement benefits.

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NHS Staff Pension Scheme

Former NHS employees that work for the Council are permitted to maintain their membership of the NHS Pension Scheme. The Scheme provides these employees with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded defined benefit scheme. However, the Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2018/19, the Council paid £0.029 million (2017/18 £0.037 million) to the NHS Pension Scheme in respect of former NHS staff retirement benefits.

Note 40) Defined Benefit Pension Schemes

Accounting Policy

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expenses for services in the year in which employees render services to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off owed on flexi-time schemes) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Post Employment Benefits

Employees of the Council are members of three separate pension schemes:

- The Local Government Pensions Scheme, administered by Bedford Borough Council.
- The Teachers' Pension Scheme, administered by the Capital Teachers' Pensions on behalf of the Department for Education.
- NHS Pension Scheme

All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The

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Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefit scheme.

The liabilities of the Bedfordshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (2.7% in 2017/18) based on the indicative rate of return on high quality corporate bonds.

The assets of the Bedfordshire Pension Fund attributable to the council are included in the Balance Sheet at their fair value:

- quoted securities – bid value
- unquoted securities – professional estimate
- unitised securities – bid value
- property – market value.

The change in the net pension's liability is analysed into six components:

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

Contributions paid to the Bedfordshire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same polices as are applied to the Local Government Pension Scheme.

Participation in Pension Schemes

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

The Council participates in the following:

The Local Government Pension Scheme, administered locally by Bedford Borough Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions' liabilities, and cash has to be generated to meet actual pensions' payments as they eventually fall due.

Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The transactions over the page have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year in respect of the Local Government Pension Scheme.

Pensions transactions in the surplus or deficit on the provision of services and the movement in reserves statement

2017/18 £000		2018/19 £000
	Comprehensive Income and Expenditure Statement	
	Cost of services:	
(36,351)	Current service cost	(37,042)
(127)	Past service cost	(114)
0	(Gain) / loss from settlements	(979)
	Financing and Investment and Expenditure:	6,571
(10,383)	Net Interest Expense	(10,284)
(46,861)	**Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services**	**(41,848)**
	Re-measurement of the Net Defined Benefit Liability comprising:	
(10,162)	Return on plan assets (excluding the net interest expense)	14,516
0	Actuarial gains and (losses) arising on changes in demographic assumptions	43,436
18,022	Actuarial gains and (losses) arising on changes in financial assumptions	(53,261)
14	Other (if applicable)	0
7,874	**Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement**	**4,691**
	Movement in Reserves Statement	
46,861	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	41,848
	Actual amount charged against the General Fund Balance for pensions in the year:	
21,640	Employers contributions payable to scheme	23,863
821	Contribution in respect of unfunded benefits	857
22,461	**Total amount charged against the General Fund**	**24,720**

Pensions Assets and Liabilities Recognised In the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plan is as follows:

31/03/2018 £000		31/03/2019 £000
(996,993)	Present value of the defined benefit obligation	(1,007,961)
565,138	Fair value of plan assets	593,669
(401,855)	**Net liability arising from defined benefit obligation**	**(414,292)**
(2,006)	Group- Net liability in subsidiary (LLAL)	(1,924)
0	Group- Net liability in subsidiary (Foxhall Homes)	0
(403,861)	**Group Net Liability from defined benefit obligation**	**(416,216)**

Reconciliation of the Movements in the Fair Value of Scheme Assets

2017/18 £000		2018/19 £000
546,584	**Opening Balance**	**565,584**
14,293	Interest income	15,224
	Re-measurement gain / (loss):	
(2,838)	The return on plan assets, excluding the net interest	14,516
21,640	Contributions from employer	23,863
5,805	Contributions from employees into the scheme	6,165
(20,346)	Benefits paid	(29,221)
0	Other (if applicable) Effect of Settlements	(1,037)
0	Administrative expenses	(979)
565,138	**Closing Balance**	**593,669**

Reconciliation of the Movements in the Fair Value of Scheme Liabilities

2017/18 £000		2018/19 £000
(939,237)	**Opening Balance**	**(966,993)**
(36,351)	Current Service Cost	(37,042)
(24,676)	Interest cost	(25,508)
(5,805)	Contribution from scheme participants	(6,165)
	Re-measurement (gains) and losses:	
0	Actuarial (gains) and losses arising on changes in demographic assumptions	43,436
18,022	Actuarial (gains) and losses arising on changes in financial assumptions	(53,261)
14	Other (if applicable)	0
(127)	Past service cost	(114)
0	Effect of settlements	7,608
21,167	Benefits paid	30,078
(966,993)	**Closing Balance**	**(1,007,961)**

Information about the Defined Benefit Obligation

Employer membership statistics:	Liability split £(000) as at 31-Mar-19	Liability split (%) as at 31-Mar-19	Weighted Average Duration
Active members	301,069	30.2%	22.4
Deferred members	412,351	41.4%	22.6
Pensioner members	258,533	25.9%	11.2
Unfunded members	24,646	2.5%	-
Total	**996,599**	**100.0%**	**17.5**

The weighted duration for 31st March 2019 was 17.5 years, (17.5 on 31st March 2018). Please note that the above figures are for the funded obligations only and do not include any unfunded pensioner liabilities. The durations are as they stood at the date of the most recent actuarial valuation of the Employer.

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Assets Composition

Quoted Prices 2017/18 Active Market £000	Quoted Prices 2017/18 Inactive Market £000	2017/18 Total £000		Quoted Prices 2018/19 Active Market £000	Quoted Prices 2018/19 Inactive Market £000	2018/19 Total £000
24,336	**0**	**24,336**	**Cash and cash equivalents**	**0**	**26,715**	**26,715**
			Debt Securities			
0	45,119	**45,119**	UK Government	48,087	0	**48,087**
			Private Equity:			
0	1,562	**1,562**	All	0	4,156	**4,156**
			Property:			
0	50,903	**50,903**	UK Property	0	55,211	**55,211**
0	0	**0**	Overseas Property	0	0	**0**
0	**50,903**	**50,903**	**Sub-total Property**	**0**	**55,211**	**55,211**
			Other Investment Funds:			
17,923	272,214	**290,137**	Equities	106,267	190,568	**296,835**
44,777	0	**44,777**	Bonds	49,868	0	**49,868**
108,304	0	**108,304**	Other	111,016	1,781	**112,797**
171,004	**272,214**	**443,218**	**Sub-total Other investment funds**	267,151	192,349	**459,500**
195,340	**369,798**	**565,138**	**Total Assets**	**315,238**	**278,431**	**593,669**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Pension Fund being based of the latest full valuation of the scheme as at 31st March 2017. The significant assumptions used by the actuary have been:

Mortality Assumptions:	31/03/2018	31/03/2019
Longevity at 65 for current pensioners:		
Men	22.4	20.7
Women	24.5	23.2
Longevity at 65 for future pensioners:		
Men	24.0	21.7
Women	26.2	24.7
Rate of increase in salaries	2.70%	2.70%
Rate of increase in pensions	2.40%	2.40%
Rate for discounting scheme liabilities	2.70%	2.40%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity Analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 March 2018	Approximate % increase	Approximate amount (£000)
0.1% decrease in Real Discount Rate	2%	17,382
0.1% increase in the Salary Increase Rate	0%	2,819
0.1% increase in the Pension Increase Rate	1%	14,546

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Bedford Borough Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis.

The triennial valuation based on the position as at 31st March 2017 was completed during 2016/17, and was reflected in the new budgeted contribution to the pension fund for 2017/18, 2018/19 and 2019/20. The service rate increased from 14.1% to 17.3% for the three financial years. The lump sum was £7.019 million in 2018/19 (£5.788 million in 2017/18).

Note 41) Leases

Council as a Lessee

Finance lease

The Council current has no lessee finance leases. The service concessions section of Note 31, explains the two agreements which contain embedded assets which the inherent liability is recognised on the Balance Sheet.

Operating leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The operating leases currently held are managed by the Council's maintained schools for vehicles and equipment. The future minimum lease payments due under non-cancellable leases in future years are included in the table.

31/03/2018 £000		31/03/2019 £000
314	Not later than one year	309
516	Later than one year and not later than five years	519
0	Later than five years	0
830	Total	828

The expenditure charged to service in the Comprehensive Income and Expenditure Statement during the year was £0.324 million (£0.324 million during 2017/18). There are no contingent rents as the agreements are for vehicles and equipment and which have fixed amounts which will not be reviewed.

Council as a Lessor

Finance lease

The Council current has no lessor finance leases.

Operating lease

The Council leases out property under operating leases for the following purposes:

- to generate investment income
- for the provision of community services
- for economic development purposes

The future minimum lease payments receivable under non-cancellable leases in future years are shown in the opposite table.

31/03/2018 £000		31/03/2019 £000
8,949	Not later than one year	9,152
27,250	Later than one year and not later than five years	28,153
151,530	Later than five years	133,801
187,728	Total	171,106

Included in the above is 39.5 acres of land on President Way that the Council rents out to its subsidiary London Luton Airport at an annual rent of £1.925 million (£1.925 million 2017/18).
There are no contingent rents for 2018/19 (nil in 2017/18).
The group is the same information as the single entity, except for a significant operating lease in relation to the airport.

Group Lessor - Operating Lease

On 20th August 1998 ('the concession date') the company entered into a concession contract with an unrelated entity, London Luton Airport Operations Limited ("LLAOL").
Under the terms of this contract LLAOL was granted a concession to operate the airport for a period of 30 years ('the concession period') and a lease over the company's land and buildings. In return LLAOL undertook to pay an annual concession fee to the company comprising of £3 million as a minimum fixed payment or a greater amount based on workload units (being each departing and arriving passenger and each 100 tonnes of freight) as prescribed in the concession agreement and, subject to the continuing growth of passenger numbers, fund an extensive capital investment programme. At the end of the concession period the assets, liabilities and operations of the airport revert to the ownership and use of the company.

In August 2012 a supplemental agreement to the concession contract was reached between LLAL and LLAOL. This agreement commits the operators to undertake a significant programme of development works to increase the Airport's capacity to handle throughput of up to 18 million passengers per year, in return for an extension of the Concession Period to March 31st 2031. The concession agreement was further amended in January 2014 to provide for a scheme to rebate the Concession Fee Rate payable by the airport operator in certain circumstances, in order to encourage passenger growth.
At the concession date the trading assets and liabilities of the company were transferred to LLAOL at book value. No profit or loss arose on the transfer of these assets and liabilities. The employees of the company were also transferred to LLAOL.

As the company no longer operates the airport itself, the land and buildings have become investment properties. At the instruction of London Luton Airport Limited, Deloitte LLP have valued the freehold interest in London Luton Airport as at 31st March 2016. The next valuation is due to be undertaken as at 31st March 2020; it has, however, been agreed that, given the rate at which passenger numbers are currently growing, and the other developments currently being carried out by the company, the valuation will be reviewed annually in the intervening periods to ensure the investment properties are reflected at fair value.

In 1998 London Luton Airport (LLAL) granted a "Concession to Operate" lease of the Airport to London Luton Airport Operations (LLAOL). The future minimum lease payments due in respect of this in future years is detailed in the table.

31/03/2018 £000		31/03/2019 £000
3,000	Not later than one year	3,000
12,000	Later than one year and not later than five years	12,000
27,000	Later than five years	24,000
42,000	**Total**	**39,000**

Note 42) Debtors

The outstanding debtors at 31st March 2019 comprised the following:

Debtor Classification 2018/19	Group Debtor £000	Group Impairment of asset £000	Group Net debtor £000	Single Debtor £000	Single Impairment of asset £000	Single Net debtor £000
Other Local Authority	2,135	0	**2,135**	2,135	0	**2,135**
Central Government	14,584	0	**14,584**	14,195	0	**14,195**
NHS Bodies	3,599	0	**3,599**	3,599	0	**3,599**
Wholly Owned Subsidiaries	0	0	**0**	21,500	0	**21,500**
Council Tax	27,440	(16,332)	**11,108**	27,440	(16,332)	**11,108**
NNDR	6,621	(4,308)	**2,312**	6,621	(4,308)	**2,312**
Housing Tenants	11,840	(11,499)	**341**	11,840	(11,499)	**341**
Housing Benefit Overpayments	11,922	(11,251)	**670**	11,922	(11,251)	**670**
Other bodies	31,683	(2,457)	**29,226**	18,341	(2,457)	**15,884**
Payments in advance	1,452	0	**1,452**	1,452	0	**1,452**
Total	**111,275**	**(45,848)**	**65,428**	**119,044**	**(45,848)**	**73,197**
2017/18 Comparator						
Other Local Authority	1,467	0	**1,467**	1,467	0	**1,467**
Central Government	10,446	0	**10,446**	9,618	0	**9,618**
NHS Bodies	5,558	0	**5,558**	5,558	0	**5,558**
Wholly Owned Subsidiaries	0	0	**0**	22,340	0	**22,340**
Council Tax	22,501	(15,734)	**6,767**	22,501	(15,734)	**6,767**
NNDR	5,716	(3,049)	**2,667**	5,716	(3,049)	**2,667**
Housing Tenants	10,838	(10,157)	**681**	10,838	(10,157)	**681**
Housing Benefit Overpayments	12,136	(11,805)	**330**	12,136	(11,805)	**330**
Other bodies	26,398	(1,872)	**24,525**	18,729	(1,872)	**16,856**
Payments in advance	5,485	0	**5,485**	5,079	0	**5,079**
Total	**100,544**	**(42,618)**	**57,926**	**113,981**	**(42,618)**	**71,363**

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Note 43) Cash and Cash Equivalents

Accounting Policy

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or under and are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

LLAL use Money Market Funds and bank accounts as a form of liquidity instruments.

2017/18 Group £000	2017/18 Single £000		2018/19 Group £000	2018/19 Single £000
687	0	Short term deposits with banks	0	0
20,616	20,396	Money Market funds	22,907	22,907
6,394	2,972	Bank Current Accounts	6,857	5,857
21	21	Cash held by the Authority	22	22
27,718	**23,389**	**Total**	**29,786**	**28,786**

Note 44) Creditors

The outstanding creditors at 31st March 2019 comprised the following:

2017/18 Group £000	2017/18 Single £000		2018/19 Group £000	2018/19 Single £000
(733)	(656)	Other Local Authorities	(4,058)	(4,058)
(15,171)	(12,510)	Central Government Bodies	(14,495)	(12,315)
(1,524)	(1,524)	NHS Bodies	(1,496)	(1,496)
0	(334)	Wholly Owned Subsidiaries	0	(184)
(2,179)	(2,179)	Council Tax	(4,106)	(4,106)
(1,800)	(1,800)	NNDR	(1,857)	(1,857)
(3,204)	(3,204)	Housing Tenants	(2,736)	(2,736)
(50,038)	(42,678)	Other Bodies	(35,705	(33,319)
(74,649)	**(64,885)**	**Total Short Term Creditors**	**(64,452)**	**(60,070)**
(2,418)	(2,418)	Long-Term Creditor – Other Bodies	(1,557)	(1,557)
(77,067)	**(67,303)**	**Total All Creditors**	**(66,009)**	**(61,627)**

Note 45) Provisions

Accounting Policy

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim) it is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Movement in Balances

	31/03/17 Opening £000	Additions £000	Utilised £000	Released £000	31/03/18 Closing £000	Additions £000	Utilised £000	Released £000	31/03/19 Closing £000
Employee related	(743)	0	459	221	(63)	0	33	8	(22)
Insurance related	(2,121)	(1,335)	503	343	(2,610)	(1,151)	108	776	(2,876)
Business Rates Appeals	(4,653)	(2,926)	3,107	0	(4,472)	(8,498)	7,687	0	(5,103)
Other	(666)	(128)	56	0	(739)	(294)	135	6	(891)
Total	(8,183)	(4,389)	4,124	564	(7,884)	(9,943)	8,144	790	(8,892)

All provisions are reviewed annually to ensure they are at an appropriate level. The following tables analyse provisions into current and long-term provisions:

Description	Current provision £000	Between 1 and 5 years £000	Over 5 years £000	Long-term total £000	Total £000
Employee related	(22)	0	0	0	(22)
Insurance related	(624)	(1,678)	(573)	(2,251)	(2,876)
Business Rates Appeals	(1,276)	(3,827)	0	(3,827)	(5,103)
Other	(891)	0	0	0	(891)
Total	**(2,814)**	**(5,506)**	**(573)**	**(6,078)**	**(8,892)**

Employee related – Represents the annual provision held for estimated termination costs: staff redundancy costs and pension strain. As a consequence of core funding reductions, the Council has a rolling programme of savings projects to help plan for and set a balanced budget each year. To achieve this and wider service objectives, a significant number of reviews are undertaken each year to reorganise and reshape how services are delivered by the Council, leading to reductions in the number of staff employed and consequent termination costs.

Insurance related – The Insurance Fund provision holds the balances set aside for potential liabilities in respect of payments that fall within the insurance excesses. A review of the insurance provision is carried out annually using an actuarial forecasting approach which is designed to review the appropriateness of the provisions and reserves for the Council's self-insured claims as at the date of the valuation. This valuation takes into account all known and outstanding (unpaid) claims received from 1998 to date, and also makes a calculation for any incurred but not reported claims (IBNR).

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Insurance Issues – Due to the fact that many insurance claims are made and/or settled some years after the incident to which they relate, it is not possible to determine when any claims are likely to be settled and hence a provision is made for insurance losses.

There is an existing provision to cover the potential liabilities in relation to the Council's former Insurers, Municipal Mutual Insurance (MMI). MMI were the insurers for many Local Councils and they collapsed in September 1992. As a mutually created local government insurance company, Councils are responsible for meeting any shortfall on claims. The Supreme Court has determined that employers' liability insurance cover is triggered at the point of exposure to toxic materials rather than when a disease starts to develop. This means that the number of claimants that may arise in relation to policies written by MMI in the past is very difficult to estimate.

As a result the Council established a provision in 2011/12 for the total maximum potential liability estimated to be faced by the Council. In January 2014 the managers of MMI's business informed the Council that it should expect a levy charge of 15% of the potential liability, which is £168,000. However, in view of the uncertainty relating to the extent of such claims, the existing provision has been retained in full at this time.

Business Rate Appeals – The Local Government Finance Act 2012 introduced a business retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1 April 2013. Luton Borough Council, as a billing authority, is required to make provision for refunding ratepayers who have successfully appealed against the rateable value on their properties. The provision shown is the Council's 49% share of the total amount.

Group Provisions

The Group Accounts have a significantly higher provision balance due to the inclusion of LLAL's deferred tax liability.

31/03/2018 £000		31/03/2019 £000
(7,884)	Single entity Other LT liabilities	(8,892)
(53,963)	Subsidiary pension liability (LLAL)	(59,456)
0	Subsidiary pension liability (Foxhall Homes)	0
(61,847)	**Total**	**(68,348)**

Note 46) Capital Grants Receipts In Advance

The following capital grants and contributions have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver if not met.

31/03/2018 £000		31/03/2019 £000
(11,143)	Basic Needs Grant	(20,080)
(2,798)	Weekly Collection	(1,424)
(1,122)	Highways Access Project (Local Growth Fund- DCLG)	(1,099)
(1,018)	Other Govt Grants (<£1m)	(1,533)
(4,128)	s106 Developer Contributions	(3,483)
(494)	Other Non-govt Grants (<£1m)	(142)
(20,703)	Total	(27,762)

Note 47) Revenue Grants Receipts In Advance

The following revenue grants and contributions have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver if not met.

31/03/2018 £000		31/03/2019 £000
(631)	Weekly collection support grant	(450)
(1,373)	Family Safeguarding	(2,321)
(1,750)	Troubled Families / Stronger Families	(1,430)
(1,508)	Other Govt Grants (<£1m)	(971)
(3,087)	Other Grants and Contributions (<£1m)	(1,426)
(8,348)	Total	(6,599)

Cash Flow Statement Supporting Notes

Note 48) Cash Flow Statement – Operating Activities

2017/18 Group £000	2017/18 Single £000		2018/19 Group £000	2018/19 Single £000
(16,759)	**(23,486)**	**Net surplus or deficit on the provision of services**	**(9,263)**	**(31,454)**
		Adjustments for non-cash items		
36,479	36,479	Depreciation and amortisation	36,862	36,862
13,621	13,621	Impairment and downward valuations	7,424	7,424
(7,925)	(3,230)	Movements in the market value of investment properties	(25,469)	(514)
17,895	9,680	Increase/(decrease) in creditors	(16,037)	(7,973)
(11,790)	(11,317)	(Increase)/decrease in debtors	(5,656)	(2,671)
(588)	(299)	Increase/(decrease) in provisions	6,503	1,008
(865)	(190)	(Increase)/decrease in inventories	(1,012)	(207)
24,253	24,400	Movement in pension liability	17,046	17,127
9,858	9,858	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	17,953	17,953
80,938	**79,002**		**37,613**	**69,009**
		Adjustments for investing and financing activity items		
10	10	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	8,926	8,926
(12,845)	(12,845)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,378)	(6,378)
(13,876)	(13,876)	Any other items for which the cash effects are investing or financing cash flows	(15,792)	(15,792)
(26,711)	**(26,711)**		**(13,244)**	**(13,244)**
37,468	**28,805**	**Net cash flows from operating activities**	**15,106**	**24,315**

2017/18 Group £000	2017/18 Single £000		2018/19 Group £000	2018/19 Single £000
(12,161)	(12,161)	Interest Paid	(16,483)	(16,483)
445	4,953	Interest Received	5,437	9,502
0	17,800	Dividends	0	18,000

Note 49) Cash Flow Statement – Investing Activities

2017/18 Group £000	2017/18 Single £000		2018/19 Group £000	2018/19 Single £000
(89,659)	(55,180)	Purchase of property, plant & equipment & intangible assets	(149,134)	(74,888)
0	(10,000)	Purchase of short and long term investments	(841)	(80,171)
12,846	12,846	Proceeds from the sale of property, plant & equipment	6,383	6,383
1,500	1,500	Proceeds from short and long term investments	4,300	3,500
26,086	26,086	Other receipts from investing activities	24,383	24,383
(49,227)	**(24,748)**		**(114,909)**	**(120,793)**

Note 50) Cash Flow Statement – Financing Activities

2017/18 Group £000	2017/18 Single £000		2018/19 Group £000	2018/19 Single £000
0	0	Cash receipts of short and long term borrowing	0	0
(115)	(115)	Other receipts from financing activities	102,063	102,063
(899)	(899)	Cash payments for the reduction of outstanding liabilities (finance leases)	(728)	(728)
0	0	Repayment of short and long term borrowing	0	0
3,206	3,206	Other payments for financing activities	546	546
2,192	**2,192**		**101,881**	**101,881**

Other Supporting Notes

Note 51) Contingent Assets and Liabilities

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

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

At 31st March 2019, the Council had no contingent assets or liabilities.

Note 52) Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants credited to the Comprehensive Income and Expenditure Statement is listed in Notes 11 and 12.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2018/19 are shown in Note 14. During 2018/19 the council did not have any transactions with organisations that Members had a pecuniary interest in.

Officers

During 2018/19 the council did not have any transactions with organisations that Officers had a pecuniary interest in.

Other Public Bodies (subject to common control by Central Government)

Details of payments made to the Bedfordshire Pension Fund (Bedford Borough Council) for employer's superannuation contributions are shown in Note 33. The Council has a number of pooled budget arrangements with NHS Luton and with South Essex Partnership University NHS Foundation Trust. Details of these arrangements are shown in Note 19.

Other Organisations

The Council paid five organisations monies on which it has Member or Officer representation and which share educational, economic development, social and cultural objectives. All payments under £1k have been evaluated as not material from the Council, and third party, viewpoint.

Organisation	2018/19 Expenditure £000	2018/19 Income £000	2018/19 Debtor £000	2018/19 Creditor £000
Luton Cultural Services Trust	256	(4)	(448)	3,203
Active Luton (Leisure Trust)	279	(34)	(319)	377
Barnfield / West Herts College	2	0	(130)	858
Marsh Farm Future	0	(1)	0	163
Luton BID ltd	0	0	(7)	440
Luton Foodbank	0	0	0	7
Lutonians Cricket Club	0	(1)	(1)	2

Entities Controlled or Significantly Influenced by the Council

Details of the Council's shareholdings and investments in London Luton Airport Limited are disclosed in the introduction to the Group Accounts. The Council is involved with a number of companies whose assets and liabilities are not included in the Council's single entity statements. Most of these companies are small simple investments and the Council's interest does not extend to a relationship that could be classified as a subsidiary, associate or joint venture. None of these companies are included in the group accounts.

London Luton Airport Limited

This company is a full subsidiary of the Council and the Group Accounts consist of the consolidation of its financial statements with those of the Council's. The principal activity of the company is the ownership of airport facilities. In 1998/99 the company entered into a thirty-year concession with London Luton Airport Operations Limited to operate the airport. The Council holds 44,837,002 ordinary £1 shares, equivalent to 100% of the company's share capital carried at a historic valuation of £44.837 million. It also held debentures totalling £57.921 million at 31st March 2019. At the year ended 31st March 2019, the company had net assets of £466.741 million (£466.741 million at 31st March 2018). The 2017/18 profit before tax was £31.273 million and after tax was £26.651 million (profit before tax £31.273 million and after tax was £26.651 million for 2017/18). A dividend of £20.159 million has been declared in 2018/19 and is due to be paid in 2019/20. Debenture interest of £3.826 million was payable by the company to the Council during 2018/19 (£3.826 million in 2017/18).

Foxhall Homes

During 2016/17 the Council established a wholly owned subsidiary called Foxhall Homes. The purpose of the subsidiary which has been established is to optimise council land and property assets including the use of redundant spaces to provide hundreds of much needed new homes. During 2018/19 £800,000 of shares were issued from Foxhall Homes to Luton Borough Council, and a working capital loan of £30,000 paid between the organisations. Owing to an ongoing debt between the Wholly Owned Subsidiary and the Council an interest charge of £110,000 was charged for the financial year.

Group

The Council is required to disclose material group transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

In addition to the disclosures included in Note 44 the following donations were made by London Luton Airport Ltd:

Organisation	Number of Cllr / Officer Representatives	Amount (£)	Nature of Service
Luton Cultural Services Trust	2	2,754,000	Leisure & Culture
Active Luton	3	1,471,000	Leisure & Culture
Luton CAB	2	0	Citizen Enablement
Luton Law Centre	2	0	Citizen Enablement
Luton Rights	2	0	Citizen Enablement
You Turn	1	60,000	Community Safety
Safer Luton Partnership	2	66,000	Community Safety
Luton Foodbank	1	50,000	Citizen Enablement
Luton Mediation	1	30,000	Community Safety
Marsh Farm Futures	2	30,000	Comm. Involvement
Ground works	1	17,000	Env.ment & Economy
Total		4,478,000	

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A disclosure limit of £1k has been applied to this disclosure. All transactions under £1k have been assessed as not material from the viewpoint of the Group, and the related party.

Note 53) Fair Value

Investment Properties Fair Value Hierarchy

Fair valuations have been classified into three levels to signify the level of certainty existing within the underlying valuation assumptions. The three levels are;

- **Level 1** valuations are derived from quoted prices in active markets for identical assets or liabilities
- **Level 2** valuations do not have quoted market prices and there is some element of assumptions being used which are supported by observable market data
- **Level 3** valuations contain at least one input which significantly impacts on the valuation of the asset or liability, and the input cannot be directly supported by market data.

The single entity and group accounts do not have any Investment Properties classified using the level classification.

	Single			Group		
	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31/03/2019 £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31/03/2019 £000
Retail	43,179	0	**43,179**	43,179	0	43,179
Leisure	3,300	0	**3,300**	3,300	0	3,300
Office Units	38,655	0	**38,665**	38,655	2,000	40,655
Industrial	10,367	1,445	**11,812**	16,607	1,445	18,052
Freehold Interest in London Luton Airport	0	0	**0**	0	560,000	560,000
Other	0	11,906	**11,906**	2,565	23,436	26,001
Total	**95,511**	**13,351**	**108,862**	**104,306**	**586,881**	**691,187**

The following table does not include £33.387 million of LALL investment properties assets under construction which relate to Bartlett Square, Century Park and the Development Consent Order. These costs are held at historical cost

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Investment Properties Valuation Methods Used To Determine Level 2 & 3 Fair Values

Significant Observable Inputs – Level 2

For the Level 2 valuations we have based the valuations on the market-based income and investment approach in all the separate categories, assessing rental values by reference to comparable leasing deals in the locality of each asset, with relatively minor adjustments to unit rental values to cater for individual characteristics of the property being valued. Capitalising income streams at an appropriate valuation yield has also been carried out by reference to comparable sales of investment properties with similar characteristics and adopting the capitalisation yields in those comparable deals. The retail, office and some of the industrial properties have been placed in the Level 2 category as relevant comparable evidence of rental value and investment/capital value such that the level of 'observable inputs' is significant.

For our offices throughout the south-east of England comparable capital transactions may be in other towns but of similar types of office building. Adjustments have been made to comparable yields to reflect differences in individual property's features, such as unexpired lease term, strength of tenant covenant, quality of specification and micro location. For a Level 2 valuation we would seek to base valuations on very similar comparable transactions so that the adjustments made in the valuation for these factors are not significant – so that the "observable inputs" (i.e. the comparable evidence) are significant determinants in each valuation.

Significant Observable Inputs – Level 3

Those assets that are in the categories of some 'Industrial' properties, the development sites and all of those categorised as 'Others' have been placed in the Level 3 category. The valuation method is largely similar to that used for Level 2 properties, assessing rental values and capital values separately and applying suitable investment yields to income streams, but more significant adjustments to rents and yields deriving from other transactions may have been applied, using the valuer's experience and judgement of the property investment market, than the minor adjustments made in Level 2 valuations. Where the comparable evidence of similar assets is thin, or where the adjustments we have to make to the valuations using the valuer's judgement are material, and are thus 'unobservable inputs', we would place the valuations in the Level 3 category. There have been no transfers between level 2 and level 3 categories.

London Luton Airport – Significant Observable Inputs (Level 3)

The Freehold Interest in London Luton Airport has been placed in the Level 3 category the valuers have adopted an explicit discounted cash flow methodology and made assumptions regarding passenger growth and RPI forecasts based on our analysis of historical trends and knowledge of other airports. At reversion (2031) it is assumed that the freeholder would sell the Airport. This is consistent with the methodology previously adopted. The valuers have capitalised all income from passenger and cargo throughput and have made appropriate deductions for management fees and the rent payable on the additional 40 acres to arrive at a forecast net income each year. As well as adopting an explicit discounted cash flow methodology the valuers also undertook a 'cross-check' using a traditional yield approach. The valuation of £560,000,000 (rounded) reflects a Net Initial Yield of 8.05% based on current income. This is considered a prudent level recognising the nature of the interest.

The two of the assets categorised as "Others" have been place in the Level 3 category. One site is Bartlett Square a brownfield site which has a value of £1.420 million where the valuation has had regard to the potential development value of the site, reflecting inherent planning risk and has applied an average acreage rate of £0.39 million, which is at the higher end of the market range but allows for the proximity to Luton Airport Parkway. The other site is Century Park, valued at £10.1 million, a land site which has outline planning permission for commercial development. Due to the scale of the development proposal no directly comparable land sales have occurred in the area over recent years, however the valuers have had sight of a number of recent land transactions that have occurred. Due to the size and complexity of the site there are a large number of unknown factors that influence its marketability, and therefore end value. As such the valuers have used the residual value method to establish a land value per acre, which is then deferred into the future on the basis of expected market take up. This is consistent with the prior year and reflects the continued barriers that need to be overcome to deliver development at this site.

Quantitative information about Fair Value measurement of Investment properties using significant Unobservable Inputs – Level 3

Category	31/03/2019 Value	Valuation Method	Unobservable Inputs	Range	Sensitivity
Industrial	£1.445 million	Income and Investment Yield market approach	Investment yields	4.25% - 12.0%	Significant changes in the investment yield used will result in significant change to capital value
Others	£11.906 million	Income and investment yield market approach and site valuation by market	Site values; residential	£800,000 - £1,000,000 per acre	Significant changes in any of these variables/inputs are likely to have a material impact on the fair value capital valuations
		Comparable evidence	Site values; commercial	£500,000 per acre	
		Comparable evidence	Investment yields	6.50% - 15.00%	
		Comparable evidence	Playing field values	£20,000 per acre	
		Comparable evidence	Rental value of health centres	£12.00 - £14.00 per sq ft	

04 Supplementary Statements and Supporting Notes

Contents

Housing Revenue Account (HRA) and Supporting Notes

HRA Income and Expenditure Account and Movement on HRA Balance

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents.

The Council charges rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

The HRA Income and Expenditure Statement is consolidated into the Comprehensive Income and Expenditure Statement.

31/03/2018 £000		31/03/2019 £000
	Expenditure	
12,443	Repairs and maintenance	12,825
6,084	Supervision and management	6,350
2,510	Rents, rates, taxes and other charges	2,610
202	HRA services' share of Corporate and Democratic Core	234
10,506	Depreciation and impairment of non-current assets	10,611
6,321	Upward revaluation of non-dwellings	(733)
0	Impairment Reversal	2,636
0	Movement in fair value of Investment Properties	0
0	Revenue Expenditure funded by Capital Under Statute	0
90	Debt management costs	106
383	Movement in the allowance for bad debts	289
38,539	**Total Expenditure**	**34,929**
	Income	
(33,146)	Dwelling rents	(32,850)
(1,259)	Non-dwelling rents	(1,528)
(3,482)	Tenant services and facilities charges	(4,593)
(316)	Leaseholders services and facilities charges	(343)
(147)	Contributions towards expenditure	(107)
(38,351)	**Total Income**	**(39,420)**
189	**Net Cost for HRA Services**	**(4,491)**
	HRA Share of the operating income and expenditure	
(462)	(Gain) or loss on sale of HRA non-current assets	(1,947)
2,167	Movement in fair value of Investment Properties	(604)
4,721	Interest payable and similar charges	5,505
(58)	Interest and investment income	(196)
233	Net interest on the net defined benefit liability	235
(437)	Capital contributions receivable	(746)
6,353	**(Surplus) or deficit for the year on HRA services**	**(2,243)**

Movement on the HRA Statement

This statement takes the outturn on the HRA income and expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

It is consolidated into the Movement in Reserves Statement.

31/03/2018 £000		31/03/2019 £000
(8,311)	**Balance on the HRA at the end of the previous year**	**(8,311)**
6,353	(Surplus) or deficit for the year on HRA services	(2,243)
	Adjustments between accounting and funding basis:	
(10,506)	Charges for depreciation and impairment of non-current assets	(10,611)
(6,321)	Revaluation losses on Property, Plant and Equipment	(1,904)
(2,167)	Movements in the market value of Investment Properties	604
0	Revenue Expenditure funded from Capital under Statute	0
(5,573)	Non-current assets written off on disposal or sale as part of the gain/loss on disposal	(2,871)
437	Capital grants and contributions applied to capital financing	746
6,128	Transfer of cash sale proceeds credited as part of the gain/loss on disposal	4,884
(92)	Contribution from the Capital Receipts Reserve towards administrative costs of disposals	(65)
1,603	Capital expenditure charged against the General Fund and HRA balances	2,005
10,178	Reversal of Major Repairs Allowance credited to the HRA	10,304
5	Amount by which finance costs differ from costs chargeable in accordance with statute	(669)
(1,045)	Reversal of items relating to retirement benefits debited or credited to the statement	(1,576)
550	Employer’s pensions contributions and direct payments to pensioners payable in the year	1,084
(15)	Amount by which officer remuneration charged on an accruals basis differs from remuneration chargeable in accordance with statute	(7)
(466)	**Net (increase) or decrease before transfers to or from reserves**	**(319)**
466	Transfer to or (from) earmarked reserves	(1,903)
0	**(Increase) or decrease in year on the HRA**	**(2,223)**
(8,311)	Balance on the HRA at the end of the current year	**(10,534)**

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HRA Statement Supporting Notes

Movements in Asset Values

	Dwellings £000	Land & Buildings £000	VPFE £000	Surplus £000	Investment Property £000	2018/19 Total £000	2017/18 £000
Opening	464,495	6,560	19	4,162	6,822	482,058	467,007
Additions/Transfer	10,783	(34)	0	0	0	10,749	23,952
Depreciation	(10,304)	(289)	(7)	0	0	(10,600)	(10,506)
Revaluations	8,472	233	0	0	604	9,309	7,176
Disposals	(2,871)	(232)	0	0	0	(3,103)	(5,573)
Closing	**470,575**	**6,238**	**12**	**4,162**	**7,426**	**488,413**	**482,056**

The above table does not include any Assets Under Construction. The balance as at 31st March 2019 is £20.612 million (£8.799 million as at 31st March 2018).

Housing Stock

	Houses & bungalows				Flats			Total
	1 bed	2 bed	3 bed	>3 bed	1 bed	2 bed	3 bed	
31 March 2018	125	768	2,562	129	2,361	1,594	223	**7,762**
31 March 2019	125	762	2,536	127	2,355	1,585	224	**7,714**
(Reduction)/Increase	**0**	**(6)**	**(26)**	**(2)**	**(6)**	**(9)**	**1**	**(48)**

The average dwelling value is £0.063 million (£0.060 million in 2017/18).

Vacant Possession Values

The vacant possession value of dwellings as at 31st March 2019 is £1,236 million (£1,220 million in 2017/18). The vacant possession value of a property is defined as an opinion of the best price at which the sale of the property would have been completed unconditionally for cash consideration on the date of the valuation. The difference between the vacant possession value and the balance sheet value shows the economic cost to the Government of providing council housing at less than open market value.

Major Repairs Reserve

Authorities are required by regulation to establish and maintain a Major Repairs Reserve. The main credit to the account comprises the total depreciation charge for all Housing Revenue Account assets. Capital spending on Housing Revenue Account assets is then funded from the reserve without being charged to the Housing Revenue Account. The movements of the Major Repairs Reserve can be found in Note 21.

Capital Expenditure and Financing

31/03/2018 £000		31/03/2019 £000
4,648	Prudential Borrowing	8,142
437	Capital Grants	746
1,603	Direct Revenue Financing	0
9,585	Major Repairs Reserve	10,005
1,394	Capital Receipts	1,874
0	HRA Capital Reserves	2,005
17,667	**Total Capital Expenditure**	**22,773**

The £8.142 million is with regard to Marsh Farm Re-development solely.

Capital Receipts Reconciliation

31/03/2018 £000		31/03/2019 £000
(7,046)	Sale of Council Houses	(5,739)
0	Mortgage receipts	0
(7,046)	**HRA receipts in year**	**(5,739)**
651	less: Statutory pooling	651
(6,395)	**Total Capital Receipts**	**(5,088)**

Rent and Arrears

Central Government policy is to reduce housing rents by 1% per year for the four years until 2020/21.

Type	Number of Bedrooms	Lowest £	Highest £	Typical £
Houses & Bungalows	1	54.12		95.62
	2	70.84		115.13
	3	75.83		118.33
	4 or more	91.59		118.68
Flats	1	47.99		84.44
	2	55.97		94.29
	3	84.42		96.17

Rent arrears at 31st March 2019 were £3.106 million (£2.744 million at 31st March 2018), against which a provision for bad debt of £2.969 million (£2.640 million at 31st March 2018) has been made.

Luton

Collection Fund Statements

Collection Fund Annual Statement

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and non-domestic rates.

2017/18 NNDR £000	2017/18 Council Tax £000		2018/19 NNDR £000	2018/19 Council Tax £000
	-84,093	Income from Council Tax		-89,566
-66,295		Income collectable from business rates	-66,351	
-66,295	**-84,093**	**Total Income**	**-66,351**	**-89,566**
-2,935		Central Government	-597	
-2,876	564	Luton Borough Council	-585	3,137
	71	Bedfordshire Police Authority		384
-59	40	Beds and Luton Combined Fire Authority	-12	215
-5,869	**674**	**Total Prior years surplus / (deficit)**	**-1,194**	**3,736**
32,463		Central Government	33,018	
31,814	67,438	Luton Borough Council	32,358	72,427
	8,260	Bedfordshire Police Authority		8,987
649	4,616	Beds & Luton Combined Fire Authority	660	4,824
64,926	**80,314**	**Total Precepts and Demands**	**66,037**	**86,238**
246		Costs of Collection	243	
2,860	136	Write-offs charged to Collection Fund	228	89
-1,314	2,740	Change in allowance for impairment	2,101	1,492
-3,295		Appeals charged to Collection Fund	-2,556	
2,926		Change in provision for appeals	3,843	
1,227		Transitional Protection payments	-236	
2,651	**2,876**	**Total Charges to Collection Fund**	**3,624**	**1,581**
61,708	**83,864**	**Total Expenditure**	**68,467**	**91,555**
-4,587	**-229**	**Deficit/(Surplus) for year**	**2,116**	**1,989**

Luton

Collection Fund Movement in Reserves

The surplus generated in 2018/19 for Business Rates and Council Tax has improved the level of reserves held for both funds.

The closing reserves balances can then be split by the major preceptors. This is shown in the following note.

2017/18 NNDR £000	2017/18 Council Tax £000		2018/19 NNDR £000	2018/19 Council Tax £000
(4,587)	**(229)**	**Deficit/(Surplus) for year**	**2,116**	**1,989**
3,598	(3,235)	**Total Prior years surplus / (deficit)**	(989)	(3,464)
(989)	**(3,464)**	**Deficit/(Surplus) for year**	**1,127**	**(1,475)**

Collection Fund Supporting Notes

Split of the Collection Fund Balances Share by Major Preceptor

Council Tax reserves are split across the major preceptors based on the precept demands place on the Collection Fund.

Business Rates are proportioned based on a set percentage across the major preceptors.

- 50% Central Government
- 49% Luton Borough Council
- 1% Beds and Luton Combined Fire Authority

2017/18 NNDR £000	2017/18 Council Tax £000		2018/19 NNDR £000	2018/19 Council Tax £000
(495)		Central Government	563	
(485)	(2,909)	Luton Borough Council	552	(1,245)
	(356)	Bedfordshire Police Authority		(147)
(10)	(199)	Beds & Luton Combined Fire Authority	11	(82)
(989)	**(3,464)**	**Total Reserve Balance**	**1,127**	**(1,475)**

Income from Business Rates

The Council is a billing authority and collects from local businesses an amount equal to the rateable value of their property, multiplied by the uniform rate set nationally by government. In unitary authority areas such as Luton, the Council will retain 49% of the rates yield.

There is inherent volatility in the Non-Domestic Rates yield as the tax base is based on notional property rental values. The Council now benefits from any growth in yield, subject to a levy on disproportionate gains, but also shares the risk of any negative volatility in yield, subject to a national safety net system that will ensure retained yield does not fall below 92.5% of the Council’s baseline funding requirement as determined by the Government.

Ratepayers have a right to appeal against the rateable value attributed to their property under certain circumstances. It is necessary to establish a provision for the estimated loss in yield, but it is difficult to form an accurate estimate of the potential liability to the Council that will arise due to outstanding rating appeals because appeals are determined independently by the Valuation Office Agency or, in some cases, the Valuation Tribunal.

The total 2017 non-domestic rateable value at 31st March 2019 was £169.9 million (£171.3 million at 31st March 2018). The 2018/19 rating multiplier set by central government was 49.3p per £ (47.9p per £ in 2017/18) and the 2018/19 small business multiplier was 48.0p per £ (46.6p in 2017/18).

Income from Council Tax

The Council's tax base for 2018/19 was 50,461.10 (49,733.30 in 2017/18). This is the number of chargeable dwellings in each of the valuation bands adjusted for discounts and non-collection and converted into an equivalent number of band D properties.

Band	Value at April 1991	Number of Dwellings	Ratio (9th)	Council Tax
A	Disabled Relief	13	5/9	£949.44
A	Under 40,000	18,781	6/9	£1,139.32
B	40,000 – 52,000	26,746	7/9	£1,329.20
C	52,000 – 68,000	22,408	8/9	£1,519.09
D	68,000 – 88,000	7,739	9/9	£1,708.98
E	88,000 – 120,000	3,402	11/9	£2,088.75
F	120,000 – 160,000	1,054	13/9	£2,468.53
G	160,000 – 320,000	261	15/9	£2,848.30
H	Over 320,000	32	18/9	£3,417.95

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Glossary

Accounting Polices
Accounting policies define the process whereby transactions and other events are reflected in the financial statements.

Accrual Accounting
The concept that items of income and expenditure are included in the accounts in the year they are earned or incurred, not when the money is received or paid.

Budget
This is a statement of the expected level of service to be provided expressed in monetary terms, over a set period of time including both revenue and capital expenditure.

Capital Adjustment Account
This account was formed on 1 April 2007 from the consolidation the former Capital Financing Account and the Fixed Asset Restatement Account. Transactions on the account since reflect the financing of capital expenditure, the adjustment for the Minimum Revenue Provision and adjustments to the value of assets in the balance sheet which cannot be accounted for in the Revaluation Reserve. This account cannot be used to fund revenue expenditure

Capital Expenditure
Expenditure on the acquisition of a fixed asset or expenditure, which adds to and not merely maintains the value of an existing fixed asset.

Capital Receipts
Proceeds from the sale of fixed assets and repayment of advances. These are either set aside for the repayment of loans or used to finance new capital expenditure.

Carry Forwards
These are year-end under spends which have been approved by Members to be carried forward into the next year to support specific expenditure.

CIPFA
This is the Chartered Institute of Public Finance and Accountancy, the accountancy body which sets and monitors professional standards and provides guidance for public services accounting.

Code of Practice on Local Authority Accounting in the United Kingdom ('the Code')
The ‘Code’ is the accounting standards which CIPFA have published for Local Authorities to follow when producing the Statement of Accounts. The ‘Code’ translates International Financial Reporting Standards (IFRS) into compatible rules and regulations for Local Authorities to apply.

Collection Fund
This fund receives all income raised through Council Tax and Non-Domestic Rates. The fund then disperses funds to the Income and Expenditure Account, pays the precepts to the Bedfordshire Police Authority and Bedfordshire and Luton Combined Fire Authority, and transfers

the Non-Domestic Rate income to the Central Government national pool for redistribution.

Community Assets

Assets that the council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and works of art.

Contingent Liability

A contingent liability is a possible obligation arising from past events that will only be confirmed by future events. An example of a contingent liability would be a court case or employment tribunal case, which had commenced, but not concluded at the year-end.

Council Tax

This is the means of raising money locally to pay for local authority services. This is a property-based tax where the amount levied depends on the valuation of each dwelling.

Creditors

Amounts owed by the Council for goods or services that it has received but for which payment had not been made by the balance sheet date of 31 March.

Current Assets

These are assets that can be readily realised and converted into cash.

Current Liabilities

These are liabilities that are due for payment immediately or in the short term.

Current Service Cost (Pensions)

This is the increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailment

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include the termination of employees' service sooner than expected and the termination of or amendment to the terms of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Debtors

Amounts owed to the Council where services have been delivered but for which payment has not been received by the balance sheet date.

Deferred Liabilities

These are sums due to be paid by the Council in future periods.

Defined Benefit Scheme

This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciated Replacement Cost

A method employed in valuing land and buildings where a market value basis is not readily available. For example this method might be used for valuing schools, where there is no market for the asset in its existing use.

Depreciation

This is the measure of the value of fixed assets, used to provide services, consumed during the accounting period and is based on the expected useful life of the asset. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset.

Doubtful Debts

A provision made for debts which might not be paid, based on the age and particular circumstances relating to the debt.

Earmarked Reserves
These reserves represent the monies set aside that can only be used for the specified use or purpose.

Emoluments
Amounts paid to employees of the council, including expenses or non-monetary benefits that are taxable net of employee pension contributions.

Estimation Techniques
The methods adopted by the council to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

Events after the Balance Sheet Date
Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

Exceptional items
Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give a fair representation to the accounts.

Extraordinary items
These are material items, needing a separate disclosure because they are activities that fall outside of the ordinary activities of the authority.

Fair Value
The fair value of an asset is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial Reporting Standards (FRS's)
These are statements of accounting standards issued by the Accounting Standards Board. Accounting standards apply to all companies, and other kinds of entities that prepare accounts that are intended to provide a true and fair view. The extent to which they apply to local authorities is determined by the SORP.

Foundation School
A school that receives funding from the Council, but where the governing body owns the land and buildings. Many of these schools were formerly grant maintained schools.

General Fund
This is the council's main revenue fund to which revenue receipts are credited and from which revenue liabilities are discharged. The movement on the fund in the year represents the excess of income over expenditure.

Government Grants
Financial assistance provided to the council by government departments, inter-government agencies and similar bodies to enable services to be provided.

Group Accounts
These show the revenue account and balance sheet including regulated companies of the Council. There are wo companies that falls within the regulations, these are London Luton Airport Ltd and Foxhall Homes.

Historical Cost
The value of the capital expenditure originally occurred when the asset was purchased, constructed or enhanced.

Housing Revenue Account (HRA)
This is the ring-fenced account that records the income and expenditure relating to the provision of council housing.

Impairment
This is a reduction in the value of a fixed asset below its carrying amount on the balance sheet. Examples would include loss in value due to physical damage or decline in market value due to a general fall in prices.

Infrastructure Assets
These are fixed assets that cannot be assigned to others and hence have no value to other entities. Examples of infrastructure assets are highways and footpaths.

Intangible Assets

This is expenditure that is of a capital nature, but where no tangible asset exists. An example of intangible asset is a computer software licence.

International Financial Reporting Standards
International Financial Reporting Standards (IFRS) underlie the preparation and presentation of financial statements in a consistent format so that users from different countries can interpret financial information. Local Government produced IFRS compliant accounts for the first time in 2010/11.

Inventory
The amount of unused or unconsumed inventory (stocks) held by the council in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

Investment Properties
An interest in land and/or buildings where construction work and improvements are complete and it is held for its investment potential, with any rental income being negotiated at arm's length.

Investments (Pensions Fund)
The investments of the Pensions Fund are accounted for in the accounts of the Fund, which is administered by Bedford Borough Council. However the council is required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

Investments (Non-Pensions Fund)
A long-term investment is an investment that is held for use on a continuing basis. The council's long-term investments mainly relate to the capital investment in London Luton Airport Ltd and in land development. In addition long-term investments include surplus funds that are invested for periods in excess of twelve months. Short-term investments, which are classified as current assets, comprise deposits of temporary surplus funds with banks or similar institutions.

Liabilities
Amounts the authority either owes or anticipates owing to others, whether they are due for immediate payment or not.

Long Term Debtors
These are amounts due to the council more than one year after the balance sheet date.

Major Repairs Allowance (MRA)
The MRA is a government subsidy that was introduced to replace the Housing Revenue Account borrowing for repairs.

Major Repairs Reserve (MRR)
This reserve is for capital expenditure on HRA assets.

Minimum Revenue Provision (MRP)
This is the minimum amount that must be charged to an authorities income and expenditure account each year, as a notional redemption cost of the authority's credit liabilities, for example an element of the principal repayment of outstanding loans.

Net Book Value
The amount at which fixed assets are included in the balance sheet, for instance their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost
The cost of replacing or recreating the particular asset in its existing condition and in its existing use, for instance the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Non-operational Assets
Fixed assets held by the council, but not used or consumed in the delivery of services or for the service or strategic objectives of the council. Examples of such assets include investment properties and assets that are surplus to requirements, pending their sale.

Non Domestic Rates (NDR)
This is a rate in the pound set by central government at a standard countrywide rate, applied to the rateable value of each premise not being used for domestic purposes. It is collected locally by the council and paid over to central government. Central government then

redistribute NDR to council's by revenue grant in proportion to the population of each authority.

Operational Assets

Fixed assets held and occupied, used or consumed by the council in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the authority.

Precept

The levy made by other authorities, namely the police authority and the combined fire authority, on the council, requiring the council to collect income from council taxpayers on their behalf.

Provisions

Provisions represent sums set aside in the accounts to meet future expenditure where the specific liability is known to exist but is of uncertain amount or timing.

Prudential Borrowing

This is borrowing by local authorities without government financial support, but in accordance with the CIPFA prudential code of local authority borrowing to finance capital expenditure.

Public Works Loan Board (PWLB)

This is a government body that provides loans to local authorities for financing capital expenditure.

Revaluation Reserve

IFRS compliant account introduced for the first time in 2007-08 that reflects revaluations of assets from 1 April 2007, enabling assets to be shown in the balance sheet at current value. The overall balance is attributable to identifiable assets and impairment can only be charged here if a previous valuation gain was greater than or equal to the impairment being credited to the reserve. This account does not represent additional resource available to the Council.

Reserves

These monies set aside are mainly available to meet future commitments. Earmarked reserves are allocated for a specific purpose. Three of the reserves, the Capital Adjustment Account, the Pensions Reserve and the Revaluation Reserve cannot be used to meet commitments.

Revenue Contributions to Capital Outlay

These are contributions from the income and expenditure account to finance capital expenditure.

Revenue Support Grant

This is the amount of general Central Government grant support for local authority expenditure. In addition there are specified grants directly related to particular services and costs.

Luton