Statement of Accounts 2019/20

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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 challenge as a result of the COVID -19 pandemic. The chancellor has announced the next spending review will take place this autumn and was clear there will be "tough choices" to be made. All government departments have been asked to identify opportunities to reprioritise and deliver savings. The government is also asking for views on the potential of a capital values tax or online services tax to replace business rates in its comprehensive review of the tax with a view to address the ongoing debate on a realistic level of funding required by local authorities to be sustainable. The uncertainty surrounding business rates retention and the next government's spending review still poses a challenge for Local Authorities and makes it difficult to plan for the long-term. The outcomes of all these changes, the uncertainty surrounding both the pandemic and the future of the aviation industry are not yet fully understood but is likely to impact significantly on the Council's organisational and financial resilience and sustainability and ways of working. The Council emergency budget (link below) describes the impact of COVID-19 on the Council's and its subsidiary's finances.

https://democracy.luton.gov.uk/cmis5public/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/5727/Committee/1114/Default.aspx

Since the date COVID-19 was declared as a major incident, the Council has worked both at local and national level with Central Government in order to address the challenges and minimise the impact of COVID-19 on both lives and livelihood and this work is on-going. The Council is in detailed discussion with MHCLG as due to the impact on the airport and loos of income. Luton is regarded as a special case we hope that further support is provided by central government in order to avoid significant cuts to services and jobs.

We will keep monitoring the implications of COVID-19 and the Statement of Accounts will be updated to include any post balance events and impact on estimates if necessary before it is finalised and audited.

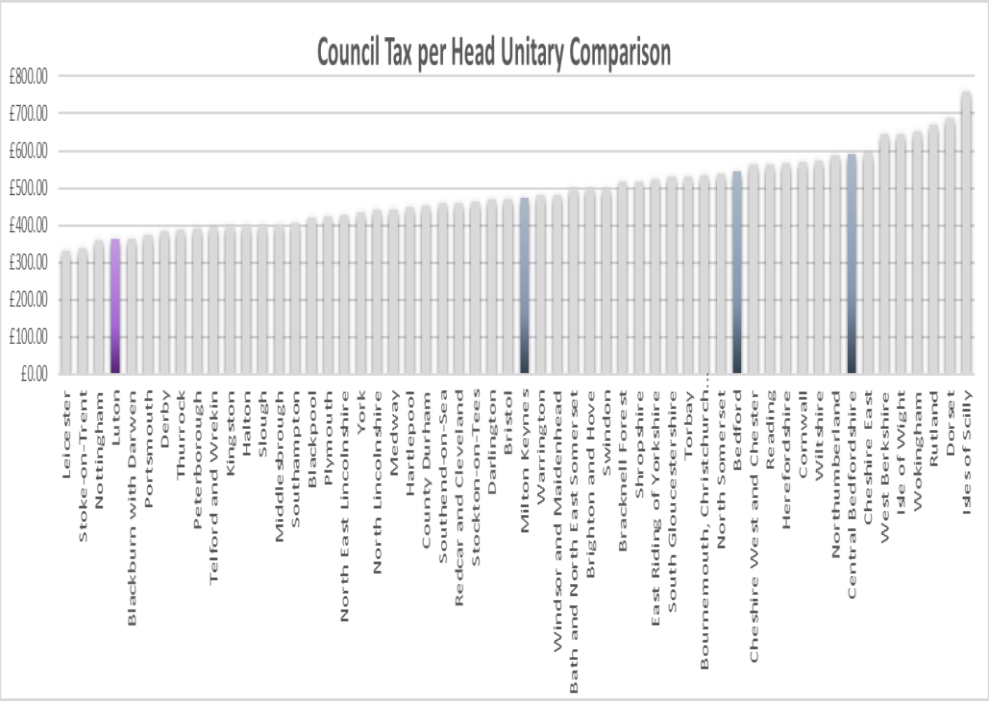
The risk section below highlights the risks associated with COVID-19 and mitigation measures put in place to minimise the impact both financial and non-financial.

Even before COVID -19, the Council was not alone in facing unprecedented service pressures in relation to Children's Social Care and Homelessness with 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' and the 2040 vison, with remarkable progress in the construction of the Luton DART, the application to expand London Luton Airport and numerous commercial development projects. Together with our partners, we are on track 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. The recent Inclusive Growth Commission's report highlighted a series of challenges, including the impact of poverty and deprivation on many of the most vulnerable and left behind in our community despite the success of the LIF. In order to address this and the many other challenges set out in the Inclusive Growth Commission report, the council has launched its vision for Luton 2040, a town where no one lives in poverty.

Luton 2040 is an ambitious vision that will build on the success of the Luton Investment Framework by eradicating poverty and ensuring that all in our town can benefit through an inclusive economy. This is an important step in our journey to building a more prosperous town for all our residents and all in Luton should continue to play their part to make this vision a reality.

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 finalising 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 2019/20 budget the Council regrettably was left with little other option than to include a Council Tax increase of 2.99% and no addition to 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.

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The Council's financial management remained robust during 2019/20 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. 2020/21 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 and address the significant reduction in dividend from its 100% owned company, London Luton Airport Limited (LLAL). The emergency budget approved by the Council on 17 July is expected to stabilise both the Council's and LLAL finances. However the level of savings to be delivered would require timely and robust monitoring and reporting and corrective measures taken in order to address any shortfall. It also requires the Council to make use of reserves during the implementation period which spans over two years.

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 2019 was 213,052. 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 latest population figures showed that 23% 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 not being of 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. Luton has been identified as a town at high risk from the economic impact of the Covid-19 pandemic because of the importance of the airport to the town's economy.

There are still immense challenges around health and deprivation. In 2019 Luton was ranked as the 70th most deprived local authority in the country (out of 317 areas), however this was an improvement on 2015 when Luton was ranked 59th, i.e. Luton is relatively less deprived when comparing 2015 with 2019.

A study by the Centre for Research in Social Policy showed that nearly half of children in the town were in poverty in 2018. 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 38% of Luton's students gained grade 5 or above in English and Maths GCSEs; compared to the national average of 40%. 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.

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Achievements in Luton

- Both Luton 2020 planning applications get approval (Power court and Newlands)
- Growing Luton Inclusive Growth commission public consultation commences
- Henryboot starts phase 2 of Butterfield
- LLAL publishes its preferred option for future growth
- LBC and Foxhall homes obtained planning permission for a new park on the former Putteridge High School playing fields
- New Century Park receives outline planning permission
- Luton Council hosts the successful People Power Passion programme of six events over five months marking the 100th Anniversary of the Peace Day Riots in Luton.
- The £1m Luton Construction Skills Academy was officially launched
- Planning permission granted for new access road and commercial development at New Century Park
- Luton Council announced interview guarantee scheme for young people leaving care
- Carers Central hub launched
- London Luton Airport has more than 17 million passengers fly through.
- Planning permission granted for 48 new houses at Strangers Way
- Careers Hub Luton officially launched
- Luton Council awarded a further £146,241 from MHCLG for migrant rough sleeping
- Roman Way housing development of 20 homes welcomed it first residents
- Work began on the new development by Strawberry Star on the former Vauxhall site at Napier Park
- Luton Council Executive approved a new strategy 'Prosperity Through Procurement'
- London Luton Airport Ltd announced its new partnership with Abellio
- A range of 11, two to four bedroom homes completed as part of the £25m Marsh Farm Regeneration project.
- The Luton's Best Awards celebrate its 10th Anniversary.
- The final report of the Growing Luton Together Inclusive Growth report is launched setting out 12 key ambitions for the town.

Corporate Performance

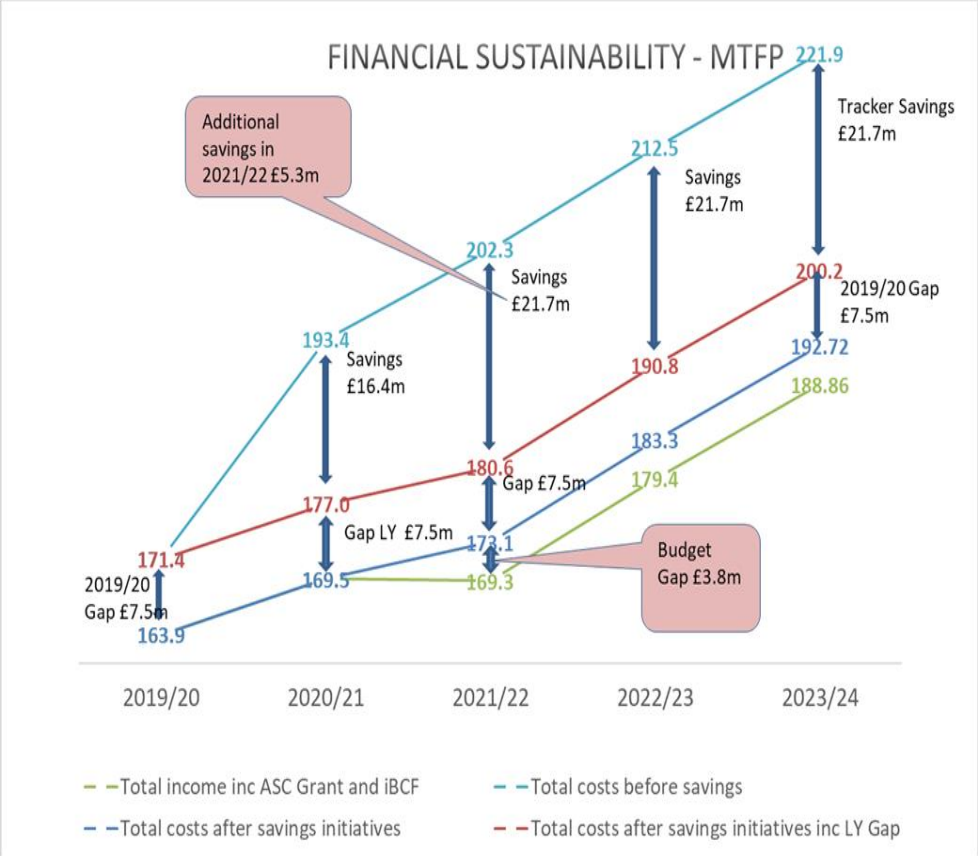
A corporate performance report is provided to the management team, Overview and Scrutiny Board and Executive on a quarterly basis. Current performance is measured using selected performance indicators against the key priorities of the Corporate Plan.

The report highlights where indicators are not being met and details service recovery plans in place to rectify the position. The report was considered on 20 July 2020 and covered the fourth quarter of 2019/20. 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 2020/21 budget process which was later amended by the Emergency budget approved by the Council on the 14 July 2020.

The COVID-19 Emergency has caused fundamental changes to the Council's budget. In addition to extreme pressures on many services such as care, homelessness and public health, it has dramatically affected the Council's commercial activity, particularly the Council's 100% owned company, London Luton Airport Limited (LLAL), and the company's ability to pay the dividend that in previous years the Council has used to fund essential services in the town.

The extent of the financial impact requires an emergency response with some substantial amendments to the revenue and capital estimates approved previously, in order to deliver a balanced budget this year. The Emergency Budget report included new savings proposals, alongside the savings previously approved for the 2020/21 budget. It must be noted that those proposals significantly affecting service delivery or jobs were only approved for consultation, and at the end of that consultation the Executive will receive further reports in order to determine whether the proposal should be approved, or whether alternative options are required.

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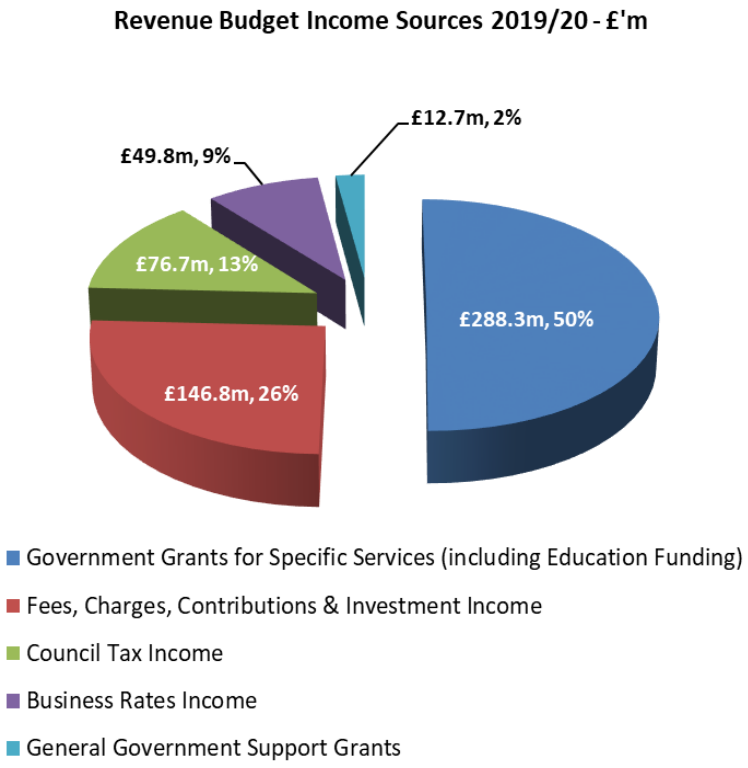
Over the next five years, the Council has to achieve £15.9m of savings. The MTFP assumes that nearly half of iBCF and Social Care support grant amounting to £4m is maintained as part of the next Spending Review in 2021/22. Any further reduction to this grant will increase the future budget gap. The level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

Revenue Financing

The Council net revenue expenditure was financed as per the pie chart:

- £76.7 million Council Tax inc. ASC precepts
- £49.8 million Business Rates (including top-up)
- £12.7 million General Government Support Grant
- £288.3 million Government Grants for specific services
- £146.8 million Fees and charges & Investment Income

The budgeted dividend from LLAL of £19 million was a significant funding source for 2019/20. This is above the amount RSG the Council receives from Central Government. The most significant increase in recent years is in Council Tax. The increased referendum limits have created the capacity for a higher percentage increase over the last few years.



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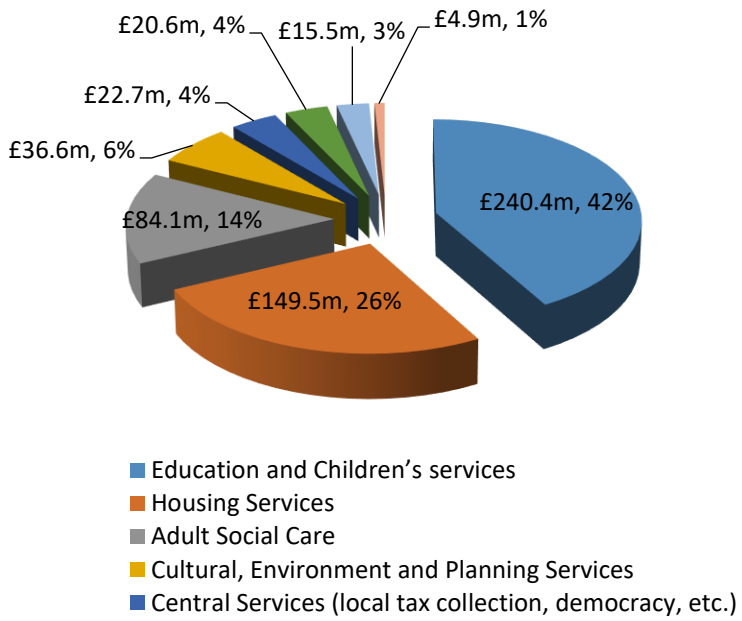
Departmental Net Spend

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.

Revenue Budgets by Main Service 2019/20



Financial Position

Useable Reserves increased by £1.7 million to £126 million during 2019/20. The increase includes additional General Fund Balances of £5.6 million and a reduction of £3.4 million in Major Repairs Fund. Of the £126 million, £83.3 million is ring-fenced for specific projects and service pressures, £18.7 million is ring-fenced for capital purposes and £10 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 2019/20 unusable reserves have reduced from £482 million to £365 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 2019/20 has been a reduction of £74.6 million in the revaluation reserve. There has also been a £17.8 million increase in the Pensions Reserve deficit which has mainly been driven by changes in financial assumptions applied by the actuary.

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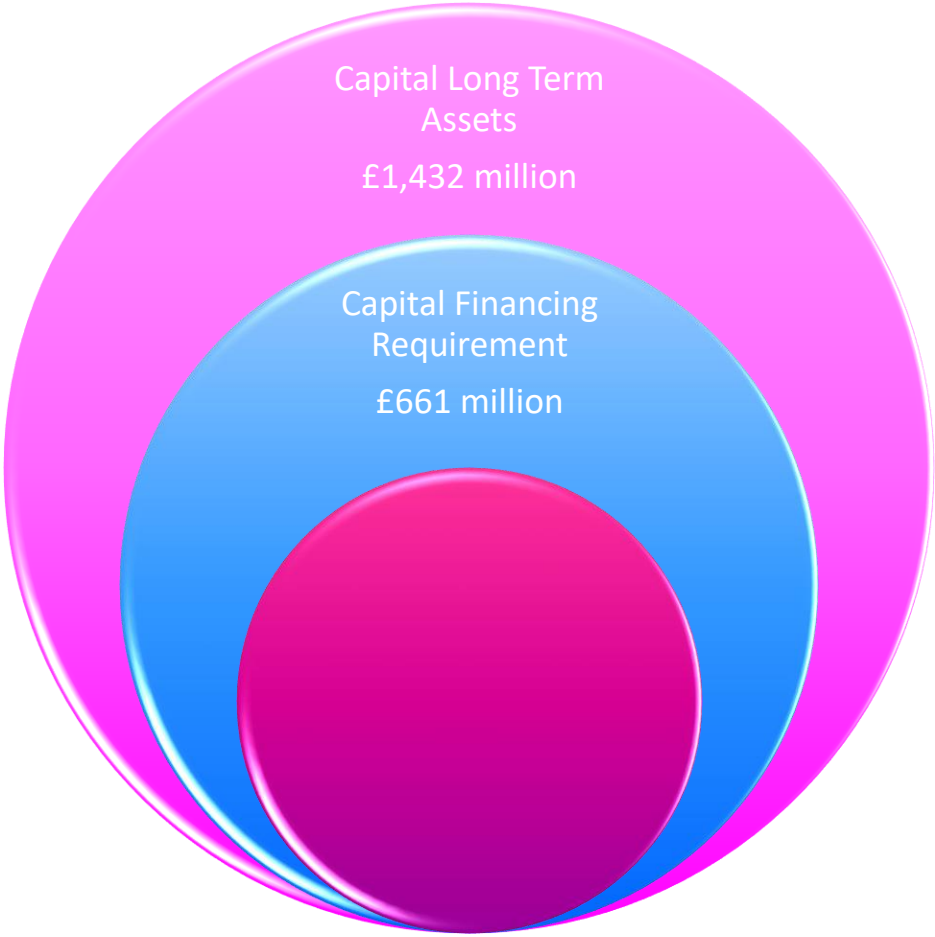
The most fundamental change to the Council's financial position was the increase in external borrowing of £124 million during the 12 month period. A significant proportion of this expenditure related to the investments in wholly owned subsidiaries. A substantial proportion of this figure relates to the construction of the Direct Air Rail Transit project being developed by London Luton Airport Ltd (LLAL).

£124m of the additional debt was issued from the Public Works Loan Board.

The Capital Financing Requirement increased by £131 million during the financial year. This was less than original budgeted £178 million increase (as reported in the Treasury Outturn Report). This reduction is only a timing issue and the budgets have been re-profiled into 2020/21 and future years.

The net movement in working capital and cash backed reserves offset to a minimal balance. This created an increase of £6.5 million in cash and cash equivalent balances.



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Revenue Outturn

The provisional outturn was reported to Executive in July 2020. The report includes the summary table shown. Variations are after the allocation of the contingency budget.

Net spend on General Fund services during 2019/20 is £129.9 million prior to movements in reserves, with a further £0.292 million of spend to be incurred in 2020/21 from the budgets carried forward from the current year.

Overall General Fund reserves have increased by £8.7 million in 2019/20 (Note 22). Included within these movements is a transfer of £2.2 million into the Funding Equalisation Reserve and £5.4 million into the COVID 19 Grant Reserve. The reserve movement also includes a top-up of £0.041 million to the Public Health Reserve.

School Reserves have decreased by £2.37 million to £18.52 million as at 31st March 2020. The majority of the 2019/20 HRA operational surplus has been allocated to a general reserve. The HRA general reserve now totals £12.1 million at 31st March 2020.

The Council has continued to manage a number of significant demand-led service pressures over 2019/20 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 2019/20, this is partly due to a number of one-off cost reductions and income gains;

General Fund Position 2019/20 Compared to Operating Budget	Operating Budget	Final Spend	Total Variation
	£million	£million	£ million
Chief Executive	4.544	4.250	-0.294
Customer & Commercial	10.487	15.067	4.580
Children, Families & Education	54.289	58.535	4.246
Place & Infrastructure	35.834	37.874	2.040
Public Health & Wellbeing	66.599	66.134	-0.465
Public Health	15.176	14.630	-0.546
Public Health Grant	-14.978	-14.979	-0.001
General Contingencies	6.780	-0.239	-7.019
Corporate Accounts (excl. reserves)	-46.198	-51.367	-5.168
In Year Spend Prior to Reserves	**132.533**	**129.905**	**-2.627**
Carry Forwards to 2020/21	0	0.292	0.292
Movements in Specific Reserves/ Advance Receipt of Covid-19 funding	0.287	8.240	7.953
Advance receipts of Covid-19 funding	0	-5.423	-5.423
Net General Fund Expenditure	**132.820**	**133.014**	**0.195**

and the main cost pressures reported in 2019/20 will continue to place pressure on the 2020/21 budget, alongside the need to deliver £21.6 million of further savings already in the budget including Emergency 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 detailed consultations will also be carried out 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 2019/20 capital programme approved in February 2019 totalled £218.066 million for the General Fund with a further £34.407 million for the HRA. Capital projects have been monitored monthly during 2019/20, with progress reported to the Executive on a quarterly basis.

Final capital expenditure for the year is £134.777 million for the General Fund and £24.466 million for the HRA. A breakdown of the expenditure compared to the original programme for the year is shown in the table on the right.

In comparison to the original budget the final capital spend is substantially lower. The capital expenditure not incurred during 2019/20 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 largely within budget with some low level underspends released. The main projects carried forward are DART £45 million and Foxhall Homes £19.2 million.

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 2019/20 Spend Analysis	Original Programme	Final Capital Spend	Total Variation
	£million	£million	£ million
Place & Infrastructure	37.796	24.034	-13.762
People Department	9.989	7.159	-2.830
Chief Executive's Department	2.364	1.273	-1.091
Customer & Commercial	4.417	3.011	-1.406
Corporate Projects	163.500	99.300	-64.200
Total General Fund Programme	**218.066**	**134.777**	**-83.289**
Housing Revenue Account	34.407	24.466	-9.941
Total LBC Capital Programme	**252.473**	**159.243**	**-93.230**

The total underspends of £83.289 million reflects the re-phasing of a number of corporate schemes; which includes:

- £45 million in LLAL financing
- £19.2 million in Foxhall Homes financing
- £5.5 million for the Multi Storey Car Park B

General Funding Analysis

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 2019/20 General Fund Funding Analysis	Original Funding	Final Capital Funding	Total Variation
	£million	£million	£ million
Grants & Contributions	17.141	13.381	-3.760
Revenue Contributions	0.446	0.120	-0.326
LLAL Dividend - Capital Element	5.513	5.153	0.000
Capital Receipts	6.112	1.076	-5.036
Prudential Borrowing	189.214	115.047	-74.167
Total General Fund Financing	**218.066**	**134.777**	**-83.289**

Notwithstanding the significant budget movement to later years, £134.777 million was spent on capital projects. Outside of the normal council capital programme £97.43 million was debt financing of LLAL to resource the DART project.

The revised Capital Programme is forecasted to spend £409 million over the next five financial years. This includes an additional £53.7million on DART, £17.9 million on the Development Consent Order to gain planning permission to expand the airport, £94.9 million on Century Park Access Road, £22m on Bartlett Square development, £22.2 million Foxhall Homes, £11 million for TAPS, and £36.4 million on Schools projects.

As mentioned above the impact of COVID -19 has led to an Emergency budget. The projects postponed amounts to £64.23 million and in order to stabilise LLAL, the Council has agreed in principle subject to Executive approval a further loan of £60m to LLAL. The net impact on the level borrowings won't be significant.

There has been a significant amount of postponement of the capital programme, and the proposals result in a net reduction of £1m in revenue costs in 2020/21.. The main changes are as follows:

- the revised capital programme has a net reduction of £0.7m in 2020/21 and an increase of £87.34m in 2021/22. The reduction is due to postponement of capital projects amounting to £64.23m, additions to the capital programme amounting to £3.562m and increase in debenture loans to London Luton Airport Limited (LLAL) amounting to £83m (£60m in 2020/21 and £23m in 2021/22).
- the revised programme includes £64.23m of capital projects postponed to 2021/22 which includes: Century park access road - £45.085m, Crawley road mullti-storey car park - £6.107m, Town Hall refurbishment £2.657m, Vauxhall Way improvements - £1.977m, LBC street lightning led conversion £1.125m, vehicle and plant replacement programme - £0.7m, others – £6.58m),
- Additional projects amounting to £3.562m include: Vale cemetery extension - £2m, NTS/MRF refurbishment - £1.2m and Contingent Labour Joint Venture - £0.36m) and additional debenture loans (2020/21 - £60m and 2021/22 - £23m) to LLAL.
- the revised capital programme's reduction in cost of borrowing in 2020/21 of £0.975m reflects the postponement of £64.23m of projects in year. Additional borrowing costs incurred for LLAL debentures will be fully recovered.
- the capital financing requirement (CFR) which is the sum of money required from external sources to fund capital expenditure, and represents the Council's underlying need to borrow for capital purposes cumulatively increased to £86.53m in 2021/22. This is due to increases in capital programme in 2021/22 of £64.23m for the postponed capital projects and additional LLAL debenture loan of £23m as well as a reduction in CFR in 2020/21 of £0.7m).

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

The People Plan is the Council's organisational development (OD) strategy, which guides how we attract recruit, retain and develop our workforce to deliver our vision of a proud, vibrant, ambitious and innovative Borough, against a backdrop of ongoing change.

The People Plan is a three-year plan, with governance managed by a cross-functional People Plan Governance Board (PPGB), led by the Chief Executive, and including Corporate Directors, the Deputy Leader of the Council and Trades Union representation.

The 2019-22 Plan launched on 1st April 2019, replaced the previous 2016-19 version - with a refreshed focus for the next three years. Contributions from Council directorates, Ofsted and Peer review assessments, and the Local Government Association's Workforce Strategy, have all informed the Plan.

Following a review of the Terms of reference and membership of the internal Equalities and Diversity (E&D) Staff Group, the E&D Group is now a recognised sub-group of the PPGB. This establishes a direct line of sight from the PPGB to staff diversity forums and vice versa, to embed equality and diversity into the overall work of the PPGB.

The Leadership and Management programme has been reviewed. The revised programme offers candidates below junior/middle management grades to have appropriate support to progress, and is actively targeted at BME staff to ensure future cohorts are appropriately diverse and reflective of the workforce.

The programme has developed pathways in adult social care, housing, and customer services and, in 2019, launched new pathways in Public Protection, and Public Realm. A separate core skills pathway, aimed at council employees within grades L1 to L4, is designed to develop essential skills to progress in a career at Luton.

Feedback from the Local Government Association (LGA) indicates that Luton's National Graduate Development Programme (NGDP) programme is one of their strongest trainee schemes in the country, generating huge interest in public sector management careers.

Despite some success recruiting permanent Social Workers in the last year, we are not satisfied with the rate of progress. Additional concerns about social workers leaving or thinking of leaving during their first few months indicates there is a lot more work to do to resolve social worker recruitment and retention.

A guaranteed interview scheme for care leavers launched in April 2019. For the scheme to make a difference, further work is required to enable care leavers to be 'job ready', in terms of quality of applications, interview preparation, personal presentation skills, and a clear understanding that the scheme is aimed at care leavers and not carers.

A healthy workforce is a productive workforce so the employee wellness programme is an integral part of our People Plan. The programme includes a range of fitness and exercise classes, regular NHS health checks for staff and a free and confidential counselling service.

To support our employee's financial wellbeing, in June 2019 Salary Finance was launched. The scheme offers financial education such as savings planning and budgeting tools, and in addition, employees can access affordable loans, deducted directly from employees' pay.

There has been extensive promotion of the benefits package. The package consists of three offers: i) “core” which includes pension and salary, annual leave and training and development; ii) “staff offers”, made up of discounts with high street stores, fitness centres and travel companies, and iii) “the extras” incorporating employee assistance, free use of a pool of electric cars for business trips, and family friendly policies.

We have introduced Shared Costs Additional Voluntary Contributions to help in retirement planning.

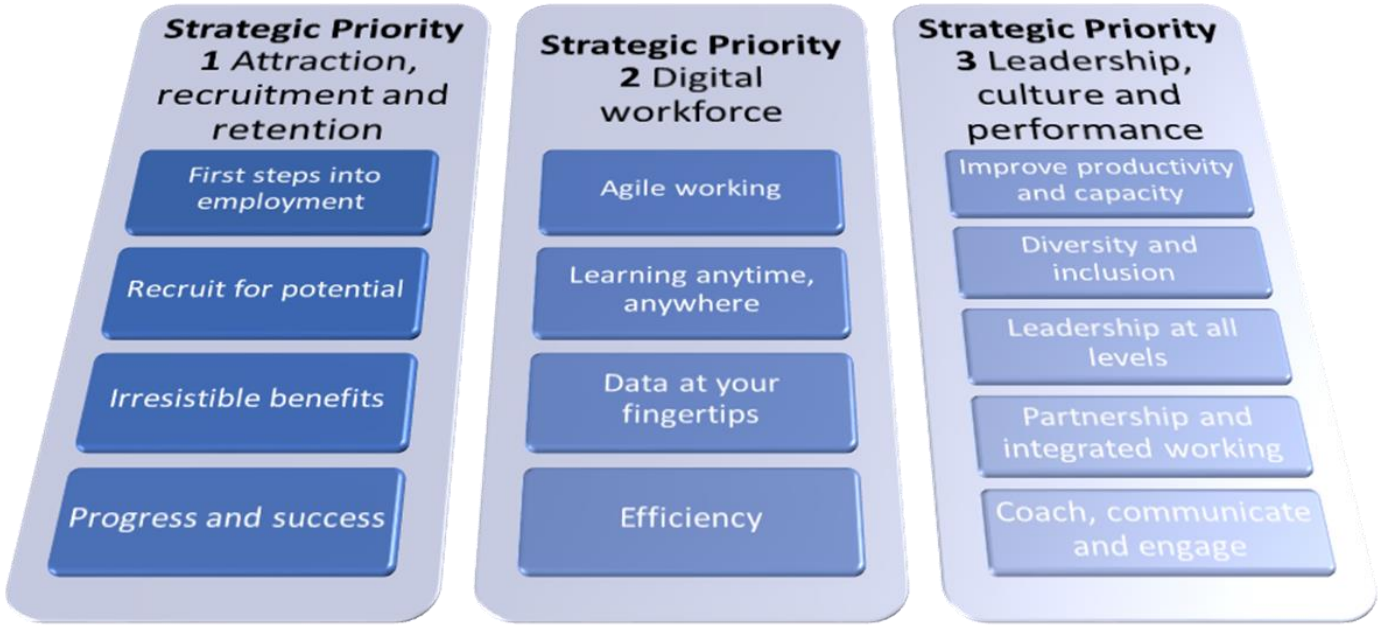
Our annual Luton Excellence Awards, held this year on 27th June, continues to show case exceptional performance. Teams and individuals are nominated by their peers under 12 categories, and Luton’s business partners sponsor the event. Awards such as ‘Rising Star of the Year’ and ‘Becoming the Best’ reflect the organisation’s aspirational nature, and the recipient of Employee of the Year additionally receives an invitation to a Buckingham Palace Garden Party.

Our annual appraisal scheme was replaced on 1st April 2019 with a new, more regular ‘Check-ins’ scheme. Through coaching-style conversations with line managers, the scheme enables and supports employee performance, by focusing on individual objectives, performance and employee health & wellbeing in real time. ‘Check-ins’ is a continuous business activity, with a recommendation for regular conversations and feedback at least every 3 months.

Since launching check-ins on 1st April 2019, 205 managers and 575 employees have participated in 36 specific training events, ‘Effective Conversations’ (16) and ‘Getting the Best from your Check-In’ (20), with very positive feedback received.

We have positioned our People Plan alongside the Luton Investment Framework (LIF), and the new Future Ready agenda, to support the Council’s ambitious objective to eradicate poverty in Luton by 2040.

A refreshed People Plan 2019-2022 launched on 1st April 2019, and projects now come under three strategic priorities:



Luton

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.

The Council's updated corporate Risk Management Strategy was approved by CLMT in February 2020. 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. The following 14 corporate risks are currently high priority.

Risk Details	Control Measure Update
Failure to keep to approved budget, particularly for demand-led services, new pressures, savings targets, loss of income.	• Risks continue to be measured and managed through monthly monitoring with a specific focus in the reports on the most pressing issues facing the Authority, including the ongoing cost/demand pressures on key statutory services such as homelessness and children's care. A more in-depth analysis of the costs in these areas will take place this year, toward improving from the current level of overspends being reported. This will be concurrent with the wider review and development of all recovery measures needed to improve the council's overall Budget prospects, to assure long term financial resilience. • The emergence of the Coronavirus (Covid-19) has added unprecedented additional pressures on the council's Budget from 2020/21, with further substantial costs and income losses affecting the council's finances, including the loss of returns from LLAL. • This has required the council to produce a Revised Emergency Budget for 2020/21 to plan for and manage the impacts from Covid-19. The Emergency Budget will be considered by Full Council on 10th July 2020. • Despite the initial emergency funding provided by Central Government to help manage and control the virus, the total impact on the council's finances is substantially higher, requiring the urgent delivery of further significant budget savings over the next 2 years and a 58% use of the council's uncommitted general reserves to meet the remaining gap for 2020/21 within the emergency budget. • The council is continuing to make further urgent representations to the Government for additional funding to help manage and recover from Covid-19. The financial impacts from the virus are continuing to be specifically

Risk Details	Control Measure Update
	monitored and reported, as required by Government. • Control, mitigations and recovery measures are in place, but the virus situation remains fluid and this is expected to be a longer term challenge. • Budget plans will continue to be reviewed and updated to achieve the best outcome possible for both 2020/21 and for the council's longer financial prospects.
Failure to recruit / retain staff. Luton not preferred living area. Potentially losing top performing staff and staff not having the right skill set.	• Recruitment and Retention Plans. • The People Plan has been refreshed for 2019-22 and includes recruitment, retention and attraction as a key work stream.
Decrease in volume of airport traffic or closure resulting in reduction of key income stream.	• Risk scores have been reviewed and increased due to the impact of Covid-19. • Contract with Airport company. • A stabilisation and recovery plan is being put in place.
Failure to have effective Business Continuity Plans in place.	• Development, Maintenance, and Review of Business Continuity Plans. • Civil Protection Officer role is still vacant and to be recruited to. During the Covid-19 response, there has been limited engagement with all departments regarding Business Continuity Plans as focus has been on recovery work.
Greater resilience of service and response provided by support from other Bedfordshire Authorities, and emergency volunteers, to major incidents and emergencies.	• Risk scores have been reviewed and increased due to the impact of Covid-19. • Maintain Partnership to provide resilience. • Luton continues to work with the Bedfordshire Local Resilience Forum to plan, prepare and respond to emergencies.
Failure to maintain emergency response and recovery plans.	• Risk scores have been reviewed and increased due to the impact of Covid-19. • Bedfordshire Local Resilience Forum Management Structure and Processes. • Response and Recovery Plans are reviewed and tested regularly.

Risk Details	Control Measure Update
Implication of Brexit.	• The risk score factors in worst case scenario and impact on Luton if there is a no deal Brexit under World Trade Organisation rules after the current transition period ends on 31st December 2020. • Brexit Action Plan and Corporate Business Continuity Plans in place. • Appointment of Brexit Programme Manager.
The risk of overspending the Homelessness budget due to the increase in homelessness demand and the rising costs of temporary accommodation.	• Budget Monitoring. • The high cost of homelessness and temporary accommodation remains a serious financial problem. Plans are in place to change processes in order to reduce the numbers in temporary accommodation by a third.
Luton Council needs to safeguard vulnerable children and adults from all forms of extremism and the threat of radicalisation.	• Prevent Procedures. • Luton will be part of 2 pilots, one Education focussed which will provide insight into the current extremism context and to inform and future support needs. • Prevent staff have been confirmed to help develop the local planning and roll out of support and activity as Luton has been reassessed and remains one of the priority Prevent areas within the UK. • Luton provides lead support to both the Channel and the Pan Bedfordshire Prevent response to safeguarding vulnerable individuals. • Luton has had an increase in staffing resources to support the delivery of support to vulnerable children and adults in the Prevent space. • Prevent is working with Luton Council colleagues in social care and education to deliver contextual safeguarding measures.

Risk Details	Control Measure Update
Significant budget overspend in children services as a result of high cost placements and agency workforce.	There are detailed recovery plans in place however significant challenges continue and the risk remains high. In August 2019 a Children's Services directorate was formed to ensure greater focus on children's services and with this came the responsibilities for CSC commissioning. This will enable improved quality, values and outcomes for our children and young people looked after in placements. There is a detailed review of all high cost placements underway along with all associated business processes. The decision making for all placements outside of our own provision sits with the Service Director for operations. The recovery plan has been updated following a temporary appointment in March 2020 to the lead commissioning manager's role. This role is out to permanent advert which will support the required improvements.
Failure to improve the decline and look of the town centre.	Risk remains high due to Covid-19. Town Centre Development Framework – Monthly Board meetings in place and masterplan progressing. Town Centre Strategic Operation Group – Weekly operational group in place to oversee restart programme.
The impact of the coronavirus (Covid-19) on the health and wellbeing of Luton Council staff affecting the ability to deliver core services.	Coronavirus planning / preparation meeting. Coronavirus action plan. Government advice. Public Health England Advice. Staff made aware on Internet briefings. Self-isolation and social distancing guidance.

Risk Details	Control Measure Update
Business growth and productivity are facing a decline with the current pandemic and remaining risk around the implications of Brexit.	Business Support Action Plan. A Covid-19 Economic Recovery Plan is in development covering four phases of Crisis, Rescue, Recovery and Reform. It sets out immediate action such as the implementation of the business grants announced by government and support for unemployed residents; along with longer term activities under the themes of People, Place and Business.
The Local Authority has received an inadequate judgement for its Children's Services by Ofsted in January 2020. The LA will be subject at times to adverse publicity and could experience even greater difficulties in recruiting. The improvement requirements, combined with dealing with the Covid-19 pandemic and the financial challenges are a significant combination of factors to address which may compromise the pace of our improvement journey. In turn this may lead to consideration of an alternative delivery mechanism for Children's Services.	The Local Authority has prioritised children's social care services. This has included additional investment to support frontline delivery and increase management capacity and oversight. The Executive has also signed of a robust children's improvement plan and set of delivery plans. We have a strong Children's Improvement Board, which will be independently chaired from August 2020. This will support the challenge and scrutiny of the improvement plan and its required impact.

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:

31 August 2020

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 officers assessed to be consistent with the principles of the CIPFA/SOLACE publication "Delivering Good Governance in Local Government – Framework (2016 Edition)". 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 Hazel 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.

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 2020 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. To build on its success, the Council established an Inclusive Growth Commission in 2018. This independent commission comprised nine representatives from various sectors in Luton who were tasked with investigating how to ensure everyone living in Luton could benefit from economic growth. The commission returned with 12 high level recommendations to develop a more productive economy, collaborative communities and happy, healthy and successful people. The commission raised a number of important challenges for everyone in Luton to address, not least the impact of poverty on the life chances of our population, especially young people. In response to the Inclusive Growth Commission report in September 2019, Luton Council has been working with residents, businesses and the voluntary sector in the town to develop a shared vision for Luton 2040. The initial vision will focus on putting in place the foundations to move towards our long-term ambition that by 2040 no one in Luton will have to live in poverty. This vision will be truly town-wide.

C5. The Corporate Plan 2017-2020 was approved in 2017, which refreshed the Council's mission, vision and priorities in light of organisational developments and the Council's Investment Framework. Work has now begun on a new corporate plan which aligns with the new Luton 2040 vision and will run from 2021 – 2024.

C6. The Luton 2040 vision will be delivered through two strategic partnership boards – the Inclusive Economy Board and the Health and Wellbeing Board. Each of these boards brings together representatives of different sectors from across Luton and the wider region and each board has its own areas of focus, as outlined in their respective strategies. Both boards have now been established and are already driving a number of key work streams including how we will work together across Luton to ensure a strong economic recovery following COVID-19, while beginning to shape a more inclusive economy for 2040. The priorities also include how we will protect the most vulnerable from the impacts of poverty and reduce health inequalities, as well building a closer relationship with our community, which enables them to play their part in tackling poverty going forward. The vision will also be underpinned by commitments to make Luton a child-friendly and carbon neutral town where everyone has the opportunity to reach their full potential by eliminating all forms of discrimination and overcoming structural barriers that lead to inequality. These commitments will ensure that our town is truly sustainable for future generations and enables young people to thrive in later life

C7. On a more detailed level, 3 year service plans (latest update 2020-21 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 2040 vision, Corporate Plan, service plans, team plans and staff 'check-in's'. 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. 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.

C14. 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.

C15. 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

C16. 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.

C17. 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).

C18. 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

C19. The Council's Constitution includes codes of conduct for both members and officers that comply with the requirements of the Localism Act 2011.

C20. 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.

C21. 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.

C22. A complaint may be referred to the Standards Committee for investigation, hearing and sanction. In 2019/20 there were six complaints, of which four are currently being investigated, one was not upheld and one was not taken further.

C23. 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.

C24. 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.

C25. 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.

C26. 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.

C27. 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

C28. The Council's Standing Orders, including regulations regarding contracts, and Financial Regulations form part of the Council's Constitution.

C29. 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.

C30. 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.

C31. The Service Director Finance and Audit has identified that the Financial Regulations require updating, and produced a comprehensive draft in 2018/19. The process of updating Financial Regulations has been put on hold and now been incorporated in an overall review of the Constitution, with a timeline of September 2020. It is important that the Financial Regulations are updated to reflect the changes in legislations and practice.

Whistleblowing and Complaints

C32. 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 2019/20, fourteen 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. An allegation of bullying was substantiated, a safeguarding concern was addressed via an unannounced inspection which resulted in an improvement plan, and in another case an action plan was agreed with a Head Teacher.

C33. 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.

C34. 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

C35. 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.

C36. In Luton, along with a number of other Councils, the role of Chief Financial Officer is at Service Director's 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.

C37. Luton's financial management arrangements are in line with the other key governance requirements in the CIPFA statement. Members 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 Foxhall Homes Ltd, and are responsible for the

production of LLAL and Foxhall Homes Ltd accounts with assistance from PricewaterhouseCoopers.

The Role and Functioning Of the Audit and Governance Committee

C38. 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

C39. 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).

C40. 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.

C41. 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.

C42. 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

C43. 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.

C44. 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

C45. 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.

C46. 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.

C47. 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.

C48. 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.

C49. The Council's communications strategy for 2018-2023 involves communication 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

C50. 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.

C51. 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.

C52. 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

C53. 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.

C54. 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.

C55. 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.

C56. 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 32 million passengers per annum. The funding of this programme is intended to be by way of debenture loans from Luton Borough Council.

C57. 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. The accounts of Foxhall Homes forms part of the Group Accounts.

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..

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 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 2019/20. As noted in C.32 above, the Chief Finance Officer has determined that the Financial Regulations need updating and produced a comprehensive proposed update.

D13. The external audit of the draft statement of accounts for Luton Borough Council for the year ended 31 March 2019 has not yet been completed by our external auditors, EY LLP. At the Council's 4th March 2020 Audit and Governance Committee, EY LLP presented a progress report, indicating that the external audit was substantially concluded and the items which remained outstanding at that point.

D14. Since then, the unprecedented impact from Covd-19 outbreak led to the United Kingdom being put into lockdown and the introduction of social distancing measures on 23 March 2020.

D15. As the Council's financial statements for the year ended 31st March 2019 were not authorised for issue before 23rd March 2020, the Covid-19 outbreak is considered as a post balance sheet event for 2018/19, as well as impacting directly on the 2019/20 position. In light of the unprecedented nature of Covid-19 and its impact on the strategy, finances and operations of the Council, EY LLP will be reviewing the Council's detailed consideration, assessment and the disclosure of our judgements associated with events after the reporting period for both 2019/20 and 2020/21. This will include the going concern assessment of the group and single entity financial statements. Those disclosures and judgements must be aligned with the Council's emergency budget for the 2020-2021 financial year as approved on 14th July 2020.

D16. This situation and notification is allowed for by Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015, see attached link: http://www.legislation.gov.uk/uksi/2015/234/regulation/10/made. 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 2019/2020 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 2019/20 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 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. Funding has also been set aside in reserves from the 2019/20 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 2020/21 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 2021/22 Budget including refreshing the Medium Term Financial Strategy and also taking into account the Emergency Budget 2020/21.

D17. The monitoring shows that there was a shortfall in achieving all of the savings planned for 2019/20, 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 2019/20 and final net costs are within the budget set for the year, including the full use of the 2019/20 contingency budget to help meet demand-driven cost pressures. As a result of the pandemic, the 2020/21 Emergency budget has been set with £21.6 million of savings and additional income and detailed delivery and implementation plans are being produced which will be subject to detailed consultation as required. 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. The release from reserves will have to be approved by the Chief Executive, Section 151 Officer and Finance Portfolio Holder.

D18. The provisional outturn position for 2019/20 after contributions to and from specific operational reserves is a net overspend of £0.195m compared to the annual budget, a variation of around 0.15% on total net expenditure during the year. This is slightly worse position than the small surplus of £0.062m forecast in the year's monitoring up to Q3.

D19. . Within this overall position there were some key concerns, as set out below.

a) An overspend of £4.7m in Children and Family Social Care, including Special Educational Need Transport.

b) An overspend of £3.5m in temporary accommodation for the homeless.

c) Overspends in corporate property and estate services (£0.9m) and transformation and technology (£0.8m).

d) Continuing inability to achieve significant corporate procurement savings

D20. Even though major savings have been required and achieved for the last 10 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.

D21. 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 2018-19 Statement

E1. In 2019/20 Internal Audit followed up on the key governance, risk management and internal control issues identified in their 2018/19 reviews and report as follows:

- During 2019/20 we carried out physical follow up reviews of the five 'Limited' assurance opinion audits issued the previous year (2018/19). Of these, the opinions for three audits have been raised to 'Adequate' assurance; for one audit the opinion remained as 'Limited' assurance; and in the case of the remaining audit the completion of the physical follow up review has been hampered due to Covid-19. Further assurance work on the remaining two areas will be completed during 2020/21. In the meantime management have provided assurances that the control weaknesses identified in the initial audit reports are being addressed.

- Further to the concerns raised, in the Annual Statement of Governance Returns for 2018/19, in relation to some contracts not being awarded in accordance with the council's Standing Orders and gaps in the corporate contracts register, we have completed our review of procurement and contract management. The findings from our review has identified some significant issues and weaknesses in internal control. The review also highlighted one instance where a service is procuring goods and services from a supplier on a spot purchase basis without a formalised contract in place. As spend with the supplier is considerable this is currently a breach in procurement regulations. The Corporate Procurement team are working with the service to take appropriate action. Further assurance work on this area will also be completed during 2020/21.

E2. During 2018/19 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 relating to failure to adhere to policies and procedures; absence of an audit trail and poor record keeping; and lack of segregation of duties and no independent review / management monitoring. Action plans were agreed with management to address these control weaknesses. Since the initial reviews, further work has been undertaken during 2019/20. Whilst management have made progress to implement recommendations in these 2 areas, at year-end (2019/20) the audit opinion remained below adequate and this has been reported as part of the 2019/20 AGS update.

F. Significant Governance & Internal Control Issues

F1. The most significant governance issue that the Council has had to confront in 2019/20, and that continues to dominate 2020/21, is responding to the Covid-19 pandemic to ensure the people and businesses of Luton are properly protected, that the Council's staff can work safely, that key Council services can be provided, that additional costs and income reductions incurred as a consequence of Covid-19 are properly identified and appropriate, and that budgets are reviewed and balanced to ensure that they are sustainable. The financial position in relation to London Luton Airport Limited (LLAL) is a particular issue as the company's income, as freehold owner of the airport, is based on airport passenger throughput. Furthermore, the contract with the airport operating company has clauses relating to 'force majeure', or unforeseeable events beyond the control of the parties. Exactly how those clauses are

determined to be applicable in the current situation will be key to establishing when LLAL will begin to receive income again.

F2. The Audit Manager reports that based on the internal audit reviews carried out during the year (2019/20), whilst there are concerns on some areas, an 'adequate' level of assurance can be provided in connection with the council's overall control environment. The exceptions to this are where key areas of risk existed within the council's control environment during the year. These areas of risk are not considered to have such an effect as to reduce the overall acceptable level of assurance or materially increase the risk. However, it is important that the recommendations made to improve control are implemented in order for a continued acceptable assurance opinion to be given. These exceptions are detailed below:

- During the year we issued 56 final audit reports, and a further 23 audit reviews were at draft report stage. Of these, 13% (10 audit reports) were given a 'Limited' assurance opinion and 3% (2 audit reports) were given a 'No' assurance opinion. Following the physical follow up reviews undertaken during the year, at year-end (2019/20) 8 'Limited' assurance opinions remained. 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 and Governance Committee who monitor the progress made by management in implementing improvements. We plan to carry out further assurance work during 2020/21 on the audits where a 'Limited' assurance opinion remained at year-end (2019/20).

- Whilst the target to ensure that 75% of all agreed recommendations are fully implemented by management has been met, we are generally finding that there is a delay in the implementation of audit recommendations. Where a report has been issued with a 'Limited' or 'No' assurance audit opinion, we are also finding that the recommendations are not always being progressed sufficiently, often resulting in more than one physical follow up reviews taking place. To address this matter going forward we will be reintroducing the quarterly monitoring reports to Service Directors on all outstanding audit recommendations.

- The findings from our review of procurement and contract management, identified some significant issues and weaknesses in internal control. The review also highlighted one instance where a service is procuring goods and services from a supplier on a spot purchase basis without a formalised contract in place. As spend with the supplier is considerable this is currently a breach in procurement regulations. The Corporate Procurement team are working with the service to take appropriate action. Further assurance work on this area will also be completed during 2020/21.

- In addition to the audit reviews performed, we also place reliance on assurances received from other sources where available. The council's Children's Services were rated as 'inadequate' by Ofsted in January 2020. The council has taken immediate action to address the concerns raised by Ofsted. An improvement plan has also been developed and agreed, with monthly monitoring being undertaken by the Children's Improvement Board on action taken. The Children's Services Scrutiny review group will also play an important role in scrutinising progress. The Local Authority will be supported by the DFE advisor when appointed. In April 2020 the Executive agreed to fund substantial increases in social worker staffing to limit the number of open and active cases per social worker, as well as adding further posts in social care quality monitoring and inspection. This funding was maintained in the Emergency budget of July 2020.

G. Approval of Annual Governance Statement

Signed:

Robin Porter

Chief Executive

Signed:

Councillor Hazel Simmons

Leader of the Council

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H. Independent Auditor's Report

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Auditor's Report will be included following completion of 2019/20 audit

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02 Contents

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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 31/03/2019				31/03/2020		
Spend £000	Income £000	Net Spend £000	Group	Spend £000	Income £000	Net Spend £000
6,501	(2,229)	4,273	Chief Executive	9,824	(2,792)	7,032
66,598	(18,017)	48,580	Place and Infrastructure	64,456	(19,486)	44,969
120,051	(109,913)	10,139	Customer and Commercial	108,385	(95,740)	12,645
28,982	(16,186)	12,796	Public Health, Commissioning & Procurement	28,356	(30,857)	(2,501)
175,456	(55,772)	119,685	People	213,114	(41,795)	171,319
175,624	(172,304)	3,320	Schools Individual Budgets	175,874	(170,575)	5,300
34,929	(39,420)	(4,491)	Housing Revenue Account	60,340	(38,867)	21,474
6,000	(1,739)	4,261	Other Corporate Accounts	810	(1,905)	(1,095)
614,140	**(415,579)**	**198,561**	**Total Net Cost of Services**	**661,160**	**(402,016)**	**259,143**
		5,785	Other operating expenditure *Note 9*			(1,104)
		(46,306)	Financing and investment income and expenditure *Note 10*			(36,353)
		(151,389)	Taxation and non-specific grant income *Note 11*			(149,707)
		6,651	**Group (Surplus) or Deficit on Provision of Services**			**71,979**
		9,963	Tax expenses of subsidiary (LLAL)			14,813
		0	Tax expenses of subsidiary (Foxhall Homes)			0
		16,614	**Group (Surplus) or Deficit on Provision of Services**			**86,792**
		(5,600)	Surplus or deficit on revaluation of Property, Plant and Equipment assets			65,885
		(4,704)	Re-measurements of the net defined benefit liability			(39,358)
		(10,304)	**Other Comprehensive Income and Expenditure**			**26,527**
		6,310	**Total Comprehensive Income and Expenditure**			**113,319**

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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.

	31/03/2019				31/03/2020	
Spend £000	Income £000	Net Spend £000	Single	Spend £000	Income £000	Net Spend £000
6,501	(2,476)	4,025	Chief Executive	9,824	(3,039)	6,785
66,598	(20,892)	45,706	Place and Infrastructure	64,456	(22,361)	42,095
120,051	(110,590)	9,461	Customer and Commercial	108,385	(96,417)	11,968
28,982	(16,506)	12,476	Public Health, Commissioning & Procurement	28,356	(31,177)	(2,821)
175,456	(55,771)	119,685	People	213,114	(41,795)	171,319
175,624	(172,304)	3,320	Schools Individual Budgets	175,874	(170,575)	5,300
34,929	(39,420)	(4,491)	Housing Revenue Account	60,340	(38,867)	21,474
6,000	(1,801)	4,199	Other Corporate Accounts	810	(1,967)	(1,156)
614,141	**(419,760)**	**194,381**	**Total Net Cost of Services**	**661,160**	**(406,197)**	**254,963**
		5,785	Other operating expenditure *Note 9*			(1,104)
		(9,985)	Financing and investment income and expenditure *Note 10*			(16,223)
		(151,389)	Taxation and non-specific grant income *Note 11*			(149,707)
		38,792	**(Surplus) or Deficit on Provision of Services**			**87,929**
		(5,600)	Surplus or deficit on revaluation of Property, Plant and Equipment assets			65,885
		(4,691)	Re-measurements of the net defined benefit liability			(39,211)
		(10,291)	**Other Comprehensive Income and Expenditure**			**26,674**
		28,501	**Total Comprehensive Income and Expenditure**			**114,603**

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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 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	41,035	(2,243)				(22,592)	401	**16,601**	(10,290)	**6,311**
Adj. between accounting basis & funding basis under regulations	(51,756)	1,924	(299)	5,331	(868)	0	0	**(45,667)**	45,667	**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)**	**(464,602)**	**(1,049,271)**
Movement in Reserves 2019/20										
Total Comprehensive Income & Expenditure	63,089	24,880				(1,577)	293	**86,645**	26,674	**113,319**
Adj. between accounting basis & funding basis under regulations	(68,851)	(24,115)	3,431	(980)	906	0	0	**(89,609)**	80,133	**(9,476)**
(Increase) or Decrease in 2019/20	(5,762)	724	3,431	(980)	906	(1,577)	**293**	**(2,964)**	106,807	**103,843**
Balance at 31 March 2020	**(96,831)**	**(10,242)**	**0**	**(14,783)**	**(3,947)**	**(462,995)**	**1,164**	**(587,633)**	**(357,796)**	**(945,429)**

Luton

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	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
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	(1,417)	(1,417)
Adj. between accounting basis & funding basis under regulations	(44,418)	1,924	(299)	5,331	(868)	(38,330)	38,330	0
(Increase) or Decrease in 2018/19	**(10,722)**	**(320)**	**(299)**	**5,331**	**(868)**	**(6,877)**	**35,378**	**28,501**
Balance at 31 March 2019	**(91,071)**	**(10,966)**	**(3,431)**	**(13,804)**	**(4,853)**	**(124,125)**	**(481,523)**	**(605,646)**
Movement in Reserves 2019/20								
Total Comprehensive Income & Expenditure	63,089	24,840	0	0	0	**87,929**	26,674	**114,603**
Adj. between accounting basis & funding basis under regulations	(68,851)	(24,115)	3,431	(980)	906	**(89,609)**	89,609	**0**
(Increase) or Decrease in 2019/20	**(5,762)**	**724**	**3,431**	**(980)**	**906**	**(1,680)**	**116,283**	**114,603**
Balance at 31 March 2020	**(96,831)**	**(10,242)**	**0**	**(14,781)**	**(3,947)**	**(125,804)**	**(365,240)**	**(491,043)**

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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.

31/03/2019 Group £000	31/03/2019 Single £000	Net Assets		31/03/2020 Group £000	31/03/2020 Single £000
1,219,213	1,134,367	Property, Plant & Equipment	*Note 31*	1,190,045	997,278
725,529	109,818	Investment Property	*Note 32*	771,281	121,681
728	728	Intangible Assets	*Note 33*	394	394
5,881	5,881	Heritage Assets	*Note 34*	5,881	5,881
0	45,637	Subsidiary Share Capital		0	
1,896	139,117	Long Term Investments	*Note 36*	7,273	304,471
3,071	3,071	Long Term Debtors	*Note 36*	2,697	2,697
1,956,318	**1,438,619**	**Total Long Term Assets**		**1,977,571**	1,432,401
0	0	Short Term Investments	*Note 36*	15	15
2,546	1,064	Inventories		1,231	1,231
65,428	73,197	Short Term Debtors	*Note 42*	67,793	74,659
29,786	28,786	Cash and Cash Equivalents	*Note 43*	35,842	35,286
97,759	**103,046**	**Total Current Assets**		**104,882**	**111,192**
(11,314)	(11,314)	Short Term Borrowing	*Note 36*	(73,870)	(73,870)
(67,446)	(60,070)	Short Term Creditors	*Note 44*	(69,024)	(57,422)
(2,813)	(2,814)	Current Provisions	*Note 45*	(3,098)	(3,098)
(6,599)	(6,599)	Revenue Receipts in Advance	*Note 47*	(14,900)	(14,900)
(88,172)	**(80,796)**	**Total Current Liabilities**		**(160,891)**	**(149,289)**
(65,534)	(6,078)	Non -Current Provisions	*Note 45*	(78,089)	(6,818)
(27,762)	(27,762)	Capital Grants Receipts in Advance	*Note 46*	(43,779)	(43,779)
(1,587)	(1,557)	Long Term Creditors	*Note 44*	(1,209)	(1,209)
(22,678)	(22,678)	Other Long Term Liabilities	*Note 38*	(22,126)	(22,126)
(418,781)	(416,857)	Net Pensions Asset/Liability	*Note 40*	(400,665)	(399,034)
(380,296)	(380,296)	Long Term Borrowing	*Note 36*	(430,296)	(430,296)
(916,638)	**(855,228)**	**Total Long Term Liabilities**		**(976,165)**	**(903,263)**
1,049,269	**605,646**	**Total Net Assets**		**945,396**	**491,041**

Luton

Balance Sheet (Group & Single)

31/03/2019 Group £000	31/03/2019 Single £000	Reserves		31/03/2020 Group £000	31/03/20 Single £000
(91,070)	(91,069)	General Fund Reserves	*Note 22*	(96,833)	(96,833)
(10,967)	(10,967)	Housing Revenue Account	*Note 22*	(10,243)	(10,243)
(3,431)	(3,431)	Major Repairs Reserve		0	0
(13,804)	(13,804)	Capital Receipts Reserve		(14,781)	(14,781)
(4,853)	(4,853)	Capital Grants Unapplied		(3,947)	(3,947)
(461,416)		LLAL Profit & Loss Account		(462,995)	
871		Foxhall Homes Profit & Loss Account		1,164	
(584,670)	**(124,123)**	**Total Usable Reserves**		**(587,635)**	**(125,803)**
(217,814)	(217,815)	Revaluation Reserve	*Note 24*	(133,181)	(133,181)
(669,249)	(669,250)	Capital Adjustment Account	*Note 25*	(619,078)	(619,078)
416,857	416,857	Pensions Reserve	*Note 26*	399,034	399,034
6,479	6,479	Financial Instruments Adjustment Account	*Note 27*	6,227	6,227
(2,743)	(19,664)	Deferred Capital Receipts	*Note 28*	(12,215)	(19,657)
(694)	(694)	Collection Fund Adjustment Account	*Note 29*	(1,393)	(1,393)
2,564	2,564	Accumulated Leave Reserve	*Note 30*	2,809	2,809
(464,601)	**(481,523)**	**Unusable Reserves**		**(357,796)**	**(365,238)**
(1,049,271)	**(605,645)**	**Total Reserves**		**(945,431)**	**(491,041)**

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 2020 and its income and expenditure for the year then ended.

31 August 2020

Dev Gopal FCA, FCPFA, FCCA, CMgr MCMI

Service Director, Finance & Audit (s151 Officer) Date: 31 August 2020

Luton

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.

31/03/2019 Group £000	31/03/2019 Single £000		31/03/2020 Group £000	31/03/2020 Single £000
(16,601)	(38,792)	Net surplus or (deficit) on the provision of services	(86,645)	(87,929)
42,946	73,170	Adjustments to net surplus or deficit on the provision of services for non-cash movements	158,683	171,091
(13,244)	(21,243)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(19,902)	(24,280)
13,101	**13,135**	**Net cash flows from Operating Activities *(Note 48)***	**52,136**	**58,882**
(112,914)	(117,619)	Investing Activities *(Note 49)*	(154,160)	(141,076)
101,881	109,881	Financing Activities *(Note 50)*	108,080	88,694
2,068	**5,397**	**Net increase or decrease in cash and cash equivalents**	**6,057**	**6,500**
27,718	23,389	Cash and cash equivalents at the beginning of the reporting period	29,785	28,786
29,785	**28,786**	**Cash and cash equivalents at the end of the reporting period**	**35,842**	**35,286**

Luton

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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 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 44,836,999 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 £253.162 million at 31st March 2020.

At the year ended 31st March 2020, the company had net assets of £498.790 million (£493.134 million at 31st March 2019). The 2019/20 profit before tax was £56.528 million and after tax was £24.634 million (profit before tax was £56.528 million and after tax was £46.565 million for 2018/19).

A dividend of £19.125 million has been declared in 2019/20, due to be paid in 2020/21. Debenture interest of £15.798 million was payable by the company to the Council during 2018/19 (£7.872 million in 2018/19).

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 2020. The valuation will be reviewed annually 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 2018, and this has been reviewed and updated at 31st March 2020.

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 2020 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.

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 800,001 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 £0.364 million (net liabilities). The loss before and after tax was £0.293 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 Building Schools for the Future.

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.

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 2020. 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 2019/20
- The Service Reporting Code of Practice for Local Authorities 2019/20

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 2019/20 (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 2019/20 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.

The Code now requires that authorities account for revenue recognition in accordance with IFRS 15 Revenue Recognition from Contracts with Customers and IPSAS 23 Revenue from Non-Exchange Transactions (Taxes and Transfers). IFRS 15 includes specific and detailed requirements for revenue recognition. This reflects the fact that for the private sector the generation of revenue is the primary purpose of an organisation's activities and a key requirement in generating profits. Information regarding the recognition of revenues is therefore normally of primary importance to users of private sector financial statements. Revenue

from contracts with service recipients does, however, form part of funding for public services. Revenue from exchange transactions, such as fees and charges for services, will therefore be of some interest to users of an authority's annual accounts, including those service recipients that pay for services, but is not anticipated to be the primary focus in the manner that would apply for users of private sector financial statements.

Following the interpretation of this new standard the Council does not consider any material change to revenue recognition is required or the need for additional disclosures.

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 standards but yet to be adopted these are;

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities.
- IAS 19 Employee Benefits will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan..

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. Note 6 also explains any post balance sheet events including COVID -19 on both LBC and LLAL.

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 2019/20, the Council's actuaries advised that the net pension's liability had decreased by £17 million. Please see ***Note 39*** for sensitivity analysis.
Business Rates Appeals	At 31st March 2020, the Council had a provision for NNDR appeals of £6.089 million (49% of £12.427 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 £2.101 million, which is 75% of the total provision. If another significant appeal of £1 million was lodged the provision could increase by 10%. Currently there are 65 known appeals outstanding at an approximate average of £43,337. If the number of known appeals increased by 10%, at the average amount, this would increase the provision by approximately £281,690 (13%).
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 (page 130) and PPE valuations explained in note 31.

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.

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 Audited Statement of Accounts was authorised for issue by the Service Director (Finance & Audit) on 31 August 2020. 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 2020, 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

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.

2018/19				2019/20		
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
3,715	310	4,026	Chief Executive	6,694	91	6,785
40,958	4,748	45,706	Place and Infrastructure	35,845	6,250	42,095
11,561	(2,100)	9,461	Customer and Commercial	10,952	1,016	11,968
12,247	229	12,476	Public Health, Commissioning & Procurement	(2,821)	0	(2,821)
117,342	2,343	119,685	People	170,674	645	171,319
(1,411)	4,730	3,320	Schools Individual Budgets	5,430	(130)	5,300
(319)	(4,172)	(4,491)	Housing Revenue Account	(3,173)	24,647	21,474
(51,654)	55,853	4,199	Other Corporate Accounts	(100,856)	99,699	(1,156)
132,480	61,941	194,381	**Net Cost of Services**	**122,745**	**132,218**	**254,963**
(143,480)	(12,109)	(155,589)	Other Income & Expenditure	(127,796)	(39,238)	(167,034)
(11,040)	49,832	38,792	**(Surplus) or Deficit**	**(5,051)**	**92,980**	**87,929**
(90,995)			**Opening General Fund & HRA Balance**	(102,036)		
(11,040)			Movement In Year	(5,038)		
(102,035)			**Closing General Fund & HRA Balance**	(107,073)		

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

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

2018/19					2019/20			
Adjustment for Capital Purposes	Net change for the Pensions Adjustment	Other Differences	Total Adjustment		Adjustment for Capital Purposes	Net change for the Pensions Adjustment	Other Differences	Total Adjustment
Note 1 £000	Note 2 £000	Note 3 £000	£000		Note 1 £000	Note 2 £000	Note 3 £000	£000
0	496	(186)	310	Chief Executive	0	0	91	91
326	2,014	2,407	4,748	Place and Infrastructure	1,469	0	4,781	6,250
0	(1,302)	(798)	(2,100)	Customer and Commercial	0	0	1,016	1,016
0	232	(4)	229	Public Health, Commissioning & Procurement	0	0	0	0
0	2,544	(201)	2,343	People	0	0	645	645
(200)	5,169	(239)	4,730	Schools Individual Budgets	(130)	0	0	(130)
(398)	256	(4,030)	(4,172)	Housing Revenue Account	29,268	0	(4,621)	24,647
27,327	0	28,527	55,853	Other Corporate Accounts	53,602	20,799	25,299	99,699
27,055	**9,409**	**25,477**	**61,941**	**Net Cost of Services**	**84,209**	**20,799**	**27,210**	**132,218**
(4,940)	10,284	(17,453)	(12,109)	Other Income & Expenditure	(11,577)	0	(27,661)	(39,238)
22,115	**19,693**	**8,025**	**49,832**	**(Surplus) or Deficit**	**72,632**	**20,799**	**(451)**	**92,980**

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.

2018/19				2019/20		
Depreciation, amortisation, impairment £000	Fees & Charges £000	Internal Recharges £000		Depreciation, amortisation, impairment £000	Fees & Charges £000	Internal Recharges £000
1,806	(1,618)	(13,252)	Chief Executive	2,952	(1,354)	(15,984)
18,166	(26,043)	(27,290)	Place and Infrastructure	9,463	(28,318)	(26,693)
4	(19,588)	(42,013)	Customer and Commercial	1,028	(16,904)	(40,051)
1,939	(984)	(3,013)	Public Health, Commissioning & Procurement	1,806	(629)	(2,884)
14,115	(35,178)	(6,257)	People	56,201	(15,655)	(6,487)
0	(8,679)	(6,064)	Schools Individual Budgets	0	(8,203)	(5,563)
12,515	(39,420)	(164)	Housing Revenue Account	39,688	(38,866)	(272)
0	(1,868)	(4,035)	Other Corporate Accounts	0	(2,468)	(2,512)
48,545	(133,378)	(102,088)	**Total**	**111,137**	**(112,398)**	**(100,446)**

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Note 8) Expenditure and Income Analysed By Nature

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

2018/19 £000		2019/20 £000
	Expenditure	
251,820	Employee benefits expenses*	257,680
381,541	Other services expenses	338,407
51,300	Support service recharges	51,302
48,545	Depreciation, amortisation, impairment	111,137
18,459	Interest payments	15,046
115	Precepts and levies	115
651	Payments to Housing Capital Receipts Pool	651
5,019	(Gain) / Loss on the disposal of assets	(1,870)
757,4503	**Total**	**772,469**
(102,088)	Internal recharges**	(100,446)
655,362	**Total expenditure**	**672,023**
	Income	
(133,378)	Fees, charges and other service income	(112,398)
(29,670)	Interest and investment income	(35,714)
(118,582)	Income from council tax, non-domestic rates	(121,511)
(334,941)	Government grants and contributions	(314,470)
(616,571)	**Total income**	**(584,094)**
38,791	**Surplus or Deficit on the Provision of Services**	**87,929**

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 2019/20 of £19.125 million (£20.159 million 2018/19).

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

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

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.

2018/19 £000		2019/20 £000
113	Levies	115
651	Payments to the Government Housing Capital Receipts Pool	651
(3,611)	(Gain) / loss on the disposal of non-current assets	(1,870)
(2,848)	Total	**(1,104)**

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, decreased by £1.034 million between financial years to create a total dividend of £19.125 million for 2019/20 (£20.159 million 2018/19).

2018/19 Group £000	2018/19 Single £000		2019/20 Group £000	2019/20 Single £000
12,949	12,949	Interest payable and similar charges	15,046	15,046
10,284	10,284	Net interest on the net defined benefit liability	9,659	9,659
(1,644)	(9,511)	Interest receivable and similar income	(791)	(16,589)
(68,969)	(4,622)	Income and expenditure in relation to investment properties and changes in their fair value (Note 32)	(59,646)	(4,592)
0	(20,159)	Dividends receivable	0	(19,125)
1,074	1,074	Trading and other investment activities (Note 20)	(622)	(622)
(46,306)	(9,985)	**Total Financing and Investment Income and Expenditure**	**(36,353)**	(16,223)

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.

In line with Central Government austerity measures, the Council's Central Government funding, titled Revenue Support Grant, has reduced by £5.237 million between years.

2018/19 £000		2019/20 £000
(73,900)	Council Tax income	(75,694)
(30,736)	Non-domestic rates	(31,542)
(13,945)	Non-domestic rates Top Up Payment	(14,275)
(15,941)	Revenue Support Grant	(10,704)
(2,306)	New Homes Bonus	(1,959)
(3,832)	S31 Business Rates Compensation	(4,952)
(119)	Other grants	(223)
(10,610)	Capital grants and contributions	(10,357)
(151,389)	**Total Taxation and Non Specific Grant Income**	**(149,706)**

Capital grants and contributions are analysed in more detail below:

2018/19 £000		2019/20 £000
(2,876)	Capital Grants -School Condition Allocation	(3,020)
(242)	Other Capital Grants – Education	(255)
(1,598)	Devolved Formula Capital	(1,678)
(3,395)	Local Transport Plan Block Allocation Grant	(3,565)
(348)	Wardown Park Museum Development Grant	(366)
(1,090)	Other Government Grants (<£1m)	(361)
(507)	Other Non-Government Grants (<£1m)	(532)
(555)	s106 Developers' Contributions	(582)
0	Luton Dunstable Busway Contributions	0
(10,610)	Total Capital Grants and Contributions	**(10,358)**

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 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

2018/19 £000		2019/20 £000
	Revenue Grants Credited to Services	
(153,886)	Dedicated Schools Grant	(150,542)
(55,638)	Rent Allowances	(47,365)
(27,444)	Rent Rebates	(23,746)
(15,382)	Public Health Grant (main)	(14,979)
(8,373)	Pupil Premium Grant	(7,728)
0	Education Services Grant	0
(2,811)	Challney Girls PFI - EFA Funding	(2,811)
(2,668)	Infant Free School Meals Grant	(2,404)
(1,144)	Weekly Collection Support Scheme	(1,068)
(1,029)	HB Admin subsidy	(938)
(1,233)	Troubled Families Initiative	(1,097)
(736)	Discretionary Rent Allowance Benefits Subsidy	(717)
(3,181)	Homelessness Support Grant	(3,487)
(5,247)	Improved Better Care Fund	(6,473)
(973)	Unaccompanied Asylum Seeker Grant	(1,287)
(2,071)	Adult Learning- Education Skills Fund	(2,200)
(1,063)	Innovation Fund	(496)
(13,573)	Other Grants & Contributions	(15,866)
(296,452)	**Total Revenue Grants Credited to Services**	(283,204)
	Capital Grants Credited to Services	
(1,475)	Disabled Facilities Grant	(1,216)
(202)	Other Contributions to House Renovation Grants	(202)
(4,005)	Other Capital Grants – Education	(1,652)
(5,682)	**Total Capital Grants Credited to Services**	**(3,070)**
(302,134)	**Total Grants Credited to Services**	**(286,274)**

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.

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 2019/20 are as follows:

2018/19				2019/20		
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
25,593	196,961	222,554	Final DSG before Academy Recoupment	24,590	199,489	224,079
0	(67,892)	(67,892)	Academy figure recouped	0	(73,466)	(73,466)
25,593	129,069	154,662	Total DSG after Academy Recoupment	24,590	126,023	150,613
3,121	0	3,121	Brought forward from previous year	3,856	0	3,856
0	0	0	Carry-forward to next year agreed in advance	0	0	0
28,714	129,069	157,783	Agreed initial budgeted distribution in this year	28,466	126,023	154,469
(777)	0	(777)	In year adjustments	(71)	0	(71)
27,937	**129,069**	**157,006**	**Final budgeted distribution for this year**	**28,375**	**126,023**	**154,398**
(24,081)	0	(24,081)	Actual Central Expenditure for this year	(25,761)	0	(25,761)
0	(129,069)	(129,069)	Actual ISB deployed to schools	0	(126,023)	(126,023)
0	0	0	Local authority contribution for this year	0	0	0
3,856	**0**	**3,856**	**DSG (Over)/Underspend carried forward**	**2,614**	**0**	**2,614**

Note 14) Material Items of Income and Expenditure

This note identifies material items of income and expenditure.

- £30.559 million downward revaluation of the Housing Revenue Account Council Dwellings, £8.472million in 2018/19 (see Note 31)
- £115.426 million upward revaluation of educational assets total, £17.177 million upward in 2018/19.
- £39.235 million of depreciation has been charged across the General Fund and Housing revenue Account, £36.634 million in 2018/19 (see Note 31)
- £19.125 million dividend from our wholly owned subsidiary, London Luton Airport Ltd, £20.159 million in 2018/19 (see Note 10).

Note 15) Member Allowances

The Council paid the following amounts to members of the Council during 2019/20:

2018/19 £000		2019/20 £000
436	Member Allowances	438
6	Member Expenses	5
442	**Total**	**443**

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).

2018/19 Group £000	2018/19 Single £000		2019/20 Group £000	2019/20 Single £000
94	94	Appointed auditor external audit service (Ernst & Young LLP)	94	94
18	18	Certification of grant claims and returns (Ernst & Young LLP)	17	17
15	15	Certification of grant claims and returns (Grant Thornton)	10	10
45		LLAL audit services procured (PwC)	57	
15		Foxhall Homes audit services procured (PwC)	21	
187	127	**Total**	**199**	**121**

There have been some significant non-audit fees incurred by LLAL during 2019/20: Audit £57k (£58k 18/19), Tax £48k (£78k 18/19) & Other £147k (£209k 18/19), and Foxhall Homes 2018/19: Audit £21.2k (£15k 18/19) & Other £18.8k (£14k 18/19).

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
2019/20					
Chief Executive (Robin Porter from May 2019)		181	27	0	209
Interim Chief Executive (Laura Turner)		12	4	0	17
Corporate Director, Customer and Commercial (from May 2019)		104	18	0	122
Corporate Director, People (Amanda Lewis)		135	25	0	160
Corporate Director, Place and Infrastructure (from May 2019)		133	19	0	151
Interim Corporate Director, Place and Infrastructure (to May 2019		21	3	0	24
Corporate Director, Public Health, Commissioning and Procurement		131	18	0	150
Service Director, HR and Monitoring Officer		89	15	0	105
Service Director, Finance and Audit, Section 151 Officer		89	15	0	103
Total 2019/20 Remuneration		895	145	**0**	1,040
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

*Chief Executives' salary for 2019/20 includes election allowances of £5,248.

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	2018/19 Council Officers Number	2018/19 Community Schools Number	2018/19 Total Number	2019/20 Council Officers Number	2019/20 Community Schools Number	2019/20 Total Number
£50,000 to £54,999	45	49	**94**	70	39	**109**
£55,000 to £59,999	36	25	**61**	54	37	**91**
£60,000 to £64,999	13	20	**33**	9	15	**24**
£65,000 to £69,999	16	14	**30**	19	16	**35**
£70,000 to £74,999	2	12	**14**	5	15	**20**
£75,000 to £79,999	1	7	**8**	2	9	**11**
£80,000 to £84,999	1	2	**3**	2	2	**4**
£85,000 to £89,999	8	2	**10**	6	3	**9**
£90,000 to £94,999	1	2	**3**	2	3	**5**
£95,000 to £99,999	0	0	**0**	0	0	**0**
£100,000 to £104,999	0	2	**2**	0	0	**0**
£105,000 to £109,999	0	1	**1**	0	0	**0**
£110,000 to £114,999	0	0	**0**	0	0	**0**
Total	123	136	**259**	**169**	**139**	**308**

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 2018/19 No.	Number of Exit Packages 2019/20 No.	Cost of Exit Packages 2018/19 £000	Cost of Exit Packages 2019/20 £000
£0 to £20,000	31	33	137	219
£20,001 to £40,000	11	6	310	164
£40,001 to £60,000	1	0	59	0
£60,001 to £80,000	0	0	0	
£80,001 to £100,000	0	0	0	
Total	43	**39**	506	**383**
This consists of:				
Voluntary Exits	16	7	152	48
Compulsory Exits	18	27	281	273
Other Exits	9	5	74	62
Total	43	39	506	383

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 2019/20, liabilities of £0.383 million (£0.506 million in 2018/19). 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 2019-20 the council hosted three pooled budgets with NHS Luton; the Better Care Fund (BCF) which now includes the improved Better Care Fund (iBCF) and Winter Pressure funding, the provision of a range of children's services, the provision of learning disabilities services an .

Details of the income and expenditure for each of the pooled budgets are as follows with the exception of Mental Health & Wellbeing grant which will be updated:

Total Expenditure £000	Luton Borough Council £000	NHS Luton £000	2018/19 Net (surplus)/ deficit £000	Pooled Arrangement	Total Expenditure £000	Luton Borough Council £000	NHS Luton £000	2019/20 Net (surplus)/ deficit £000
17,930	(10,326)	(7,604)	**0**	Better Care Fund (including iBCF)	22,567	(14,829)	(7,738)	**0**
30,300	(1,731)	(28,612)	**(43)**	Mental Health & Wellbeing Grant	0	0	0	**0**
2,613	(1,763)	(768)	**82**	Children & Young People's Service	2,767	(2,506)	(1,145)	**(884)**
426	(158)	(158)	**110**	Children Joint Commissioning - Staffing	360	(145)	(145)	**70**
264	(237)	(27)	**0**	Children's Public Health Services	1,579	(1,552)	(27)	**70**
6,486	(3,315)	(3,916)	**(745)**	Learning Disability Services – Purchased Care	7,636	(3,620)	(3,620)	**396**
993	(702)	(273)	**18**	Learning Disability Services – Staffing	1,876	(1,303)	(284)	**289**
59,012	**(18,232)**	**(41,358)**	**(578)**	**Total**	**36,785**	**(23,955)**	**(12,959)**	**(339)**

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 to the pooled budgets and as part of the Section 75 agreement with NHS Luton CCG, the Council contributed £1,747,856 towards Mental Health services commissioned by the CCG from East London Foundation Trust. The Council also provides 'Equality and Diversity' services to NHS Luton CCG for which the contribution from NHS Luton was £28,000 in 2019-20.

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. The Council's trading units (profit) or loss for 2019/20 is summarised below:

Turnover £000	Expenditure £000	2018/19 (Surplus)/ Deficit £000	Description	Turnover £000	Expenditure £000	2019/20 (Surplus)/ Deficit £000
(21,859)	22,874	1,015	Housing maintenance	(24,435)	25,559	1,124
(1,712)	2,010	298	Insurance	(2,262)	2,023	(239)
(9,357)	9,587	230	Schools catering service	(8,318)	8,964	645
(2,421)	1,913	(508)	Property design and maintenance	(1,680)	1,989	310
(2,499)	2,538	39	Other trading units	(1,921)	1,971	50
(37,848)	**38,922**	**1,074**	**Total**	**(38,616)**	**40,506**	**1,890**

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.

2018/19							2019/20					
General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000		General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
						Revenue Charges for Capital						
(26,023)	(10,611)				**36,634**	Charges for depreciation and impairment of non-current assets	(28,001)	(10,618)				**38,619**
(228)					228	Amortisation of intangible assets	(615)					**615**
(6,209)	(1,904)				**8,113**	Revaluation losses on Property, Plant and Equipment	(38,606)	(29,268)				**67,874**
(4,173)	604				**(3,569)**	Movements in the market value of Investment Properties	(4,028)	0				**4,028**
(11,031)					**11,031**	Revenue Expenditure funded Capital under Statute	(4,755)	0				**4,755**
(11,907)	(2,871)				**14,777**	Non-current assets written off on disposal or sale as part of the gain/loss on disposal	(5,840)	1,469				**4,370**

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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		General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	2019/20 Unusable Reserves £000
						External Capital Financing Adjustments						
9,444	746				(10,190)	Capital grants and contributions applied to CAA	13,427	1				(13,427)
6,103				(6,103)	0	Capital grants and contributions unapplied recognised in year	0				0	0
				5,235	(5,235)	Application of grants to capital financing transferred to the Capital Adjustment Account					906	(906)
4,941	4,884		(7,094)		(2,730)	Transfer of cash sale proceeds credited as part of the gain/loss on disposal	6,240	0		(6,245)		5
	(65)		65		0	Contribution from the Capital Receipts Reserve towards administrative costs of disposals		0		0		0
(651)			651		0	Contribution from Capital Receipts to be paid to the government capital receipts pool	(651)			651		0
			(4)		4	Transfer from Deferred Capital Receipts Reserve upon receipt of cash				(2)		2
			11,714		(11,714)	Use of the Capital Receipts Reserve to finance new capital expenditure				4,617		(4,617)

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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						
8,320					**(8,320)**	Minimum Revenue Provision	9,986	(729)				**(9,257)**
423					**(423)**	Statutory provision for repayment of debt (PFI)	(484)	0				**484**
5,786	2,005				**(7,791)**	Capital expenditure charged against the revenue	5,283	3,940				**(9,223)**
	10,304	(10,304)			**0**	Reversal of Major Repairs Allowance credited to the HRA		10,618	(10,618)			**0**
		10,005			**(10,005)**	Use of the Major Repairs Reserve to finance new capital			14,049			**(14,049)**
						Other Statutory Adjustments						
(4,714)	(669)				**5,383**	Amount by which finance costs differ from costs chargeable	0	(3)				**3**
(42,837)	(1,576)				**44,413**	Reversal of retirement benefits debited or credited to CIES	(47,726)	(1,084)				**48,810**
23,636	1,084				**(24,720)**	Employer's pensions contributions & direct payments to pensioners in the year	26,457	1,554				**(28,011)**
(2,700)					**2,700**	Council Tax & NNDR income credited differs from income in accordance with statute	699					**(699)**
66	(7)				**(59)**	Officer remuneration charged on an accruals basis differs from amount under statute	(236)	(10)				**245**
(51,756)	**1,924**	**(299)**	**5,331**	**(868)**	**45,667**	**Total Statutory Adjustments**	**(68,851)**	**(24,129)**	**3,431**	**(980)**	**906**	**89,623**

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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 2018 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2019 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2020 £000
General Fund							
General Fund Reserve	**(14,021)**	**0**	**0**	**(14,021)**	**0**	**0**	**(14,021)**
Earmarked Reserves							
Invest to Save Reserve	(5,199)	231	(376)	(5,343)	0	(826)	(6,169)
Specific Risk Management Reserve	(2,970)	0	0	(2,970)	0	0	(2,970)
Service Provision Reserve	(5,560)	679	(2,759)	(7,640)	688	0	(6,952)
Butterfield Profit Share Reserve	(1,039)	247	(345)	(1,137)	0	(119)	(1,255)
Recession & Welfare Benefits Reserve	(1,471)	0	0	(1,471)	0	0	(1,471)
Reorganisation Reserve	(1,718)	52	0	(1,667)	189	0	(1,479)
Major Projects Reserve	(8,362)	0	0	(8,362)	0	0	(8,362)
Insurance Reserve	(2,775)	0	`(83)	(2,859)	0	(239)	(3,097)
Capital Reserve	(534)	126	0	(408)	0	0	(408)
Pension Fund Reserve	(5,767)	0	(350)	(6,117)	0	(757)	(6,874)
Public Health Reserve	(437)	0	(41)	(478)	0	(362)	(840)
Investment Reserve	(916)	107	0	(809)	271	0	(537)
Funding Equalisation Reserve	(6,274)	0	(6,387)	(12,661)	0	(2,224)	(14,885)
Specific Service Reserve	(730)	245	0	(485)	82	0	(403)
Luton Investment Framework Reserve	(2,751)	345	0	(2,406)	657	0	(1,749)
Cremator Mercury Emissions Reserve	(144)	0	(158)	(301)	0	(196)	(497)
Property Commercialisation	0	0	(844)	(844)	0		(844)
Covid – 19 Reserve	0	0	0		0	(5,423)	(5,423)
Other Reserves	(196)	0	0	(196)	124		(72)
Earmarked Reserves Total	(46,843)	2,032	(11,343)	(56,154)	2,012	(10,144)	**(64,287)**

Luton

School Reserves	(19,484)	2,230	(3,640)	(20,894)	2,371		**(18,524)**
General Fund Total	(80,348)	4,262	(14,984)	(91,070)	**4,383**	**(10,144)**	**(96,833)**
Reserves Description	**Balance at 1 April 2018 £000**	**Transfers Out £000**	**Transfers In £000**	**Balance at 31 March 2019 £000**	**Transfers Out £000**	**Transfers In £000**	**Balance at 31 March 2020 £000**
Housing Revenue Account							
HRA General Balance	**(8,311)**	0	(2,223)	**(10,534)**	2,994	(4,600)	**(12,139)**
HRA Earmarked Reserves							
Legal Disputes Reserve	(269)	136	0	**(133)**	3	0	**(130)**
Revenue Contributions to Capital	(2,068)	2,005	(238)	**(301)**	3,940	(1,613)	**2,025**
HRA Earmarked Reserves Total	(2,337)	2,141	(238)	**(434)**	3,943	(1,613)	**1,895**
House Revenue Account Total	(10,647)	2,141	(2,461)	(10,967)	**6,937**	**(6,213)**	**(10,243)**

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 2019/20 to 2020/21.

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 and as part of the Emergency budget for the Voluntary Separation Scheme.

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.

2018/19 £000		2019/20 £000
(217,814)	Revaluation Reserve (note 24)	(133,181)
(669,249)	Capital Adjustment Account (note 25)	(619,079)
416,857	Pensions Reserve (note 26)	399,034
6,479	Financial Instruments Adj. Account (note 27)	6,227
(19,664)	Deferred Capital Receipts (note 28)	(19,657)
(694)	Collection Fund Adjustment Account (note 29)	(1,392)
2,564	Accumulated Leave Reserve (note 30)	2,810
(481,521)	**Total Unusable Reserves**	**(365,239)**

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.

2018/19 £000		2019/20 £000
(267,312)	**Opening Balance**	**(217,814)**
(27,430)	Upward revaluation of assets	
21,830	Downward revaluation of assets	65,885
(5,600)	**Surplus or deficit on revaluation of non- current assets**	**(151,929)**
6,814	Difference between fair value depreciation and historical cost depreciation	0
48,283	Accumulated gains on assets sold or scrapped	18,748
(217,814)	**Closing Balance**	**(133,181)**

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.

2018/19 £000		2019/20 £000
(634,828)	**Opening Balance**	(669,247)
	Reversal of capital charges debited or credited to the CIES:	
36,634	Charges for depreciation and impairment of non-current assets	39,047
11,032	Revenue expenditure funded from capital under statute	4,755
228	Amortisation of intangible assets	615
14,778	Non-current assets written off on disposal or sale as part of the gain/ loss on disposal to the CIES	3,298
8,112	Revaluation losses on Property, Plant and Equipment	75,931
3,569	Movements on Investment Properties	(4,028)
74,353	**Total reversal of capital charges debited or credited to the CIES**	119,620
(6,814)	Adjusting amounts written out of the Revaluation Reserve	(13,084)
(48,283)	Accumulated gains on assets sold or scrapped	100,872
(19,256)	**Net written out amount of the cost of non-current assets consumed in the year**	
	Capital financing applied in the year:	
(11,714)	Use of the Capital Receipts Reserve to finance new capital expenditure	(4,617)
(10,005)	Use of the Major Repairs Reserve to finance new capital expenditure	(14,049)
(10,190)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(8,931)
(5,235)	Application of grants to capital financing from the Capital grants Unapplied Account	(5,240)
(8,320)	Minimum Revenue Provision	(8,289)
(423)	Minimum Revenue Provision (PFI)	(484)
(7,791)	Capital expenditure charged against the general Fund and HRA balance	(9,093)
(53,678)	**Total capital financing applied in year**	(50,702)
(669,250)	**Closing Balance**	**(619,078)**

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.

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.

2018/19 £000		2019/20 £000
401,855	**Opening Balance**	**416,857**
44,413	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	48,810
(24,720)	Actual amount charged against General Fund Balance for pensions in the year	(28,011)
19,693	**Total Movement in Reserves Transfers to Reserve**	**20,799**
(4,691)	Re-measurements of the net defined benefit liability debited or credited to Other Comprehensive Income & Expenditure Statement	(38,622)
416,857	**Closing Balance**	**399,034**

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.

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

2018/19 £000		2019/20 £000
1,095	**Opening Balance**	**6,478**
(128)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(252)
5,470	Proportion of premiums incurred in year for the redemption of loans to be charged against the General Fund in accordance with statutory requirements	0
41	Proportion of discounts received in previous financial years to be transferred to the General Fund Balance in accordance with statutory requirements	0
19,693	**Total Movement in Reserves Transfers to Reserve**	**6,227**
(4,691)	Re-measurements of the net defined benefit liability debited or credited to Other Comprehensive Income & Expenditure Statement	(38,622)
416,857	**Closing Balance**	**399,034**

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.

£000		£000
(16,938)	**Opening Balance**	**(16,934)**
(2,730)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	(2,725)
4	Transfer to the Capital Receipts Reserve upon receipt of cash	2
(19,664)	**Closing Balance**	**(19,657)**

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.

2018/19 £000		2019/20 £000
(3,394)	**Opening Balance**	**(694)**
1,663	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	1,023
1,037	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	1,722
(694)	**Closing Balance**	**(1,393)**

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 £0.245 million increase in the 31st March 2020 Balance Sheet value.

Balance Sheet Supporting Notes

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 2019/20	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 2019	**470,575**	**445,696**	**55,381**	**202,164**	**8,876**	**6,296**	**30,835**	**1,219,823**	**1,242,204**
Additions	16,327	10,529	2,203	7,891	389	0	10,346	47,685	139,920
Depreciation written out on revaluation	(10,305)	(7,960)	0	0	0	0	0	(18,265)	(18,265)
Revaluation increases/(decreases) to RR	(1,458)	(64,427)	0	0	0	0	0	(65,885)	(65,885)
Revaluation increases/(decreases) to CIES	(29,101)	(46,829)	0	0	0	0	0	(75,931)	(75,931)
Derecognition – disposals	(3,097)	(122)	(286)	0	0	0	0	(3,505)	(3,505)
Derecognition – other	0	0	0	0	0	0	0	0	0
Reclassifications- (to)/from other non-current assets	0	(614)	0	0	0	0	0	(614)	(614)
Other movements in cost or valuation	27,877		0	0	0	0	(27,877)	0	0
At 31 March 2020	**470,817**	**336,272**	**57,298**	**210,055**	**9,265**	**6,296**	**13,304**	**1,103,307**	**1,194,934**
Accumulated Depreciation & Impairment									
At 1 April 2019	1	(21,648)	(33,014)	(30,790)	0	0	0	(85,452)	(85,452)
Depreciation charge	(10,306)	(12,753)	(8,120)	(7,869)	0	0	0	(39,047)	(39,047)
Depreciation written out on revaluation	10,305	7,960	0	0	0	3	0	18,265	18,265
Derecognition – disposals	0	0	207	0	0	0	0	207	207
Derecognition – other	0	0	0	0	0	0	0	0	0
Assets reclassified within PPE	0	0	0	0	0	0	0	0	0
At 31 March 2020	0	(26,442)	(40,927)	(38,659)	**0**	**0**	**0**	(106,027)	**(106,027)**
Net Book Value at 31 March 2019	**470,575**	**424,048**	**22,367**	**171,374**	**8,876**	**6,296**	**30,835**	**1,134,370**	**1,219,214**
Net Book Value at 31 March 2020	**470,817**	**309,830**	**16,371**	**171,396**	**9,265**	**6,296**	**13,304**	**997,278**	**1,088,907**

During 2018/19 LLAL incurred substantial expenditure on the DART project. Including capitalised interest LLAL recorded additions of £60.903 million.

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	10,402	62,016	119,717
Depreciation written out on revaluation	(9,824)	(8,708)	0	0	0	(3)	0	(18,535)	(18,535)
Revaluation increases/(decreases) to RR	10,376	(5,259)	0	0	0	484	0	5,601	5,601
Revaluation increases/(decreases) to CIES	(1,904)	(5,031)	0	0	0	(1,177)	0	(8,112)	(8,112)
Derecognition – disposals	(3,351)	(11,205)	(4,747)	(12,830)	0	0	(25)	(32,158)	(32,158)
Derecognition – other	0	(30)	(40)	0	0	0	0	(70)	(70)
Reclassifications- (to)/from other non-current assets	0	(3,980)	0	0	0	0	0	(3,980)	(3,980)
Other movements in cost or valuation	34	3,688	1,221	0	0	(5,682)	739	0	0
At 31 March 2019	**470,573**	**445,698**	**55,381**	**202,163**	**8,875**	**6,297**	**30,837**	**1,219,823**	**1,304,667**
Accumulated Depreciation & Impairment									
At 1 April 2018	0	(20,729)	(31,893)	(35,692)	0	(2)	0	(88,316)	(88,314)
Depreciation charge	(10,304)	(12,508)	(5,891)	(7,930)	0	(1)	0	(36,634)	(36,634)
Depreciation written out on revaluation	9,824	8,708	0	0	0	3	0	18,535	18,535
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
At 31 March 2020	**0**	**(21,469)**	**(33,014)**	**(30,792)**	**0**	**0**	**0**	**(85,455)**	**(85,453)**
Net Book Value at 31 March 2018	**464,493**	**425,824**	**22,707**	**172,549**	**8,779**	**12,673**	**19,721**	**1,126,745**	**1,153,891**
Net Book Value at 31 March 2019	470,573	424,049	22,367	171,371	8,875	6,297	30,837	1,134,367	1,219,215

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 2019/20 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 2020.

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	16,371	171,396	9,265	0	13,304	0	394	0	210,730
Held at Insurance Valuation	0	0	0	0	0	0	0	0	0	5,881	5,881
Valued at Current Value:											0
31-Mar-20	470,817	201,906	0	0	0	6,296	0	121,682	0	0	800,701
31-Mar-19	0	15,398	0	0	0	0	0	0	0	0	15,398
31-Mar-18	0	66,435									66,435
31-Mar-17	0	23,809	0	0	0	0	0	0	0	0	23,809
31-Mar-16	0	2,282	0	0	0	0	0	0	0	0	2,282
31-Mar-15	0	0	0	0	0	0	0	0	0	0	0
Total Cost or Valuation	**470,817**	**309,830**	**16,371**	**171,396**	**9,265**	**6,296**	**13,304**	**121,682**	**394**	**5,881**	**1,125,236**

The Group subsidiary PPE assets are all held as 'Assets Under Construction', and have therefore not been revalued and are currently excluded from this table.

Capital Commitments

At 31st March 2020, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20 and future years.

The existing contractual commitments, as at 31ST March 2020, 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:

2018/19 Group £000	2018/19 Single £000		2019/20 Group £000	2019/20 Single £000
(58,346)	(10,137)	Rental income from investment property	(62,379)	(10,626)
1,559	1,946	Direct operating expenses arising from investment property	1,946	4,464
(21,386)	(3,569)	Net gains/losses from fair value adjustments	(8,387)	(4,028)
9,204	0	Charitable Donations	9,175	
(68,969)	**(4,622)**	**Net (gain)/loss on investment property**	**(59,646)**	**(10,190)**

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:

31/03/2019 Group £000	31/03/2019 Single £000		31/03/2020 Group £000	31/03/2020 Single £000
674,122	**102,900**	**Opening Balance**	**725,529**	**109,815**
29,727	10,013	Additions - Purchases	36,751	7,223
(3,510)	(3,510)	Disposals	0	0
21,386	(3,569)	Total gains/losses in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	8,387	4,028
3,804	3,985	Transfers (to/from Inventories or PPE)	614	614
725,529	**109,819**	**Balance at end of the year**	**771,281**	**121,681**

During 2019/20, LLAL recorded additional expenditure on investment property totalling £29.5 million.

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.

2018/19 £000		2019/20 £000
1,877	Gross Carrying Amount	1,936
(979)	Accumulated Amortisation	(1,207)
898	**Net Carrying Amount**	**728**
59	Additions – Purchases	281
(228)	Amortisation	(615)
1,936	Grossing Carrying Amount	2,217
(1,207)	Accumulated Amortisation	(1,823)
728	**Balance at end of the year**	**394**

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.

2018/19 £000		2019/20 £000
422,292	**Opening Capital Financing Requirement**	530,329
(1,548)	Opening Balance Adjustment*	
	Capital investment	
62,016	Property, Plant and Equipment (Note 23)	47,685
10,016	Investment Properties (Note 24)	7,223
59	Intangibles (Note 25)	281
11,032	Revenue Expenditure Funded from Capital under Statute (Note 22b)	4,755
79,300	London Luton Airport Limited Debenture Loan	117,840
841	Share Capital Expenditure (Foxhall Homes & LEP)	0
	Sources of finance	
(11,714)	Capital Receipts (Note 22b)	(4,617)
(15,425)	Government Grants and Other Contributions (Note 22b)	(13,152)
(10,005)	Major Repairs Reserve (Note 22b)	(14,049)
	Sums set aside from revenue:	
(7,791)	Direct revenue contributions (Note 22b)	(9,093)
(8,743)	MRP/loans fund principal (Note 22b)	(8,773)
530,326	**Closing Capital Financing Requirement**	658,429
108,034	**Underlying increase to borrow**	**128,100**

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Note 36) Financial Instruments

Financial Assets

Accounting Policy

Financial assets are classified into three 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

2018/19					2019/20			
Current		Non-Current			Current		Non-Current	
Investments £000	Debtors £000	Investments £000	Debtors £000		Investments £000	Debtors £000	Investments £000	Debtors £000
				Amortised Cost				
		138,458		Subsidiary Loans			258,834	
				Fixed Term Deposit				
	24,433		3,071	Debtors		31,778		2,697
5,879				Cash & Cash Equivalents (Bank)				
5,879	**24,433**	**138,458**	**3,071**	**Amortised Cost Total**		**31,778**	**258,145**	**2,697**
				Fair Value through Profit and Loss				
		659		Unquoted Equity Investments			45,637	
22,907				Cash & Cash Equivalents (MMF)	35,286			
22,907	**0**	**139,117**	**0**	**Fair Value through Profit and Loss Total**	**35,286**	**31,778**	**304,471**	**2,697**
28,786	**24,433**	**139,117**	**3,071**	**Total Financial Assets**	**35,286**	**31,778**	**304,471**	
0	**48,764**	**0**	**0**	**Non-Financial Instruments**		**42,881**		
28,786	**73,197**	**139,117**	**3,071**	**Balance Sheet Total**	**35,286**	**74,659**	**304,471**	**2,697**

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 a joint ventures.

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.

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 (CIES) 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 CIES 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

2018/19					2019/20			
Current		Non Current			Current		Non Current	
Borrowings £000	Creditors £000	Borrowings £000	Creditors £000		Borrowings £000	Creditors £000	Borrowings £000	Creditors £000
				Amortised Cost				
(11,314)		(380,296)		Loans	(73,870)		(430,296)	
		(21,821)		PFI Liabilities			(21,337)	
		(857)		Other Liabilities			(789)	
	(43,006)		(1,557)	Creditors		(36,481)		(1,209)
(11,314)	**(43,006)**	**(402,974)**	**(1,577)**	**Amortised Cost Total**	**(73,870)**	**(36,481)**	**(452,422)**	**(1,209)**
(11,314)	**(43,006)**	**(402,974)**	**(1,577)**	**Total Financial Liabilities**	**(73,870)**	**(36,481)**	**(452,442)**	**(1,209)**
0		0	0	**Non-Financial Instruments**	0	0	0	0
(11,314)	**(43,006)**	**(402,974)**	**(1,577)**	**Balance Sheet Total**	**(73,870)**	**(36,481)**	**(452,442)**	**(1,209)**

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:

2018/19 Surplus or Deficit on the Provision of Services £000		2019/20 Surplus or Deficit on the Provision of Services £000
	Interest income:	
(9,342)	Financial assets measured at amortised cost	(16,589)
(169)	Other financial assets measured at fair value through Profit and Loss	
(9,511)	**Total interest revenue (note 10)**	**(16,589)**
0	**Fee income**	
	Interest expenses:	
12,949	Financial liabilities measured at amortised cost	15,046
12,949	**Total interest expenses (note 10)**	**15,046**
98	**Fee expense**	**(1,543)**

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:

- 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.

Carrying Amount £000	2018/19 Fair Value £000		Carrying Amount £000	2019/20 Fair Value £000
		Financial assets measured at amortised cost:		
138,458	238,046	Subsidiary Loans	258,145	258,145
0	0	Fixed Term Deposits		
27,504	27,504	Debtors	34,475	34,475
5,879	5,879	Cash & Cash Equivalents (Other)	2,708	2,708
		Other financial assets measured at fair value through profit and loss:		
659	659	Unquoted Equity Investments	45,637	45,637
22,907	22,907	Cash & Cash Equivalents (MMF)	32,578	32,578
195,407	**294,995**	**Total Financial Assets**	**372,743**	**372,743**
		Financial liabilities measured at amortised cost:		
391,610	469,722	Loans	504,166	504,166
21,821	41,230	PFI Liabilities	21,337	21,337
857	982	Other Liabilities	789	789
44,563	44,563	Creditors	37,690	37,690
458,851	**556,497**	**Total Financial Liabilities**	**563,982**	**563,982**

The valuation of the financial assets and liabilities for 2019/20 is work in progress and will be updated as part of the final audit.

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 2020) 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 2020) 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.

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. The credit criteria in respect of financial assets held by the council are detailed in the Treasury Management Strategy report approved by the Council.

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 £2.362 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.

31/03/2019 £000	Debt past due date	31/03/2020 £000
9,885	Less than one month	13,332
620	One to three months	649
896	Three months to one year	796
1,070	More than one year	917
12,471	**Total**	**15,694**

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.

In addition to sundry debts, the Council is owed considerable debt in the relation to housing tenants £12.875 million and housing benefit overpayments £12.553 million. Due to the nature of the debt the Council has impaired the debt on a very prudent basis, housing tenants by £11.837 million (91.9%) and housing benefit overpayments by £11.753 million (93.6%).

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	31/03/2020 £000
Less than 1 year	73,870
between 12 months & 24 months	0
between 24 months & 5 years	92,856
5 years and above	181,940
Total	**348,666**

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.

The sensitivity analysis at 31 March 2020 will be carried out after the completion of the valuation of the financial assets and liabilities.

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	31/03/2020 £000	31/03/2019 £000
(A)	Challney Girls PFI Scheme	(21,337)	(21,337)
(B)	Multi-Functional Devices	(303)	(371)
(C)	Highways Vehicles	(486)	(486)
	Total	**(22,126)**	**(22,194)**

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 2019/20 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 2019 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 2020 (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	2018/19 £000	2019/20 £000
Opening balance	22,243	21,820
Loan repayment	(2,813)	(2,828)
Interest incurred	2,390	2,345
Closing balance	**21,820**	**21,337**

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)	0	0		**0**
MFDs (new contract)	377		(75)	**302**
Highways Vehicles	460	0	(59)	**401**
Total	**837**	**0**	**(135)**	**702**

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 2020 (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	72	17	**198**
Payable within 2 to 5 years	321	232	26	**579**
Total	432	303	42	**777**
Highways Vehicles				
Payable within 12 months	7,921	55	24	**8,000**
Payable within 2 to 5 years	31,685	251	64	**32,000**
Payable within 6 to 10 years	13,862	128	10	**14,000**
Total	53,469	434	98	**54,000**

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 2019/20, the Council paid £9.118 million (2018/19 £7.330 million) to the Teachers Pensions Agency in respect of teachers' retirement benefits.

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 2019/20, the Council paid £0.028 million (2018/19 £0.029 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

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 2.35% (2.4% in 2018/19) 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

2018/19 £000		2019/20 £000
	Comprehensive Income and Expenditure Statement	
	Cost of services:	
(37,042)	Current service cost	(40,108)
(2,679)	Past service cost	(188)
(979)	(Gain) / loss from settlements	(568)
6,571	**Financing and Investment and Expenditure:**	1,005
(10,284)	Net Interest Expense	(9,659)
(44,413)	**Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services**	**(49,518)**
	Re-measurement of the Net Defined Benefit Liability comprising:	
14,516	Return on plan assets (excluding the net interest expense)	(50,889)
43,436	Actuarial gains and (losses) arising on changes in demographic assumptions	(31,238)
(53,261)	Actuarial gains and (losses) arising on changes in financial assumptions	120,160
0	Other (if applicable)	0
4,691	**Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement**	**38,622**
	Movement in Reserves Statement	
44,413	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	49,518
	Actual amount charged against the General Fund Balance for pensions in the year:	
23,863	Employers contributions payable to scheme	27,190
857	Contribution in respect of unfunded benefits	821
24,720	**Total amount charged against the General Fund**	**28,011**

The current service cost includes an allowance that has been made for the recent Court of Appeal judgement in relation to the **McCloud & Sargeant** cases which relate to age discrimination within the Judicial & Fire Pension schemes respectively. The estimated impact on the total liabilities at 31 March 2020 has been allowed for as a past service cost and has resulted in a slight increase in the defined benefit obligation as at 31 March 2020. It should be noted that this adjustment

is an estimate of the potential impact on the Employer's defined benefit obligation based on our interpretation of the analysis carried out by the Government Actuary's Department (GAD) and the Employer's liability profile. It is not yet clear how this judgement may affect LGPS members' past or future service benefits.

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:

31/03/2019 £000		31/03/2020 £000
(1,010,526)	Present value of the defined benefit obligation	(1,010,526)
593,669	Fair value of plan assets	611,492
(416,857)	**Net liability arising from defined benefit obligation**	(399,034)
(1,924)	Group- Net liability in subsidiary (LLAL)	(1,631)
0	Group- Net liability in subsidiary (Foxhall Homes)	
(418,781)	**Group Net Liability from defined benefit obligation**	**(400,665)**

Reconciliation of the Movements in the Fair Value of Scheme Assets

2018/19 £000		2019/20 £000
565,138	**Opening Balance**	593,669
15,224	Interest income	14,331
	Re-measurement gain / (loss):	
14,516	The return on plan assets, excluding the net interest	(50,889)
23,863	Contributions from employer	27,190
6,165	Contributions from employees into the scheme	6,587
(29,221)	Benefits paid	(46,448)
(1,037)	Other (if applicable) Effect of Settlements	(354)
(979)	Administrative expenses	(568)
593,669	**Closing Balance**	543,518

Reconciliation of the Movements in the Fair Value of Scheme Liabilities

2018/19 £000		2019/20 £000
(966,993)	**Opening Balance**	(1,007,961)
(37,042)	Current Service Cost	(40,108)
(25,508)	Interest cost	(25,508)
(6,165)	Contribution from scheme participants	(6,165)
	Re-measurement (gains) and losses:	
43,436	Actuarial (gains) and losses arising on changes in demographic assumptions	(30,649)
(53,261)	Actuarial (gains) and losses arising on changes in financial assumptions	120,160
0	Other (if applicable)	0
(2,679)	Past service cost	(114)
7,608	Effect of settlements	7,608
30,078	Benefits paid	30,078
(1,010,526)	**Closing Balance**	(952,659)

Guaranteed Minimum Payments

It should be noted that the pensions liability has not been revised because of the High Court's recent Lloyds ruling on the equalisation of GMPs between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. It is our actuary's understanding that HM Treasury have confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes".

Information about the Defined Benefit Obligation

Employer membership statistics:	Liability split £(000) as at 31-Mar-20	Liability split (%) as at 31-Mar-20	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 2020 was 17.5 years, (17.5 on 31st March 2019). 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.

Assets Composition

Quoted Prices 2018/19 Active Market £000	Quoted Prices 2018/19 Inactive Market £000	2018/19 Total £000		Quoted Prices 2019/20 Active Market £000	Quoted Prices 2019/20 Inactive Market £000	2019/20 Total £000
0	**26,715**	**26,715**	**Cash and cash equivalents**	0	24,458	24,458
			Debt Securities			
48,087	0	**48,087**	UK Government	44,025	0	44,025
			Private Equity:			
0	4,156	**4,156**	All	0	3,805	3,805
			Property:			
0	55,211	**55,211**	UK Property	0	50,547	50,547
0	0	**0**	Overseas Property	0	0	0
0	**55,211**	**55,211**	**Sub-total Property**	**0**	**50,547**	**50,547**
			Other Investment Funds:			
106,267	190,568	**296,835**	Equities	97,290	174,469	271,759
49,868	0	**49,868**	Bonds	45,656	0	45,656
111,016	1,781	**112,797**	Other	101,638	1,631	103,268
267,151	192,349	**459,500**	**Sub-total Other investment funds**	244,583	176,100	420,683
315,238	**278,431**	**593,669**	**Total Assets**	**288,608**	**254,910**	**543,518**

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:	31/03/2019	31/03/2020
Longevity at 65 for current pensioners:		
Men	20.7	22.2
Women	23.2	24.3
Longevity at 65 for future pensioners:		
Men	21.7	23.4
Women	24.7	26.1
Rate of increase in salaries	2.70%	2.70%
Rate of increase in pensions	2.40%	1.70%
Rate for discounting scheme liabilities	2.40%	2.35%

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 2020	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). The next valuation was carried out in 2019/20 a combined rate of 29.1% and increase in service rates from 17.3 to 19.4%

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.

31/03/2019 £000		31/03/2020 £000
309	Not later than one year	346
519	Later than one year and not later than five years	247
0	Later than five years	0
828	**Total**	**593**

The expenditure charged to service in the Comprehensive Income and Expenditure Statement during the year was £0.324 million (£0.324 million during 2018/19). 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.

31/03/2019 £000		31/03/2020 £000
9,152	Not later than one year	8,232
28,153	Later than one year and not later than five years	25,502
133,801	Later than five years	128,701
171,106	**Total**	**162,435**

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 £2.170 million (£1.925 million 2018/19).
There are no contingent rents for 2019/20 (nil in 2018/19).
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.

31/03/2019 £000		31/03/2020 £000
3,000	Not later than one year	3,000
12,000	Later than one year and not later than five years	12,000
24,000	Later than five years	24,000
39,000	**Total**	

Note 42) Debtors

The outstanding debtors at 31st March 2020 comprised the following:

Debtor Classification 2019/20	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	899	0	899	899	0	899
Central Government	8,197	0	8,197	7,873	0	7,873
NHS Bodies	3,773	0	3,773	3,773	0	3,773
Wholly Owned Subsidiaries	0	0	0	19,434	0	19,434
Council Tax	30,140	(18,675)	11,465	30,140	(18,675)	11,465
NNDR	6,535	(4,398)	2,137	6,535	(4,398)	2,137
Housing Tenants	12,875	(11,837)	1,038	12,875	(11,837)	1,038
Housing Benefit Overpayments	12,553	(11,753)	800	12,553	(11,753)	800
Other bodies	37,202	(2,299)	34,904	24,958	(2,299)	22,660
Payments in advance	4,580	0	4,580	4,580	0	4,580
Total	**116,754**	**(48,961)**	**67,793**	**123,620**	**(48,961)**	**74,659**
2018/19 Comparator						
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	31,684	(2,457)	29,227	18,341	(2,457)	15,884
Payments in advance	1,452	0	1,452	1,452	0	1,452
Total	**111,276**	**(45,848)**	**65,429**	**119,044**	**(45,848)**	**73,197**

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.

2018/19 Group £000	2018/19 Single £000		2019/20 Group £000	2019/20 Single £000
0	0	Short term deposits with banks		0
22,907	22,907	Money Market funds	22,907	22,907
6,857	5,857	Bank Current Accounts	12,890	12,334
22	22	Cash held by the Authority	46	46
29,786	**28,786**	**Total**	**35,842**	**(35,286)**

Note 44) Creditors

The outstanding creditors at 31st March 2020 comprised the following:

2018/19 Group £000	2018/19 Single £000		2019/20 Group £000	2019/20 Single £000
(1,049)	(1,049)	Other Local Authorities	3,483	3,483
(14,495)	(12,315)	Central Government Bodies	(18,438)	(18,438)
(1,496)	(1,496)	NHS Bodies	(1,193)	(1,193)
0	(184)	Wholly Owned Subsidiaries	(74)	(74)
(4,106)	(4,106)	Council Tax	(4,455)	(4,455)
(1,857)	(1,857)	NNDR	(2,155)	(2,155)
(2,736)	(2,736)	Housing Tenants	(138)	(138)
(41,707)	(36,327)	Other Bodies	(46,056)	(34,453)
(67,446)	(60,070)	**Total Short Term Creditors**	**(69,025)**	**(57,422)**
(1,557)	(1,557)	Long-Term Creditor – Other Bodies	(1,209)	(1,209)
(69,003)	(61,627)	**Total All Creditors**	**(70,234)**	**(58,632)**

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.

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

	31/03/18 Opening £000	Additions £000	Utilised £000	Released £000	31/03/19 Closing £000	Additions £000	Utilised £000	Released £000	31/03/20 Closing £000
Employee related	(63)	0	33	8	(22)	0	19	0	(3)
Insurance related	(2,610)	(1,151)	108	776	(2,876)	(1,146)	707	674	(2,641)
Business Rates Appeals	(4,472)	(8,498)	7,687	0	(5,103)	(986)	0	0	(6,089)
Other	(739)	(294)	135	6	(891)	(362)	50	20	(1,183)
Total	(7,884)	(9,943)	8,144	790	(8,892)	(2,494)	776	694	(9,916)

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	(3)	0	0	0	(3)
Insurance related	(389)	(1,678)	(573)	(2,251)	(2,641)
Business Rates Appeals	(1,522)	(4,567)	0	(4,567)	(6,089)
Other	(1,183)	0	0	0	(1,183)
Total	(3,098)	**(6,245)**	**(573)**	**(6,818)**	(9,916)

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).

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.

31/03/2019 £000		31/03/2020 £000
(8,891)	Single entity Other LT liabilities	(9,916)
(59,455)	Subsidiary deferred tax liability (LLAL)	(71,271)
(68,346)	**Total**	**(81,187)**

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.

31/03/2019 £000		31/03/2020 £000
(20,080)	Basic Needs Grant	(36,895)
(1,424)	Weekly Collection	(519)
(1,099)	Highways Access Project (Local Growth Fund- DCLG)	(1,099)
(1,533)	Other Govt Grants (<£1m)	(2,469)
(3,483)	s106 Developer Contributions	(1,868)
(142)	Other Non-govt Grants (<£1m)	(929)
(27,762)	Total	**(43,779)**

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.

31/03/2019 £000		31/03/2020 £000
(450)	Weekly collection support grant	0
(2,321)	Family Safeguarding	(603)
(1,430)	Troubled Families / Stronger Families	(196)
(971)	Other Govt Grants (<£1m)	(971)
(1,426)	Other Grants and Contributions (<£1m)	(13,130)
(6,599)	Total	**(14,900)**

Cash Flow Statement Supporting Notes

Note 48) Cash Flow Statement – Operating Activities

2018/19 Group £000	2018/19 Single £000		2019/20 Group £000	2019/20 Single £000
(16,601)	**(38,792)**	**Net surplus or deficit on the provision of services**	**(86,645)**	**(87,929)**
		Adjustments for non-cash items		
36,862	36,862	Depreciation and amortisation	39,851	39,851
8,112	8,112	Impairment and downward valuations	67,874	67,874
(21,386)	3,569	Movements in the market value of investment properties	(331)	4,028
(11,523)	(7,973)	Increase/(decrease) in creditors	(3,650)	842
(8,677)	(2,671)	(Increase)/decrease in debtors	38,781	33,730
6,088	1,008	Increase/(decrease) in provisions	(10,791)	1,024
(1,014)	(207)	(Increase)/decrease in inventories	2,893	(166)
19,706	19,693	Movement in pension liability	20,946	20,799
14,778	14,778	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	3,110	3,110
42,946	**73,171**		**158,683**	**171,091**
		Adjustments for investing and financing activity items		
926	926	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	(7,496)	(7,496)
(6,377)	(6,377)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,594)	(5,594)
(15,792)	(15,792)	Any other items for which the cash effects are investing or financing cash flows	(6,811)	(11,189)
(21,243)	**(21,243)**		**(19,902)**	**(24,280)**
5,101	**13,135**	**Net cash flows from operating activities**	**52,136**	**58,882**

Luton

2018/19 Group £000	2018/19 Single £000		2019/20 Group £000	2019/20 Single £000
(8,483)	(8,483)	Interest Paid	(8,483)	(7,854)
5,437	9,502	Interest Received	5,437	16,641
0	18,000	Dividends	0	19,125

Note 49) Cash Flow Statement – Investing Activities

2018/19 Group £000	2018/19 Single £000		2019/20 Group £000	2019/20 Single £000
(147,139)	(71,714)	Purchase of property, plant & equipment & intangible assets	(176,605)	(54,811)
(41)	(80,171)	Purchase of short and long term investments	(3,725)	(119,665)
6,383	6,383	Proceeds from the sale of property, plant & equipment	5,595	5,595
3,500	3,500	Proceeds from short and long term investments	0	0
24,383	24,383	Other receipts from investing activities	20,575	27,805
(112,914)	**(117,619)**		**(154,160)**	**(141,076)**

Note 50) Cash Flow Statement – Financing Activities

2018/19 Group £000	2018/19 Single £000		2019/20 Group £000	2019/20 Single £000
113,500	113,500	Cash receipts of short and long term borrowing	120,000	120,000
(3,437)	(3,437)	Other receipts from financing activities	(34,944)	(34,944)
(728)	(728)	Cash payments for the reduction of outstanding liabilities (finance leases)	(929)	(929)
109,881	**109,881**		**108,080**	**109,881**

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 2019/20 are shown in Note 14. During 2019/20 the council did not have any transactions with organisations that Members had a pecuniary interest in.

Officers

During 2019/20 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	2019/20 Expenditure £000	2019/20 Income £000	2019/20 Debtor £000	2019/20 Creditor £000
Luton Cultural Services Trust	2,101	(285)	1	67
Active Luton (Leisure Trust)	305	(371)	15	(76)
Barnfield / West Herts College	713	(275)	18	15
Marsh Farm Future	275	0	3	0
Luton BID ltd	379	(85)	0	0
Luton Foodbank	1	0	0	0
Lutonians Cricket Club	1	(2)	0	20

Entities Controlled or Significantly Influenced by the Council

Details of the Council's shareholdings and investments in London Luton Airport Limited and Foxhall Homes are disclosed in the Note 1. 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 £253,161 million at 31st March 2020. At the year ended 31st March 2020, the company had net assets of £498,790 million (£493.134million at 31st March 2019). The 2019/20 profit before tax was £39.447 million and after tax was £24.634 million (profit before tax £56.528 million and after tax was £46.565 million for 2018/19). A dividend of £19.125million has been declared in 2019/20 and is due to be paid in 2020/21. Debenture interest of £15.798million was payable by the company to the Council during 2019/20 (£7.872 million in 2018/19.

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. . It also held debentures totalling £1.911 million at 31st March 2020 and a working capital loan of £4.173 million paid between the organisations. Owing to an ongoing debt between the Wholly Owned Subsidiary and the Council an interest of £215.2 110,000 was charged for the financial year (£110.1K for 2018/19).

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: Dev to complete

Organisation	Number of Cllr / Officer Representatives	Amount (£)	Nature of Service
Luton Cultural Services Trust	2	2,754,000	Leisure & Culture
Active Luton	3	1,541,000	Leisure & Culture
You Turn	1	60,000	Community Safety
Safer Luton Partnership	2	66,000	Community Safety
Luton Foodbank	1	70,000	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		**4,568,000**	

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 31/03/2020 £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31/03/2020 £000
Retail	43,179	0	43,179	43,179	0	43,179
Leisure	3,975	0	3,975	3,300	0	3,300
Office Units	38,665	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	12,187	12,187	2,565	23,436	26,001
Total	**96,186**	**13,632**	**109,818**	**104,306**	**586,881**	**691,187**

The following table does not include £33.387 million of LALL investment properties assets under construction that relate to Bartlett Square, Century Park and the Development Consent Order. These costs are held at historical cost. The single entity assets valuation is work in progress and will be reflected in the final accounts.

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 £565,000,000 (rounded) reflects a Net Initial Yield of 8.37% 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. Bartlett Square (including Hart House Business Centre) comprises a part Grade II listed office building of traditional masonry construction arranged overground and first floors, providing office accommodation within a 4.54 acre brownfield site. The Fair Value for the freehold interest in the entire site is £2.5 million, where the valuation has had regard to the potential development value of the site and the Outline Business Case for Bartlett Square Hotel (Phase One), using the residual method of valuation. An average acreage rate of £0.39 million has been applied which reflects the proximity to Luton Airport Parkway and the progress made in securing planning permission to date.

The other site is Century Park, valued at £17.4 million, a land site that comprises a strategic development site of 297 acres, of which 250 acres was purchased by LLAL in September 2015 with the remaining 47 acres being purchased by LLAL in May 2019, when an option agreement over the land was exercised. Approximately 60% is considered developable, with 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 end value. As such the valuers have used the residual value method to establish a land value per acre of c. £58,600 per acre for the entire site, 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.

04 Contents

Supplementary Statements and Supporting Notes

Luton

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.

31/03/2019 £000		31/03/2020 £000
	Expenditure	
12,825	Repairs and maintenance	10,863
6,350	Supervision and management	6,364
2,610	Rents, rates, taxes and other charges	2,716
234	HRA services' share of Corporate and Democratic Core	288
10,611	Depreciation and impairment of non-current assets	39,688
(733)	Upward revaluation of non-dwellings	0
2,636	Impairment Reversal	0
0	Movement in fair value of Investment Properties	0
0	Revenue Expenditure funded by Capital Under Statute	0
106	Debt management costs	81
289	Movement in the allowance for bad debts	340
34,929	**Total Expenditure**	**60,340**
	Income	
(32,850)	Dwelling rents	(32,588)
(1,528)	Non-dwelling rents	(1,548)
(4,593)	Tenant services and facilities charges	(4,351)
(343)	Leaseholders services and facilities charges	(277)
(107)	Contributions towards expenditure	(102)
(39,420)	**Total Income**	**(38,866)**
(4,491)	**Net Cost for HRA Services**	**21,474**
	HRA Share of the operating income and expenditure	
(1,947)	(Gain) or loss on sale of HRA non-current assets	(1,469)
(604)	Movement in fair value of Investment Properties	0
5,505	Interest payable and similar charges	4,802
(196)	Interest and investment income	(187)
235	Net interest on the net defined benefit liability	222
(746)	Capital contributions receivable	(1)
(2,243)	**(Surplus) or deficit for the year on HRA services**	**24,840**

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.

31/03/2019 £000		31/03/2020 £000
(8,311)	**Balance on the HRA at the end of the previous year**	**(10,535)**
(2,243)	(Surplus) or deficit for the year on HRA services	24,840
	Adjustments between accounting and funding basis:	
(10,611)	Charges for depreciation and impairment of non-current assets	(10,618)
(1,904)	Revaluation losses on Property, Plant and Equipment	(29,268)
604	Movements in the market value of Investment Properties	0
0	Revenue Expenditure funded from Capital under Statute	0
(2,871)	Non-current assets written off on disposal or sale as part of the gain/loss on disposal	(1,469)
746	Capital grants and contributions applied to capital financing	1
4,884	Transfer of cash sale proceeds credited as part of the gain/loss on disposal	4,566
(65)	Contribution from the Capital Receipts Reserve towards administrative costs of disposals	0
2,005	Capital expenditure charged against the General Fund and HRA balances	3,940
10,304	Reversal of Major Repairs Allowance credited to the HRA	10,618
(669)	Amount by which finance costs differ from costs chargeable in accordance with statute	0
(1,576)	Reversal of items relating to retirement benefits debited or credited to the statement	1,084
1,084	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,554)
(7)	Amount by which officer remuneration charged on an accruals basis differs from remuneration chargeable in accordance with statute	(10)
(319)	**Net (increase) or decrease before transfers to or from reserves**	**(502)**
(1,903)	Transfer to or (from) earmarked reserves	(2,330)
(2,223)	**(Increase) or decrease in year on the HRA**	(1,827)
(10,534)	Balance on the HRA at the end of the current year	**(12,362)**

HRA Statement Supporting Notes

Movements in Asset Values

	Dwellings £000	Land & Buildings £000	VPFE £000	Surplus £000	Investment Property £000	2019/20 Total £000	2018/19 £000
Opening	464,495	6,560	19	4,162	6,822	482,058	482,058
Additions/Transfer	16,325	(70)	0	175	3,944	**20,374**	10,749
Depreciation	0	(291)	(10)	0	0	**(301)**	(10,600)
Revaluations	0	233	0	1,756	(2,167)	**(178)**	9,309
Disposals	0	(232)	0	(743)	0	**(975)**	(3,103)
Closing	**483,332**	**6,200**	**9**	**5,350**	**8,599**	**503,490**	**488,413**

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 2019	125	762	2,536	127	2,355	1,585	224	**7,714**
31 March 2020	128	764	2,513	134	2,382	1,647	221	**7,789**
(Reduction)/Increase	**3**	**2**	**(23)**	**7**	**27**	**62**	**(3)**	**75**

The average dwelling value is £0.065 million (£0.063 million in 2018/19).

Vacant Possession Values

The vacant possession value of dwellings as at 31st March 2020 is £1,236 million. 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

31/03/2019 £000		31/03/2020 £000
8,142	Prudential Borrowing	1,956
746	Capital Grants	503
0	Direct Revenue Financing	3,940
10,005	Major Repairs Reserve	14,049
1,874	Capital Receipts	1,611
2,005	HRA Capital Reserves	2,408
22,773	**Total Capital Expenditure**	**24,467**

Capital Receipts Reconciliation

31/03/2019 £000		31/03/2020 £000
(5,739)	Sale of Council Houses	(5,536)
0	Mortgage receipts	0
(5,739)	**HRA receipts in year**	**(5,536)**
651	less: Statutory pooling	651
(5,088)	**Total Capital Receipts**	**(4,885)**

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 2020 were £3.417 million (£3.106 million at 31st March 2019), against which a provision for bad debt of £3.287 million (£2.969 million at 31st March 2019) has been made.

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.

2018/19 NNDR £000	2018/19 Council Tax £000		2019/20 NNDR £000	2019/20 Council Tax £000
	-89,566	Income from Council Tax		(95,271)
-66,351		Income collectable from business rates	(69,756)	
-66,351	**-89,566**	**Total Income**	**(69,756)**	**(95,271)**
-597		Central Government	(1,763)	-
-585	3,137	Luton Borough Council	(1,728)	1,823
	384	Bedfordshire Police Authority	-	226
-12	215	Beds and Luton Combined Fire Authority	(35)	121
-1,194	**3,736**	**Total Prior years surplus / (deficit)**	(3,526)	2,171
33,018		Central Government	32,192	-
32,358	72,427	Luton Borough Council	31,548	74,893
	8,987	Bedfordshire Police Authority	-	10,239
660	4,824	Beds & Luton Combined Fire Authority	644	4,988
66,037	**86,238**	**Total Precepts and Demands**	64,384	90,120
243		Costs of Collection	240	-
228	89	Write-offs charged to Collection Fund	3,360	1,579
2,101	1,492	Change in allowance for impairment	345	2,609
-2,556		Appeals charged to Collection Fund	(955)	0
3,843		Change in provision for appeals	2,968	0
-236		Transitional Protection payments	(573)	-
3,624	**1,581**	**Total Charges to Collection Fund**	5,385	4,188
68,467	**91,555**	**Total Expenditure**	66,242	96,479
2,116	**1,989**	**Deficit/(Surplus) for year**	**(3,514)**	**1,207**

Luton

Collection Fund Movement in Reserves

The surplus generated in 2019/20 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.

2018/19 NNDR £000	2018/19 Council Tax £000		2019/20 NNDR £000	2019/20 Council Tax £000
2,116	**1,989**	**Deficit/(Surplus) for year**	(3,514)	1,207
(989)	(3,464)	**Total Prior years surplus / (deficit)**	1,127	(1,475)
1,127	**(1,475)**	**Deficit/(Surplus) for year**	**(2,387)**	**(267)**

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

2018/19 NNDR £000	2018/19 Council Tax £000		2019/20 NNDR £000	2019/20 Council Tax £000
563		Central Government	(1,193)	
552	(1,245)	Luton Borough Council	(1,170)	(234)
	(147)	Bedfordshire Police Authority		(21)
11	(82)	Beds & Luton Combined Fire Authority	(24)	(12)
1,127	**(1,475)**	**Total Reserve Balance**	**(2,387)**	**(267)**

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 £169.2 million (£169.9 million at 31st March 2018). The 2019/20 rating multiplier set by central government was 50.4p per £ (49.3p per £ in 2018/19) and the 2019/20small business multiplier was 49.1p per £ (48.0p in 2018/19).

Income from Council Tax

The Council's tax base for 2019/20 was 50,444.50 (50,461.10 in 2018/19). 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	23	5/9	£988.20
A	Under 40,000	18,440	6/9	£1,185.84
B	40,000 – 52,000	26,678	7/9	£1,383.48
C	52,000 – 68,000	21,784	8/9	£1,581.12
D	68,000 – 88,000	7,632	9/9	£1,778.76
E	88,000 – 120,000	3,361	11/9	£2,174.04
F	120,000 – 160,000	1,054	13/9	£2,569.32
G	160,000 – 320,000	259	15/9	£2,964.60
H	Over 320,000	24	18/9	£3,557.52

05

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.