Statement of Accounts 2020/21

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Introduction

The financial landscape for Local Government for 2020/21 continued to be challenging, and especially hard due to the continuing challenge of the COVID -19 pandemic.

As a result of Covid-19, the revised Emergency Budget approved in July, established the framework of changes needed to restore a balanced budget position, including a significant increase in the programme of savings needed to keep the budget in a balanced position. However, the virus situation has remained volatile throughout the year and the control and counter-measures needed have grown, resulting in significant changes to service delivery and increases in the grant funding provided by the government to undertake the work necessary. This has substantially changed the overall budget framework compared to the initial framework established at the Emergency Budget.

The impact of COVID-19 has had substantial implications for the Council's finances. The response to the pandemic has required additional expenditure to ensure the Council continues to deliver its statutory responsibilities, especially in Adult Social Care, including additional responsibilities such as Test and Trace and establishment of the Coordination Hub to provide additional services to the vulnerable and shielding residents. Income has also been lost as a result of the restrictions on public and business activity put in place since mid-March 2020 and a recognition of the significant detrimental impact on the wider economy, with the expectation that there will be a consequent reduction in funding from Council Tax and Business Rates.

Luton's anxieties around service provision were linked to Covid-19 income streams, rather than from cash flow shortfalls. If Covid-19 related pressures increase during 2021/22 due to further lockdowns and if these pressures are not resolved by continued additional funding from Government, the Council's reserve balances could be impacted upon. During 2020/21 the Government has provided £35.6m of funding through additional COVID-19 grants during 2020/21 as set out in the following table.

Un-ringfenced Grants		**Ringfenced Grants**	
COVID-19 Tranche 1	£5.4m	COMF-Test & Trace, Additional Surge	£6.8m
COVID-19 Tranche 2	£5.8m	Adult Social Care	£3.8m
COVID-19 Tranche 3	£2.1m	Other Funds	£3.9m
COVID-19 Tranche 4	£6.2m	Administration	£1.6m
Total	**£19.5m**	**Total**	**£16.1m**

The ring-fenced grants fund the additional ongoing COVID-19 pressures, with the unring-fenced funding meeting the additional responsibilities being undertaken as part of the national response. Further funding support for lost revenue has been received from Government under the Income Compensation Scheme for Sales, Fees and Charges scheme, and arrangements have been put in place to enable deficits on the Collection Fund for Council Tax and Business Rate collection over 3 years.

Given the scale of the Council's financial position, and ongoing risks to its future viability as a result of the pandemic, the Council undertook a significant financial savings programme in 2020/21. This savings programme re-balanced the budget in 2020/21 and the Council reported to Executive Committee on the 28th June 2021, the final Revenue Outturn position upon its 2020/21 revenue budget this showed an underspend position for the General Fund budget of £0.16m, of which £7.539m related to Schools and a £0.035m underspend delivered on the Housing Revenue Account.

However, as well as the foregoing pressures, the budget for 2021/22 included a conditional offer of exceptional financial support, known as a "capitalisation directive", of £35m from the Ministry of Housing, Communities and Local Government (MHCLG) to enable to cover the loss of dividend from LLAL as a result of the pandemic. . The Ministry had approved a capitalisation directive up to a maximum value of £35m for 2020/21. This

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directs the Council to treat as capital expenditure, expenditure which is either:

- Revenue expenditure and meets the definition of an additional cost pressure as identified and agreed with MHCLG through the Council's formal request for exceptional financial support; or
- Any revenue expenditure not exceeding the value of income losses in the financial period 2020/21 as identified and agreed with MHCLG through the application.

As a result, the Council is at present undergoing an external assurance review by CIPFA, commissioned by MHCLG that focused on the financial position and ability to deliver plans for sustainability, with the intention of agreeing to a plan to address any recommendations. Any amount drawn as part of the capitalisation directive has to be 'repaid' over a period of no more than 20 years.

To ensure financial stability amidst the financial challenges that are being faced requires a shift in the way services are delivered and funded - this will be achieved via a medium to long term programme of change in how income is generated, investments, and growth along with defined activities such as:

- Delivery of savings that address the funding gap, whilst also acknowledging that not all services may be able to be provided in the same way.
- Growth in Council Tax revenues, linked to growth in Local Plan targets.
- Growth in Business Rates as a result of regeneration activity to increase the number of businesses operations in the area.
- Generating additional sales, fees and charge income to offset costs.
- Changing how the Council operates to improve service, deliver on priorities, and reduce costs part of the Council transformation programme which is being developed.
- Reviewing and implementing the Luton 2040 vision programme and ensuring the operating model aligns with the plan to deliver the best possible outcomes for residents.
- Working with partners and residents to provide the tools that get people into employment. In doing so, this will provide better life outcomes & a reduced need for social care.

HM Treasury announced several significant packages of funding to support the pandemic during 2020/21, and some of these continue into 2021/22 and will directly support business and residents as well as provide support for Council services.

Looking ahead and as part of the 2021 Budget announcement HM Treasury announced that the extended Business Rates Reliefs for the retail, hospitality and leisure industry would be extended to early years nursery settings and be adapted for 2021 with the 100% relief extended for the first three months for 2021, followed by a reduced relief level of 66% for the remaining 9 months of the year (subject to 'cash caps'). The impact of this additional relief is to be offset by government grant funding received by the Council to cover the loss in income.

The additional costs associated with Covid-19 response activity had a dramatic and immediate impact on specific services as well as a huge impact on the financial outturn for 2020/21. For the direct impact of Covid-19 on front line services, the Council has been fully funded by Government for this. There has also been an indirect impact on the Council's finances as a result of Covid-19 and this has led to the Council seeking Government support via the capitalisation directive mentioned above.

The Council is expecting potential losses across many of its streams of Sales, Fees and Charges. These include leisure, parking, licensing fees, registrars, building control and planning fees. As with any downturn in the economy, investment income is anticipated to reduce which will create further pressures on the Council's finances. The Government compensation schemes offset some of these losses, but not 100%.

Following last year's one-year spending round, the Treasury had initially planned to carry out a three-year review covering the period 2021/22 – 2023/24. However, the uncertainty resulting from the ongoing Covid-19

pandemic is such that, as well as the spending review being delayed, it has opted for a further single-year review. This uncertainty, puts pressure on the sustainability of services as further efficiencies are sought; the Council continues to develop proposals that deliver services in line with priorities and key objectives, included in which is supporting the most vulnerable members of our local community, within the constraints of limited financial resources.

The Government has announced the next spending review will again, 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 spending plans in light of the Covid-19 pandemic. The government is also consulting on the potential of a new system 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.

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 has been in detailed discussions with MHCLG as due to the impact on the airport and loss of income. The loss of the 2019/20 and 2020/21 dividend income from the Airport Company represents the largest impact on the Council resulting from the coronavirus pandemic. However, this has now been fully resourced for 2020/21 by the revised package of resources available to the Council as included in the Emergency Budget

The Council 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. In terms of further internal finance developments, and in-line with good financial practice, the Council is introducing the CIPFA Financial Management Code this year and rolling this out by 31 March 2022. The initial assessment shows the Council has a good control surface to work from and further training and workshops will be rolled out across the Council in 2021/22.The new Redmond Review reforms will impact upon Councils and this means that local government will soon see a new audit regulator (replacing the National Audit Office) and thus a need to invest in local government finance teams with a need for better reporting and clear and precise priorities too. The Chief Finance Officer is currently developing a Finance Improvement Plan to ensure that the Redmond Review recommendations can be implemented effectively. There may also be a revision to the final deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year. The Redmond Review also recommends Consideration given to the appointment of at least one independent member, suitably qualified, to the Audit and Governance Committee and the Council is keen to adopt this recommendation.

The Council has also started a new wholly owned Company this year called Connect2Luton for the purposes of hiring agency staff in the most efficient way. As this year is the first year of operation and it is not considered material to include it as part of the Group accounts.

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.

The Council's Corporate Plan sets out our role as an organisation in delivering on the shared vision for Luton 2040, with our own strategic priorities and delivery framework aligned to the vision.

As we move beyond the recovery phase of the pandemic, the Council and its partners will continue to take a long-term strategic view to deliver on the strategic priorities of the vision through the delivery of major projects including the completion of the Luton DART, a new Town Centre Masterplan and key development sites such as Barnfield College and the emerging Power Court Football Stadium.

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 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.

In the 2020/21 budget the Council regrettably was left with little other option than to include a Council Tax increase of 1.99% and an additional 2% 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

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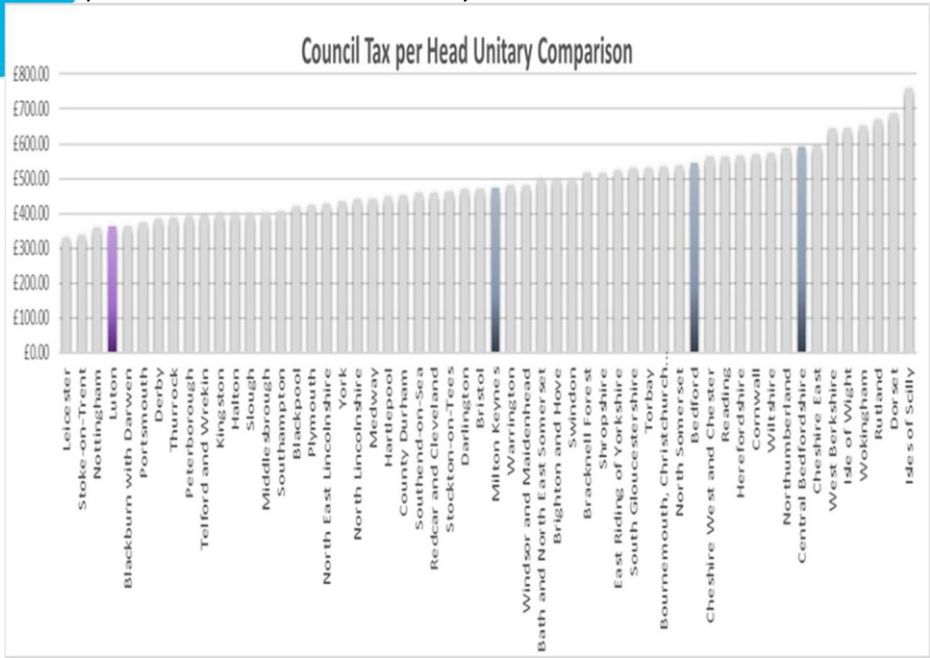
local population. Luton has the 4th lowest Council Tax per head of population in comparison to all other Shire Unitary Councils.



The Council's financial management remained robust during 2020/21 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. 2021/22 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 2020 stabilised 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.

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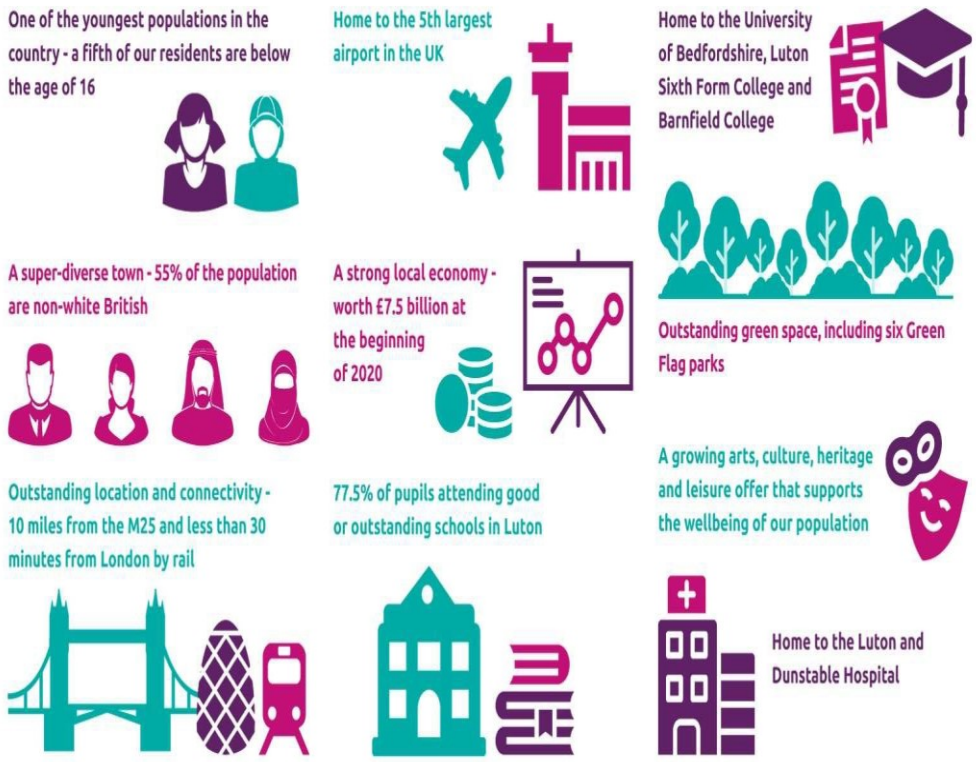


The town is also ethnically diverse, with approximately 55% of the population not being of white British origins. Due to its industrial base and international airport, Luton is home to significant Asian, African, Caribbean, Irish and Eastern European communities. Less than half of the population were 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 2020 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 2020.

A study by the Centre for Research in Social Policy showed that nearly half of children in the town were in poverty in 2019. 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

The Council's Corporate Plan 2021-2023, was approved in 2021. The Corporate Plan sets out the Council's mission and strategic priorities to deliver on the town-wide vision for Luton 2040.

The Luton 2040 Vision was developed throughout 2020, as a direct response to the report of the Inclusive Growth Commission and the context of the COVID-19 pandemic, which demonstrated the growing challenges of poverty and inequality in Luton. The vision was built in partnership with residents and partners across the public, private and voluntary sectors through an extensive consultation throughout 2020.

Luton 2040 is a shared vision for everyone in the town, for Luton to be a healthy, fair and sustainable town, were everyone can thrive and no-one has to live in poverty.

Luton 2040 is now being delivered as part of a system-wide approach, through two strategic partnership boards – the Inclusive Economy Board and the Health and Wellbeing Board. Each of these boards brings together representatives from different sectors across Luton and the wider region, with each board delivering on key areas of focus through their respective strategies. In addition both strategies are underpinned by three cross-cutting commitments; to make Luton a carbon neutral town, a child-friendly town and a town built on fairness and social justice.

The Council's Corporate Plan outlines the council's own role in delivering on the Luton 2040 vision and priorities against each priority and the Council's strategic delivery framework sets a clear and consistent thread from the Vision and Corporate Plan to service planning, team plans and individual staff objectives. The council's sixth strategic priority, to be a 'future ready' council, is central to delivery against all other priorities and as such, the council's Medium Term Financial Plan, People Plan and Future Ready Programme all underpin the delivery framework.

Performance Monitoring

The Council's Strategic Delivery Framework is informed at each stage by an intelligence led process, including robust performance management, to determine what works and ensure effective delivery and outcomes.

The Council's approach to Performance Management includes a number of detailed corporate level KPIs which measure performance against the priorities in the Corporate Plan, as well as three year service plans (last updated in 2020-21 and produced by all service directors) with service level KPIs.

The most important corporate level objectives have been identified by the council's Corporate Leadership and Management Team (CLMT). These objectives make up the Luton 2040 scorecard, which is reported to Executive and Overview and Scrutiny Board on a quarterly basis. In addition to the scorecard, there are a number of nationally mandated indicators, relating to essential local services such as children's services and adult social care. These measures are externally verified as part of the Government's audit process.

Achievements in Luton

- The launch of the Luton 2040 Vision in October 2020
- Luton Council's new Corporate Plan 2021-2023 approved
- Development of a new Town-Centre Masterplan
- Launch of Luton's first Social Work Academy
- Foxhall Homes, the council's own housing development company completes its first development
- Department for Work and Pensions Kickstart scheme recruits 94 work coaches in Luton

- The University of Bedfordshire launches its Passport to Uni Programme
- Six Luton parks retain their Green Flag status (Brantwood Park, Leagrave Park, Memorial Park, Peoples' Park, Stockwood Park and Wardown Park)
- Dallow Downs and Winsdown Hill awarded national protection as Sites of Special Scientific Interest by Natural England.
- Luton Council and voluntary and community sector partners work together to prevent vulnerable children, young people and families from going hungry over Christmas using the Covid Winter Grant scheme
- Luton Council and partners help to prevent rough sleeping over Christmas, as well as providing access to food, work, support and GP access to rough sleepers
- London Luton Airport successfully applies for government funding to aid economic recovery from COVID-19
- Luton Community Action Group holds the first Luton Community Spirit Awards to recognise the work of charities and volunteers
- Luton Council and Revoluton Arts launch the Creative Leaders Programme, funded by Arts Council England, to increase access to careers in the creative industries for people from disadvantaged backgrounds
- The University of Bedfordshire receives £250,000 grant from the National Heritage Lottery Fund for a Heritage Impact Accelerate Programme and Heritage Enterprise Hub
- The Culture Trust completes its restoration of Hat Works, the town's oldest hat factory, reopening as a vibrant creative workspace
- Construction work commences on the £25 million redevelopment of Barnfield College

Corporate Performance

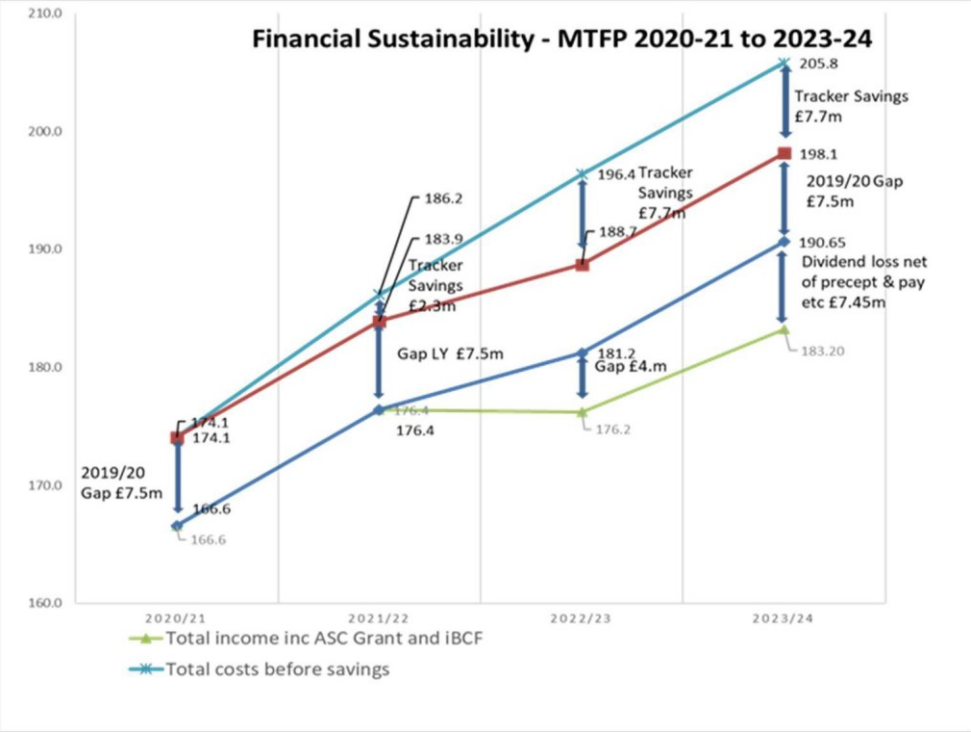
A corporate performance report is provided to the management team, Overview and Scrutiny Board and Executive on a quarterly basis. Current performance is measured using selected performance indicators against the key priorities of the Corporate Plan.

The report highlights where indicators are not being met and details service recovery plans in place to rectify the position. The report is considered by the Council's Overview and Scrutiny Board and is published on the Council's website.

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. The 2020/21 Emergency budget included savings amounting to £21.7 m deliverable over two years and the revised figure is £24.7m. The total savings now includes the 2023/24 target and the budget gap over the next two years amount to £7.94m, which shows considerable progress has been made and approximately £13.m savings achieved in 2020/21, however there is still further work to be done in order to deliver the full savings by end of 2021-22. There are still uncertainties on the current levels of future service provision as set out in the MTFS which shows a budget gap of £2.26m in 2021/22, £10.41m for 2022/23 and £2.47m in 2023/24. Savings of £7.67m in 2021/22 have been identified leaving savings of £7.47m over 2022/23 and 2023/24 still to be found. The scale of the savings to be delivered represent some risk to the Council's financial position over the next 3 years. The MTFS also includes income from debenture loan interest payable by London Luton Airport Limited (LLAL) totalling £30.98m in 2021/22, £31.57m in 2022/23 and £34.07m in 2023/24. The current difficulties which are being encountered by LLAL, considered in more detail below, represent a potential risk to the Council's income stream and the Council's budget for the next few years.

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.

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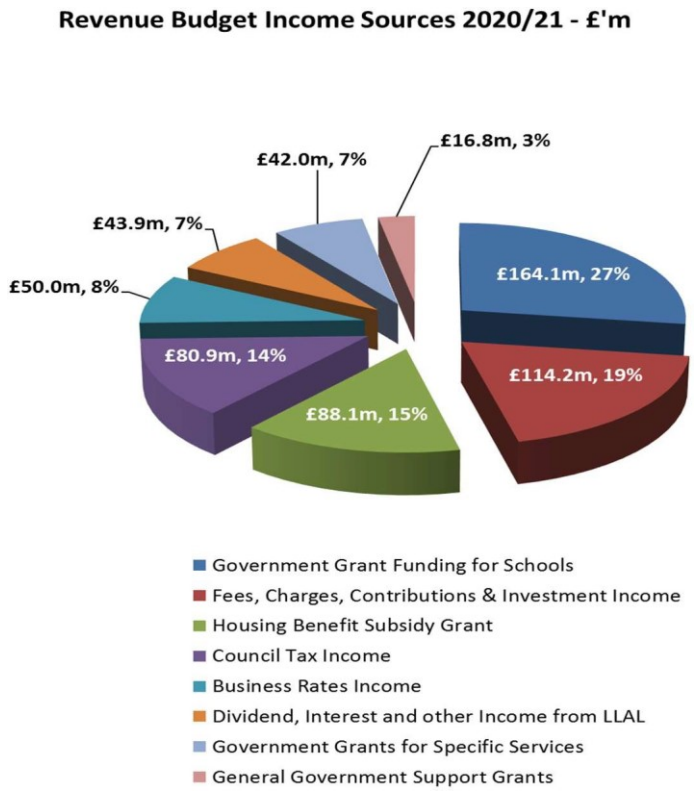
The Emergency Budget report included new savings proposals, alongside the savings previously approved for the 2020/21 budget. It must be noted that those proposals significantly affecting service delivery or jobs were only approved for consultation, and as and when those consultations are completed, the council Executive receives further reports in order to determine whether the proposal should be approved, or whether alternative options are required.

The MTFP assumes that nearly half of iBCF and Social Care support grant 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 £3.2 million either way.



Revenue Financing and Sources

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

- £80.9 million Council Tax inc. ASC precepts
- £50.0 million Business Rates (including top-up)
- £16.8 million General Government Support Grant
- £336.2 million Government Grants for specific services
- £114.2 million Fees and charges & Investment Income

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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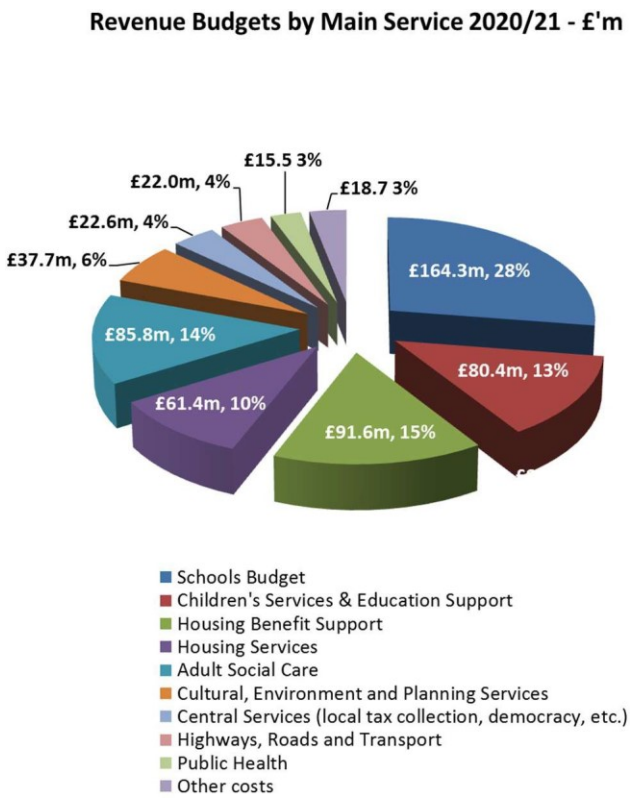
Departmental Net Spend

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.



Financial Position

General Fund Balances have increased and now stand at £130.504. Of total useable reserves, £93.3 million is ring-fenced for specific projects and service pressures, £17.9 million is ring-fenced for capital purposes and £15.07 million is ring-fenced to the Housing Revenue Account. The only non-specific reserve has a balance of £9 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 2020/21 unusable reserves have reduced from £443m million to £289 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 2020/21 has been a reduction in the million in the revaluation reserve of £37m. There has also been a £216 million increase in the Pensions Reserve deficit which has mainly been driven by changes in financial assumptions applied by the actuary.

The most fundamental change to the Council's financial position was the increase in external borrowing 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 projects being developed by London Luton Airport Ltd (LLAL).

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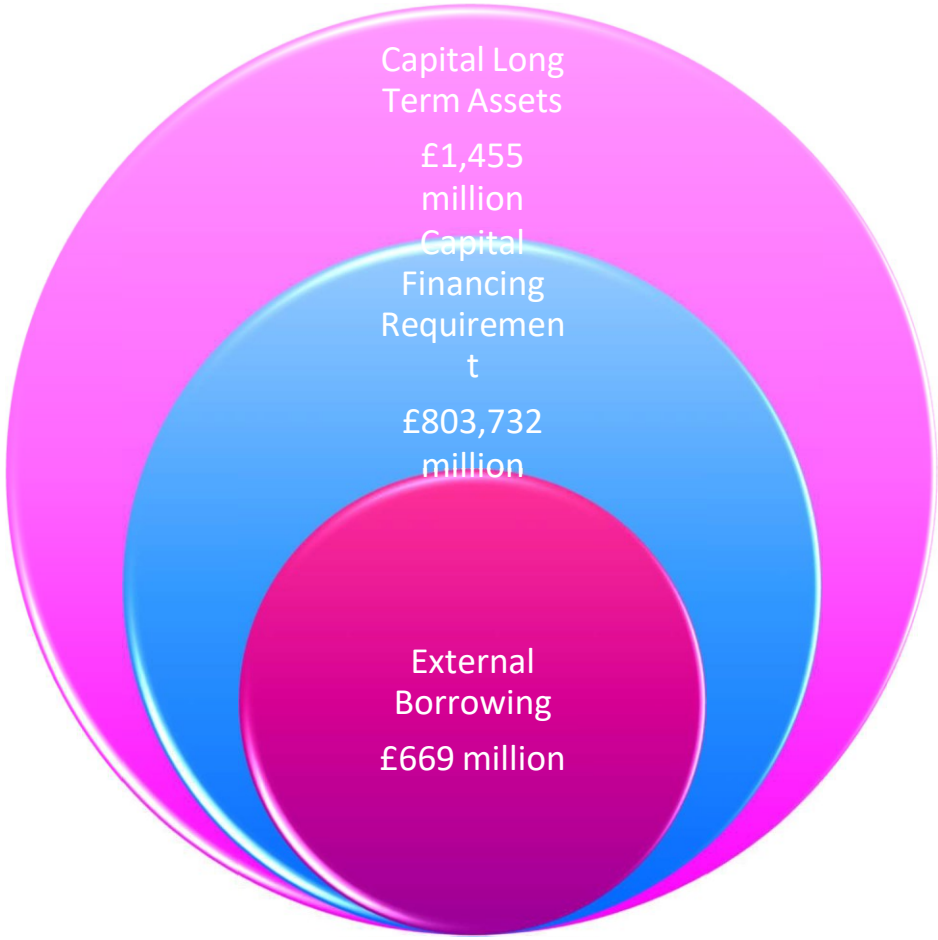
Notes to the diagram

The Capital Financing Requirement increased by £147 million during the financial year.

The net movement in working capital and cash backed reserves have been offset to a minimal balance. This created an increase of £4.86 million in cash and cash equivalent balances.



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Revenue Outturn

The provisional outturn was reported to Executive in June 2021. The report includes the summary table shown. Variations are after the allocation of the contingency budget.

Net spend on General Fund services during 2020/21 was £116.029 million prior to movements in reserves.

Overall General Fund reserves have increased by £26.982 million in 2020/21 (Note 22). Within this, £20.851 million carries forward specific Covid-19 grants received in 2020/21 that will fund continuing costs in 2021/22 on infection control measures, specific support to those most at risk from the virus and to meet the deferred loss of Council Tax and Business Rates income over a 3 year period. Other movements include a transfer of £4.853 million into the Interest Equalisation Reserve, as risk cover on future income streams and £5.423m use of Covid-19 grant received in March 2020, at the start of the pandemic .

School Reserves have increased by £6.69 million to £25.21 million as at 31st March 2021. The majority of the 2020/21 HRA operational surplus has been allocated to a general reserve. The HRA general reserve now totals £12.4 million at 31st March 2021.

The Council has continued to manage a number of significant demand-led service pressures over 2020/21 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.

General Fund Position 2020/21 Compared to Operating Budget	Operating Budget	Final Spend	Total Variation
	£million	£million	£ million
Chief Executive	3.702	3.835	-0.134
Customer & Commercial	10.777	11.737	0.960
Children, Families & Education	57.352	57.304	-0.048
Place & Infrastructure	37.147	38.435	1.288
Public Health & Wellbeing	60.698	55.151	-5.547
Public Health	15.487	15.670	-0.180
Public Health Grant	-15.487	-15.581	-0.094
General Contingencies	0.530	0	-0.530
Corporate Accounts (excl. reserves)	-33.633	-50.522	-16.919
In Year Spend Prior to Reserves	**135.515**	**116.029**	**-19.486**
Carry Forwards to 2021/22	0	0	0
Movements in Specific Reserves/ Advance Receipt of Covid 19 funding	5.209	25.858	20.649
Advance receipts of Covid 19 funding	0	0	0
Net General Fund Expenditure	**141.782**	**141.768**	**-0.16**

Although the Council has achieved a balanced outturn position for 2020/21, this is partly due to a number of specific factors such as the Emergency Budget which included savings and income gains together with specific government grant funding for Covid-19. The main cost pressures reported in 2020/21 are likely to continue to place pressure on the 2020/21 budget, alongside the need to deliver the additional savings already in the approved Council budget. Plans for managing the ongoing cost pressures, corporate efficiency savings and income targets in 2021/22 and 2022/23 are being further developed and detailed consultations will also be carried out and progress will be regularly reported.

The Council continues 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 2020/21 capital programme approved in February 2020 totalled £190.109 million for the General Fund with a further £19.427 million for the HRA. Capital projects have been monitored monthly during 2020/21, with progress reported to the Executive on a quarterly basis.

Final capital expenditure for the year is £141.739 million for the General Fund and £14.615 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 total variation in expenditure represents an underspend of £53.182 million. The underspend is mainly attributable to delays in capital expenditure in 2020/21 as a result of the COVID 19 pandemic. The pandemic has had a significant impact on the ability to carry out capital works in 2020/21.The capital expenditure not incurred during 2020/21 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 related to London Luton Airport and Foxhall Homes and Covid delays for Temporary Accommodation Purchase Scheme.

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 2020/21 Spend Analysis	Original Programme	Final Capital Spend	Total Variation
Place & Infrastructure			
People Department			-0.398
Chief Executive's Department			
Customer & Commercial			-13.175
Corporate Projects			
Total General Fund Programme	**190.109**	**141.739**	**-48.370**
Housing Revenue Account	19.427	14.615	-4.812
Total LBC Capital Programme	**209.536**	**156.354**	**-53.182**

The total underspends of £53.182 million reflects the re-phasing of a number of corporate schemes; which includes:

- £24 million in LLAL financing
- £3m million in Foxhall Homes financing
- £11.1m for Temporary Accommodation Retention Scheme

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 2020/21 General Fund Funding Analysis	Original Funding	Final Capital Funding	Total Variation
Grants & Contributions			
Revenue Contributions			0.366
LLAL Dividend Capital Element			
Capital Receipts			-5.821
Prudential Borrowing			
Total General Fund Financing			

Notwithstanding the significant budget phasing movement to later years, £141.739 million was spent on capital projects. Prudential borrowing is significantly lower than originally anticipated, as a result of delayed spending and the re-profiling of Debenture Loans to London Luton Airport Ltd and Foxhall Homes Ltd.

The revised Capital Programme is forecasted to spend £382 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, £105million on Century Park Access Road, £22m on Bartlett Square development, £22.2 million Foxhall Homes, £11 million for TAPS, and £32.6 million on Schools projects.

As mentioned above the impact of COVID -19 has led to an Emergency budget. The projects postponed amounts to £53.182 million and in order to stabilise LLAL, the Council has agreed in principle subject to Executive approval a funding to LLAL. The net impact on the level borrowing will not 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:

- Corporate projects account for the largest area of re-phased expenditure due to £24.477 million of debentures to London Luton Airport Limited and £3.191 million share capital and loans to Foxhall Homes which have been rephased to match their latest business plans.
- £11.113 million deferred Temporary Accommodation Purchasing Scheme (TAPS) Properties due to suspension of surveys under COVID lockdown conditions.
- £5.39 million of HRA works to properties and construction of new properties delayed due to limitations imposed by COVID 19.
- £2.168 million of ICT investment delayed due to COVID 19 resource availability as staff have been focusing on COVID related ICT provision.
- £2.113m of Schools Basic Needs expansions are currently in the design stage where works have been delayed due to COVID
- £1.927 million on the Vale Cemetery Extension due to delays in purchasing the land.
- A number of projects have also been postponed in the Emergency Budget due to budget restraints brought about by COVID 19 including £1.2 million New Waste Transfer Station.

Section	
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

Our People Plan sets out how we will build manage and develop our workforce to help become a 'Future Ready' Council and deliver our Target Operating Model (TOM) and our 2040 strategy for the Town. It represents the entirety of our organisational development work and ensures that all activity points completely at our strategic objectives and all our enabling resource is focused on the most important activities.

The Plan launched in summer 2021 and will be managed as a programme and will focus resolutely on delivering outcomes. This will allow us to monitor progress and impact and change direction according to evidence. It also ensures that all activity is commissioned clearly and effectively and all our organisational development tools can be considered as a whole.

The ambition is that through this plan, the Council's workforce is in the prime position to deliver our strategic ambitions – all our staff should feel empowered, enabled and enthused to deliver for the residents of our Town and be able to understand their role in our ambitions.

The plan is founded on our corporate values and therefore is ambitious and unafraid to try new ideas.

The plan is loosely organised by our key workforce related TOM principles but we interpret them holistically and recognise that this plan is the primary mechanism for their delivery. The challenge is significant but the opportunity is huge.

This plan recognises that while HR needs to be the driving force of workforce development, in an organisation as operationally diverse as Luton Council, becoming a Future Ready workforce must be an all-Council endeavour. The Plan contains actions for all members of staff; it puts a premium on exceptional management and it emphasises the criticality of visible and empowering leadership. The plan is broad ranging, reflecting the ambition of the Town and the Council and the need for us to respond to that. However, changing our ways of working, structures and processes will only take us so far. We need our current and future staff to also embrace the opportunity that this set of actions will provide. That is why, at its heart, this plan is a collaboration: between frontline services and enabling services; between different services and professions; between staff and members; between staff and managers; and between each and every one of us.

Central to the plan is our ambition to modernise our HR function, delivering top-class support to the Council in the most efficient way possible. Our HR redesign project will play a big part in this. It will prioritise self-serve and automation and free up hundreds of hours of staff and manager time.

Emerging from the pandemic offers an opportunity to build on the changes we have all had to embrace and embed new ways of working. We are delivering a cross-organisational "new normal" programme to ensure that we make the most of the opportunity. There are a number of elements to this but central is embedding a new hybrid approach to working. This builds on our learning from the pandemic while recognising the benefits of return to the office. It recognises that different services and need and want to work in different ways but that support and structure is needed so that we operate consistently. It prioritises guidance and support to staff and managers so that they can operate safely and effectively within the new working practices. At its core is a principle of flexibility and agility so that we can maximise productivity.

Luton

Supporting this we will build on the many achievement of previous LBC People Plans and develop our supporting structures and ways of working to ensure they deliver and develop our fantastic workforce. This includes a new competency framework, learning and development offer, staff wellbeing offer, talent strategy, recruitment approach.

Equality and diversity remains a top priority for the People Plan. We have developed a new action plan to ensure that our workforce is representative of the Town that we serve. This has been developed from across the Council and is built upon ideas which have been gathered from other similar organisations.

We monitor data closely in this and other areas which allows us to flex and change our approach as necessary.

Above all our people plan is founded on our corporate values which were developed collaboratively by staff across the Council. We are very proud of them and the way we developed them and they succinctly describe the organisation we aspire to be.

Luton

Strategic Risk Management

Luton Council takes a proactive approach to risk management and seeks to embed risk management into its culture, processes, structure and all of its activities, including project management, to ensure opportunities are maximised, there is effective delivery of services and objectives are met. The Council's updated corporate Risk Management Strategy was approved by CLMT in February 2020. It provides a framework for the effective management of risks and opportunities, which is also an essential part of good corporate governance. The strategy reflects current thinking, best practice and the value of well-recognised principles for risk management, and is reviewed and updated on a regular basis.

The council's key risks are recorded within the Corporate and Departmental Risk Registers, which are regularly monitored and updated by the Risk Owners. The corporate risks are reported to the Internal Governance Group, CLMT and Audit & Governance Committee for review on a quarterly basis. The following 10 corporate risks are currently high priority:

Luton

Risk Details	Control Measure Update
Failure to keep to approved budget, particularly re: demand-led services, new requirements, savings targets, loss of income and the impact of Covid-19 on the Council and LLAL.	• Budget Monitoring – The savings plan as approved by the Council will be closely monitored and corrective measures put in place to manage any shortfall and also any emerging budget pressures due to increased costs and/or reduction in income. • 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. • The 2021/22 Budget takes into account the loss of income from LLAL and also the stabilisation and recovery plan in order to ensure financial stability for both LLAL and the Council. This will be kept under review and also the impact of Covid-19 on the aviation industry and on LLAL financial performance and position.
Failure to recruit/retain staff (i.e. potentially losing top performing staff due to competitiveness of salary package in some sectors).	• Recruitment and Retention Plans. • Development of a new People Plan. • HR Redesign Project. • Workforce Development Board is addressing specific issues in relation to social care.
Loss or collapse of key IT application / hardware or data corruption. Unauthorised access to personal data on council systems as a result of cyber-attack.	• IT policies and procedures. • Network security. • Back up regime. • Cyber security training. • Cyber Essentials certification. • Risk is high as the threat of a cyber-attack is elevated during the pandemic.
The current demand profile/poverty in Luton continues to result in an overspend on the agreed budget.	*Control Measure Update for Temporary Accommodation.* • Budget Monitoring. • This remains a significant risk. However actions to address Temporary Accommodation (TA) usage and improve homelessness processes are starting to make a difference. Additional caseload due to observing the eviction ban in TA.
LLAL's financial performance and position deteriorates causing reduction of income to the council.	• Monitoring of Financial Performance. • Stabilisation and Recovery Plan. • Risk scores have been reviewed and increased due to the significant impact of Covid-19 on the aviation industry, and uncertainties surrounding the medium-term future income from LLAL.

Risk Details	Control Measure Update
	• A Framework for Stabilisation was approved by the Executive at its meeting on 9th February 2021. The Executive will consider the request from LLAL for additional financial support on the 28th June 2021 with a view to stabilise LLAL financial position.
Luton Council needs to safeguard vulnerable children and adults from all forms of extremism and the threat of radicalisation.	• Prevent Procedures. • 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.
Failure to achieve the emission reduction target of 2040 of net zero carbon.	• Climate Change Action Plan. • Climate Change Executive Working Group and Officer Group – Quarterly meetings. • Change in risk profile to high.
Failure to improve the decline and look of the town centre.	• Town Centre Development Framework. • Town Centre Strategic Operation Group. • Masterplan and Delivery Plan. • Masterplan Project Board meet monthly. • Second phase of the consultation concluded.
The impact of the coronavirus (Covid-19) on the health and wellbeing of Luton Council staff affecting the ability to deliver core services.	• Covid-19 Action Plan. • Progress continues in light of the changing challenges of the pandemic response.

Risk Details	Control Measure Update
Business growth and productivity are facing a decline with the current pandemic and economic downturn.	• Business Support Action Plan. • A Covid-19 Economic Recovery Plan has been approved by Executive 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. Executive has requested sight of an implementation plan and communications strategy at a future meeting. This will come forward once the Economic Growth and Skills team has been recruited to in July / August and embedded within the service. • Lockdown 2 and 3 have brought with them a series of new business grants which has created confusion for many. This has been an immediate action and the main focus. The plan is now starting to move into the recovery phase with the next key actions focused on the Welcome Back Fund, ARG funded business support programme and development of an Employment and Skills Strategy.

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 July 2021

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

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 there have been by-elections on two subsequent occasions. The constitution of seats is as follows:

- Labour – 32 seats
- Liberal Democrats - 13 seats
- Conservatives – 3 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.

A. 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 2021 and up to the date of approval of the Statement of Accounts.

B. 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 Council's Corporate Plan 2021-2023, was approved in 2021. The Corporate Plan sets out the Council's mission and strategic priorities to deliver on the town-wide vision for Luton 2040.

C4. The Luton 2040 Vision was developed throughout 2020, as a direct response to the report of the Inclusive Growth Commission and the context of the COVID-19 pandemic, which demonstrated the growing challenges of poverty and inequality in Luton. The vision was built in partnership with residents and partners across the public, private and voluntary sectors through an extensive consultation throughout 2020.

C5. Luton 2040 is a shared vision for everyone in the town, for Luton to be a healthy, fair and sustainable town, were everyone can thrive and no-one has to live in poverty.

C6. Luton 2040 is now being delivered as part of a system-wide approach, through two strategic partnership boards – the Inclusive Economy Board and the Health and Wellbeing Board. Each of these boards brings together representatives from different sectors across Luton and the wider region, with each board delivering on key areas of focus through their respective strategies. In addition both strategies are underpinned by three cross-cutting commitments; to make Luton a carbon neutral town, a child-friendly town and a town built on fairness and social justice.

C7. The Council's Corporate Plan outlines the council's own role in delivering on the Luton 2040 vision and priorities against each priority and the Council's strategic delivery framework sets a clear and consistent thread from the Vision and Corporate Plan to service planning, team plans and individual staff objectives. The council's sixth strategic priority, to be a 'future ready' council, is central to delivery against all other priorities and as such, the council's Medium Term Financial Plan, People Plan and Future Ready Programme all underpin the delivery framework.

C8. The Council's Strategic Delivery Framework is informed at each stage by an intelligence led process, including robust performance management, to determine what works and ensure effective delivery and outcomes. The Council's approach to Performance Management includes a number of detailed corporate level KPIs which measure performance against the priorities in the Corporate Plan, as well as three year service plans (last updated in 2020-21 and produced by all service directors) with service level KPIs.

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 monitoring of service performance and outcomes is linked to the priorities of the Vision and Corporate Plan through the service plan process, as set out above. Service plans include all service level objectives and targets for the relevant service area and their subsequent teams, as well as any project delivery plans, which are then monitored on a quarterly basis. Objectives and targets for individual team members are then linked to these service level objectives and monitored through one-to-one check-ins with line managers.

C11. The most important corporate level objectives have been identified by the council's Corporate Leadership and Management Team (CLMT). These objectives make up the Luton 2040 scorecard, which is reported to Executive and Overview and Scrutiny Board on a quarterly basis. In addition to the scorecard, there are a number of nationally mandated indicators, relating to essential local services such as children's services and adult social care. These measures are externally verified as part of the Government's 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 forms 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 LLAL and Monitoring Officer) and the Chief Finance Officer (the Service Director, Finance, Revenues & Benefits).

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 2020/21 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 2019/20, 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 Constitutional Review Group, 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, Revenue and Benefits has identified that the Financial Regulations require updating. 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 December 2021. 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 2020/21, 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 the case in Luton as the CFO reports directly to The Chief Executive as a result of the recent restructure of the corporate team.

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 also attends all meetings of the Corporate Leadership Management Team (CLMT) as a full team member (but not the Corporate Leadership Team), attends all corporate officer meetings with elected members.

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 governance arrangement is at present under review and subject to changes in the future.

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, the Shared-Anti Fraud Service (SAFS) and Corporate Risks update.

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, LLAL & 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 he 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, Revenues & Benefits 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 of 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. The company is at present reviewing its governance arrangements and also LBC is carrying out a similar review which may have to include any recommendations from the MHCLG review.

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 & Revenues & Benefits 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, up to a maximum of 32 million passengers per annum. (Post-Covid-19). 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 £28million 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.

C. 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 Internal Governance 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 and Stabilisation and Recovery Plan and Financial Support 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 Management 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 a risk-based approach and works to the standards prescribed by the Public Sector Internal Audit Standards (PSIAS). A Quality Assurance and Improvement Programme (QAIP) is in place to assess Internal Audit's compliance with PSIAS and the Code of Ethics through annual internal assessments and an independent external assessment once every 5 years.

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 2020/21. 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 2021 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. The 2020/21 financial year has been unique for Luton with the world experiencing its first global pandemic in 100 years. Since the first lockdown at the end of March 2020 the Council had very quickly established services to protect residents and businesses. This has included:

- Support for vulnerable communities and those who were requested to shield from the virus.
- Supporting rough sleepers off the street.
- Supporting our Children, Adults and care providers throughout the Town.
- Supporting schools through various Covid-19 restrictions.
- Creating new forums to engage with key stakeholders. • Supporting businesses throughout the Town through a series of grants and reliefs.

D15. 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 and the 2021/22 budget

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 2020/21 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 2020/21 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 2020/21 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 2020/21, 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 2020/21 and final net costs are within the budget set for the year, including the full use of the 2020/21 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 2020/21 after contributions to and from specific operational reserves is a net overspend of £0.16m compared to the annual budget, a variation of around 0.11% on total net expenditure during the year. This is a better position than the £0.062m forecast position 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 £1.3m in Children and Family Social Care, including Special Educational Need Transport.

b) An overspend of £1.7m in temporary accommodation for the homeless.

c) Overspends in corporate property and estate 1.3m.

d) Continuing issues and on-going corporate savings

D20. Even though major savings have been required and achieved for the last 11 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 been affected by the pandemic. The government has provided additional grant to cover some of the losses and the collection rate has to be closely monitored.

D. Review of Progress In Relation To Significant Governance and Internal Control Issues in the 2019-20 Statement

E1. In 2020/21 Internal Audit followed up on the key governance, risk management and internal control issues identified in their 2019/20 reviews and report as follows:

- During 2020/21 we issued 8 'Limited' assurance opinions. Although we met the target of 75% of all agreed recommendations being fully implemented by management, we were generally finding that

there was a delay in the implementation of audit recommendations. Where a report was issued with a 'Limited' or 'No' assurance audit opinion, we also found that the recommendations were not always being progressed sufficiently, often resulting in more than one physical follow up reviews taking place. During 2020/21, we carried out 8 physical follow up reviews of previous 'Limited' assurance reports to confirm whether audit recommendations had been implemented; and are pleased to report that we have noted an improvement in the standards of internal control where the opinion for 6 of these reviews were raised to 'adequate' assurance or above. For the remaining 2 areas further physical follow up reviews will be undertaken during 2021/22. In the meantime management have provided assurances that the control weaknesses identified in the initial audit reports are being addressed. In addition to this, during the year on 2 separate occasions where satisfactory progress was not being made by services to implement audit recommendations, the responsible officer was required to attend CLMT to be held to account and to be appropriately challenged.

- The findings from our 2019/20 review of procurement and contract management, identified some significant issues and weaknesses in internal control. The review also highlighted one instance where a service was procuring goods and services from a supplier on a spot purchase basis without a formalised contract in place. As spend with the supplier was considerable this was identified as a breach in procurement regulations. Further assurance work on this area was completed during 2020/21 and a further update is provided in section F below. The breach in procurement regulations identified during the 2019/20 review has been addressed, and the provider accepted into the council's Dynamic Purchasing System framework. Contractual arrangements have now also been formalised with this provider.

- During 2019/20 we also placed 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 took immediate action to address the concerns raised by Ofsted. 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. There is a strong Children's Improvement Board, which has been independently chaired since August 2020. This supports the challenge and scrutiny of the improvement plan and its required impact, and strengthens the assurance to children and families of the required improvement. A DFE adviser has been appointed who is providing feedback, challenge and learning to the Children's Improvement Board. During Ofsted's visit in August 2020 they noted the improvements that had been made particularly to MASH. Further positive improvements to Children's Services, in spite of the impact of Covid-19, was also acknowledged by Ofsted during their more recent Focused Assurance Visit.

E. Significant Governance & Internal Control Issues

F1. The most significant governance issue that the Council has had to confront in 2020/21, 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 (2020/21), 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 (2020/21) 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 (2020/21).

- 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.

F. Approval of Annual Governance Statement

Signed:

Robin Porter

Chief Executive

Signed:

Councillor Hazel Simmons

Leader of the Council

Luton

G. Independent Auditor's Report

A message on behalf of the external auditors, Ernst & Young,

> "The external audit of the draft statement of accounts for the year ended 31 March 2021 has not yet been completed by our external auditors, EY LLP, due to the audit being rescheduled. This situation 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). Therefore this notification explains, as per paragraph (2a), that we are not yet able to publish our audited 2020/21 final statement of accounts in line with deadline of 30th September 2021, as per paragraph (1). The Audit and Governance Committee will consider the results of the 2020/21 audit, after which we will publish the final audited accounts."

The finance team will work with the auditors to achieve the final accounts sign-off for 2020/21, as far as possible, in the coming weeks and months.

Kind regards
Dev Gopal
Service Director - Finance, Revenues & Benefits
30 September 2021

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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.

31/03/2020				31/03/2021		
Spend £000	Income £000	Net Spend £000	Group	Spend £000	Income £000	Net Spend £000
10,960	(2,795)	8,164	Chief Executive	7,861	(3,608)	4,253
			Childrens, Families and Education Services	75,769	(32,907)	42,862
			Public Health and Wellbeing	121,524	(65,086)	56,438
69,959	(18,983)	50,975	Place and Infrastructure	116,946	(53,514)	63,432
108,385	(95,723)	12,662	Customer and Commercial	130,900	(124,494)	6,406
28,286	(30,885)	(2,599)	Public Health, Commissioning & Procurement	0	0	0
186,377	(41,795)	144,582	People	0	0	0
176,004	(170,575)	5,430	Schools Individual Budgets	175,806	(172,456)	3,350
57,718	(38,867)	18,851	Housing Revenue Account	34,618	(40,078)	(5,460)
559	(1,870)	(1,311)	Other Corporate Accounts	6,511	(7,766)	(1,255)
638,248	**(401,493)**	**236,7558**	**Total Net Cost of Services**	**669,935**	**(499,908)**	**170,027**
		(2,167)	Other operating expenditure *Note 9*			2,144
		(34,668)	Financing and investment income and expenditure *Note 10*			447
		(149,545)	Taxation and non-specific grant income *Note 11*			(204,550)
		50,376	**Group (Surplus) or Deficit on Provision of Services**			**(31,932)**
		14,813	Tax expenses of subsidiary (LLAL)			28,503
		0	Tax expenses of subsidiary (Foxhall Homes)			0
		65,189	**Group (Surplus) or Deficit on Provision of Services**			**(3,429)**
		1,115	Surplus or deficit on revaluation of Property, Plant Equipment assets			(50,209)
		(23,578)	Re-measurements of the net defined benefit liability			194,241
		(22,463)	**Other Comprehensive Income and Expenditure**			**144,032**
		42,726	**Total Comprehensive Income and Expenditure**			**140,602**

Luton

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.

31/03/2020				31/03/2021		
Spend £000	Income £000	Net Spend £000	Single	Spend £000	Income £000	Net Spend £000
10,960	(3,039)	7,921	Chief Executive	7,861	(3,821)	4,040
0	0	0	Children, Families and Education Services	75,769	(36,402)	39,367
0	0	0	Public Health and Wellbeing	121,524	(65,700)	55,824
69,959	(22,361)	47,598	Place and Infrastructure	116,946	(53,625)	63,321
108,385	(96,417)	11,968	Customer and Commercial	130,900	(124,494)	6,406
28,385	(31,117)	(2,821)	Public Health, Commissioning & Procurement	0	0	0
186,377	(41,795)	144,582	People	0	0	0
176,004	(170,575)	5,430	Schools Individual Budgets	175,806	(172,456)	3,350
57,718	(38,867)	18,851	Housing Revenue Account	34,618	(40,078)	(5,460)
559	(1,967)	(1,408)	Other Corporate Accounts	6,461	(7,780)	(1,319)
638,247	**(406,197)**	**232,051**	**Total Net Cost of Services**	**669,885**	**(504,356)**	**165,529**
		(2,167)	Other operating expenditure *Note 9*			2,144
		(2,728)	Financing and investment income and expenditure *Note 10*			(16,379)
		(149,545)	Taxation and non-specific grant income *Note 11*			(204,550)
		77,612	**(Surplus) or Deficit on Provision of Services**			**(53,257)**
		1,115	Surplus or deficit on revaluation of Property, Plant and Equipment assets			(50,209)
		(23,431)	Re-measurements of the net defined benefit liability			194,236
		(22,316)	**Other Comprehensive Income and Expenditure**			**144,027**
		55,296	**Total Comprehensive Income and Expenditure**			**90,771**

Luton

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	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Reserve	LLAL Profit & Loss Account	Foxhall Homes Profit & Loss Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
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	56,313	21,299				(12,896)	293	**65,009**	(22,316)	**42,693**
Adj. between accounting basis & funding basis under regulations	(42,953)	(20,585)	3,431	(969)	906	0	0	**(60,170)**	60,170	**0**
(Increase) or Decrease in 2019/20	(13,360)	714	3,431	(969)	906	(12,986)	**293**	**4,839**	37,854	**42,693**
Balance at 31 March 2020	**(77,709)**	**(10,252)**	**0**	**(14,773)**	**(3,947)**	**(474,314)**	**1,164**	**(579,831)**	**(426,748)**	**(1,006,579)**
Movement in Reserves 2020/21										
Total Comprehensive Income & Expenditure	(50,810)	(2,447)				47,111	(177)	**(6,323)**	140,026	**137,703**
Adj. between accounting basis & funding basis under regulations	(1,982)	(2,388)	(35)	2,267	(8,107)	0	0	**(10,244)**	10,244	**0**
(Increase) or Decrease in 2020/21	(52,792)	(4,834)	(35)	2,267	(8,107)	47,111	**177**	**(16,567)**	154,270	**137,703**
Balance at 31 March 2021	**(130,504)**	**(15,086)**	**(35)**	**(12,054)**	**(12,054)**	**(427,203)**	**987**	**(596,399)**	**(272,478)**	**(868,877)**

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.

	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 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	56,313	21,299	0	0	0	77,612	(22,316)	55,296
Adj. between accounting basis & funding basis under regulations	(42,953)	(20,585)	3,431	(969)	906	(60,170)	60,170	0
(Increase) or Decrease in 2019/20	**13,360**	**714**	**3,431**	**(969)**	**906**	**17,442**	**37,854**	**55,296**
Balance at 31 March 2020	**(77,712)**	**(10,252)**	**0**	**(14,772)**	**(3,946)**	**(106,683)**	**(443,671)**	**(550,353)**
Movement in Reserves 2020/21								
Total Comprehensive Income & Expenditure	(50,810)	(2,447)	0	0	0	**(53,257)**	144,026	**90,769**
Adj. between accounting basis & funding basis under regulations	(1,982)	(2,388)	(35)	2,267	(8,107)	**(10,244)**	10,244	**0**
(Increase) or Decrease in 2020/21	**(52,792)**	**(4,834)**	**(35)**	**2,267**	**(8,107)**	**(63,501)**	**154,270**	**90,769**
Balance at 31 March 2021	**(130,504)**	**(15,087)**	**(34)**	**(12,504)**	**(12,053)**	**(170,184)**	**(289,401)**	**(459,584)**

Luton

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.

31/03/2020 Group £000	31/03/2020 Single £000	Net Assets		31/03/2021 Group £000	31/03/2021 Single £000
1,268,859	1,091,603	Property, Plant & Equipment	*Note 31*	1,422,537	1,157,431
773,183	123,584	Investment Property	*Note 32*	756,093	117,707
394	394	Intangible Assets	*Note 33*	289	289
5,881	5,881	Heritage Assets	*Note 34*	5,881	5,881
6,673	302,571	Long Term Investments	*Note 36*	1,862	410,459
2,697	2,697	Long Term Debtors	*Note 36*	2,881	2,881
2,054,788	**1,526,730**	**Total Long Term Assets**		**2,189,542**	**1,694,647**
15	15	Short Term Investments	*Note 36*	0	0
5,599	1,232	Inventories		10,698	1,774
74,313	63,159	Short Term Debtors	*Note 42*	129,746	125,733
35,842	35,286	Cash and Cash Equivalents	*Note 43*	51,212	50,708
115,770	**99,693**	**Total Current Assets**		**191,656**	**178,215**
(73,870)	(73,870)	Short Term Borrowing	*Note 36*	(98,043)	(98,043)
(79,173)	(69,047)	Short Term Creditors	*Note 44*	(119,464)	(115,513)
(3,098)	(3,098)	Current Provisions	*Note 45*	(1,157)	(1,157)
(10,900)	(10,900)	Revenue Receipts in Advance	*Note 47*	(6,859)	(6,859)
(167,040)	**(156,914)**	**Total Current Liabilities**		**(225,523)**	**(221,576)**
(78,089)	(6,818)	Non -Current Provisions	*Note 45*	(101,917)	(8,454)
(43,779)	(43,779)	Capital Grants Receipts in Advance	*Note 46*	(38,988)	(38,988)
(6,086)	(1,209)	Long Term Creditors	*Note 44*	(629)	(629)
(22,126)	(22,126)	Other Long Term Liabilities	*Note 38*	(21,484)	(21,484)
(416,564)	(414,933)	Net Pensions Asset/Liability	*Note 40*	(633,212)	(631,586)
(430,296)	(430,296)	Long Term Borrowing	*Note 36*	(490,569)	(490,569)
(996,941)	**(919,162)**	**Total Long Term Liabilities**		**(1,286,799)**	**(1,191,710)**
1,006,576	**550,347**	**Total Net Assets**		**868,876**	**459,581**

Luton

Balance Sheet (Group & Single)

31/03/2020 Group £000	31/03/2020 Single £000	Reserves		31/03/21 Group £000	31/03/21 Single £000
(77,708)	(77,708)	General Fund Reserves	*Note 22*	(130,504)	(130,504)
(10,253)	(10,253)	Housing Revenue Account	*Note 22*	(15,087)	(15,087)
0	0	Major Repairs Reserve		(34)	(34)
(14,772)	(14,772)	Capital Receipts Reserve		(12,504)	(12,504)
(3,946)	(3,946)	Capital Grants Unapplied		(12,053)	(12,053)
(474,314)		LLAL Profit & Loss Account		(427,203)	
1,164		Foxhall Homes Profit & Loss Account		987	
(579,829)	**(106,679)**	**Total Usable Reserves**		**(596,399)**	**(170,183)**
(253,340)	(253,340)	Revaluation Reserve	*Note 24*	(290,498)	(290,495)
(593,247)	(593,247)	Capital Adjustment Account	*Note 25*	(605,209)	(605,209)
414,933	414,933	Pensions Reserve	*Note 26*	631,672	631,672
6,227	6,227	Financial Instruments Adjustment Account	*Note 27*	6,227	6,227
(2,736)	(19,657)	Deferred Capital Receipts	*Note 28*	(2,736)	(19,657)
(1,393)	(1,393)	Collection Fund Adjustment Account	*Note 29*	(14,423)	(14,423)
2,809	2,809	Accumulated Leave Reserve	*Note 30*	2,488	2,488
(426,747)	**(443,668)**	**Unusable Reserves**		**(272,480)**	**(289,401)**
(1,006,576)	**(550,347)**	**Total Reserves**		**(868,879)**	**(459,581)**

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 2021 and its income and expenditure for the year then ended.

Dev Gopal FCA, FCPFA, FCCA, CMgr MCMI

Service Director, Finance & Audit (S151 Officer) Date: 31 July 2021

Luton

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 extent to which cash outflows have been made for resources wh ich 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.

31/03/2020 £000		31/03/2021 £000
(77,612)	Net surplus or (deficit) on the provision of services	53,258
130,871	Adjustments to net surplus or deficit on the provision of services for non-cash movements	16,137
(26,885)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(559)
26,374	**Net cash flows from Operating Activities *(Note 48)***	**68,836**
(139,322)	Investing Activities *(Note 49)*	(137,219)
119,448	Financing Activities *(Note 50)*	83,804
6,500	**Net increase or decrease in cash and cash equivalents**	**15,421**
28,786	Cash and cash equivalents at the beginning of the reporting period	35,286
35,286	**Cash and cash equivalents at the end of the reporting period**	**50,707**

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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 £350.262 million at 31st March 2021.

At the year ended 31st March 2021, the company had net assets of £455.308 million (£489.970 million at 31st March 2019). The 2020/21 loss before tax was £6.058 million and after tax was a loss of £34.561m million (profit before tax was £4.947 million and a loss after tax of £3.311 million for 2019/20).

Due to Covid-19 and the loss of passengers through the airport, a dividend was not declared in 2020/21

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 2021.

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 2021 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 2021, the company had net negative assets of £0.376 million (net liabilities). The profit before and after tax was £0.123 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 2021. The purpose of Note 1 is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. The accounting policies are the main principles, bases, conventions, rules and practices that specify how these transactions and other events are reflected in the financial statements.

The Statement of Accounts summarise the Council's transactions for the 2020/21 financial year and its position at the year-end of 31st March 2021. The Council is required to produce an annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit Regulations 2015. For 2020/21, these practices are 'The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21' ('the Code') supported by International Financial Reporting Standards (IFRS), where CIPFA has provided guidance notes.

The Accounts have been prepared on a going concern basis. The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.
The Statement of Accounts has been adjusted to reflect events after 31st March 2021and before the date the Accounts were authorised for issue only where the events provide material evidence of conditions that existed at 31st March.

The Council's over-arching accounting policies are set out below. Further detail on the accounting treatment adopted for specific transactions and balances is included in relevant disclosure notes. 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

Income and expenditure are accounted for on an accrual basis in the year the activity takes place; income is recorded when it is earned not when it is received and expenditure when it is incurred not paid.
Activity is accounted for in the year that it takes place rather than when cash payments are made or received:

- Revenue from sales, fees, charges and rents due from customers are accounted for as income at the date the Council has satisfied a performance obligation by transferring promised goods and services to the recipient; 45
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventory on the Balance Sheet;
- Interest receivable on investments and payable on borrowings is accounted for per 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 but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where assets are identified as impaired because of the likelihood arising from a past event that payments due under the contract will

not be made, the asset is impaired and written down to the recoverable amount and a charge made to the revenue for income that might not be collected;

- Where payment is made or income received in advance of a service being received or delivered then a prepayment or receipt in advance is recorded in the Balance Sheet;
- Income from the sale of non-current assets is recognised only when all material conditions of sale have been met and is measured as the sums due under the sale contract; and
- Accruals are recognised where the value is equal to or exceeds £5,000 for any individual debtor or creditor.

The amounts included are based on actual invoices raised or received and, where actual amounts are not known, estimates are included based on an assessment of the value of goods and services rendered or received in the financial year. Any estimates are calculated using the best available information.

- Income from Council Tax and National Non-Domestic Rates is recognised within the Comprehensive Income and Expenditure Statement (CIES) as the amount due to the Council for the financial year, including its share of the Collection Fund balances for these items at the end of the financial year. This value is subsequently amended through the Movement in Reserves Statement and the Collection Fund Adjustment Account to reflect the amount to be credited to the General Fund for the Council's Council Tax Requirement and income from National Non-Domestic Rates. 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.

Overheads and Support Services

In accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2020/21 (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 2020/21 statement of accounts

Capitalisation Directive application and approval

In 2020, the Council requested for additional support (by way of a capitalisation directive) from the Ministry of Housing, Communities and Local Government (MHCLG) to help balance the budget to be reported for 2020/21 and 2021/22. The Ministry have approved a capitalisation direction up to a maximum value of £35m for 2020/21, subject to conditions.
This directs the Council to treat as capital expenditure, expenditure which is either:

- Revenue expenditure and meets the definition of an additional cost pressure as identified and agreed with MHCLG through the Council's formal request for exceptional financial support; or
- Any revenue expenditure not exceeding the value of income losses in the financial period 2020/21 as identified and agreed with MHCLG through the application.

The costs that can be capitalised are costs as they are incurred and the Council will charge a Minimum Revenue Provision (MRP) over the life of the assets, no more than 20 years. Where capital financing is increased as a result of the capitalisation directive, further borrowing is likely to be obtained from the PWLB (Public Works Loan Board) and charged interest at 1% higher than the loan would otherwise be subject to.

BREXIT

The UK left the European Union on 31st January 2021, however a transition period ending on 31st December 2020 existed. Having previously used International Accounting Standards (IASs) in preparing their consolidated financial statements, applicable entities must apply UK adopted IASs for periods commencing on or after the end of the transition period. As the 2020/21 reporting period overlaps the end of the transition period, Luton Council has opted to apply the new UK-adopted IFRSs from 31st December 2020 in addition to the EU adopted IFRS for 2020/21, while from the period beginning 1st April 2021 the Council must apply IFRS in accordance with UK-adopted IFRS.

IFRS Accounting changes and updates

The following changes to IFRSs apply, but are not yet endorsed for use in the EU or UK as at 31st March 2021:

- Covid-19 related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16, effective on or after 1 April 2021).
- Interest Rate Benchmark Reform phases one and two (IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16, effective on or after 1st April 2021).
- Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16, effective on or after 1 January 2022).
- Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37, effective on or after 1 January 2022).
- Updates to the Conceptual Framework (Amendments to IFRS 3, relating to the definition of the term 'business', effective on or after 1 January 2022).
- Annual Improvements 2018-2020 Cycle, making amendments to the following standards (effective on or after 1 January 2022):
- IFRS 9 Financial Instruments.
- IAS 41 Agriculture.
- IFRS 16 Leases - Lease incentives.
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1, effective on or after 1 January 2023).
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2, effective on or after 1 January 2023).
- Definition of Accounting Estimates (Amendments to IAS 8, effective on or after 1 January 2023).
- IFRS 17: Insurance Contracts (effective on or after 1st January 2023).

The various changes above are considered relatively minor updates to the accounting standards framework as it applies to the Council, and none are assessed to have a material impact on this Statement of Accounts.

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

FRS 16: Leases (effective on or after 1st April 2022)

IFRS 16 will bring most leases on-balance sheet including operating leases, thereby removing the distinction between finance and operating leases; there is a recognition that low-value and short-term leases may be exempt. The estimated impact based on current operating lease non-cancellable obligations is £1.5m (£2.1m 2019/20), further details can be found in the Leases note to the accounts. This is applicable when either the authority or group companies are the lessee.
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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.

	Consequences of Uncertainty
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.
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 2020/21, the Council's actuaries advised that the net pension's liability had decreased by £216.653 million. Please see ***Note 39*** for sensitivity analysis.
At 31st March 2021, 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 £1.443 million, which is 60% of the total provision. Currently there are 39 known appeals outstanding at an approximate average of £62,154.
As at 31st March 2020, the Council had outstanding arrears of £177.161 million of which £51.428 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 contributeto the provision on an annual basis.	If the provision was incorrectly calculated and higher than expected debt write offs were required, future financial years would have to incur additional budgetary costs. If the downturn in collection rates was representative of longer term collection, then the Council may need to revise the doubtful debt provision calculation and annual budgeted contribution.

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

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:

Going Concern

In February 2021 the Council approved a budget for 2021/22 and were provided with an indicative budget for the following four years. At the time the budget was approved the Council was forecasting a balanced budget. The Council had submitted a request for exceptional financial support to MHCLG which was evaluated by external advisers appointed by MHCLG. In March confirmation was received that the application for exceptional support was approved as a Capitalisation Directive for a sum not exceeding of £35m for 2020/21 and a further conditional offer was provided of a further £14m for 2021/22.

At 31 March 2021 the council achieved a balanced budget with net additional general fund reserves of £33.673million which is in line with, but at the upper end of the agreed level. General Earmarked reserves totalled £130.5 million, of which £7.601 million are Covid-19 related including compensation for Business Rates reliefs and Local Income Tax losses.The Council is closely monitoring the budget position and where necessary taking corrective action to ensure a balanced position is maintained for 2021/22 and 2022/23. Work has been on-going as part of the budget process to identify income and savings and reduce cost pressures, which will continue to be reviewed. During 2021 the Programme along with other saving initiatives, if approved, are planned to generate savings of £24m.

To ensure financial stability amidst the financial challenges that are being faced requires a shift in the way services are delivered and funded - this will be achieved via a medium to long term programme of income, investment and growth. This has meant that the Council has had to review what its most critical services are, determine which are required to still be operational even during and coming out of a global pandemic, and further to this determine how to provide new services in response to local needs as a reaction to the emergency situation. The changing environment and “new normal” in which we are likely to find ourselves will require the Council to review the services it provides, its delivery models and the outcomes that are of the highest priority. This may also require the Council to review the structural position of its budget and how that needs to change in the future. This was covered as part of the Council Medium Term Financial Plan in February 2021 and the Council is currently working on the 2022/23 budget.

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, Revenues & Benefits) on 31 July 2021. 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 2021, 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 2020/21 has 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.

2019/20				2020/21		
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
6,914	299	7,213	Chief Executive	3,835	205	4,040
			Children, Families and Education	57,304	(17,937)	39,367
35,711	6,383	42,095	Place and Infrastructure	38,435	24,886	63,321
12,318	(350)	11,968	Customer and Commercial	11,737	(5,331)	6,406
			Public Health and Wellbeing	54,445	1,379	55,824
(3,062)	241	(2,821)	Public Health, Commissioning & Procurement	0	0	0
142,036	2,546	144,582	People	0	0	0
552	4,812	5,365	Schools Individual Budgets	(7,539)	10,889	3,350
714	20,757	21,471	Housing Revenue Account	(3,337)	(2,123)	(5,460)
(61,729)	60,321	(1,408)	Other Corporate Accounts	(166,585)	(53,520)	(220,105)
133,455	95,010	228,464	**Net Cost of Services**	**11,705**	**(41,552)**	**(53,257)**
(138,295)	(28,860)	(167,156)	Other Income & Expenditure			
(4,841)	66,149	61,309	**(Surplus) or Deficit**	**11,705**	**(41,552)**	**(53,257)**
(102,037)			**Opening General Fund & HRA Balance**	(106,682)		
(5,051)			Movement In Year	(63,502)		
(107,088)			**Closing General Fund & HRA Balance**	(170,184)		

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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:

2019/20					2020/21			
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	1,195	17	1,212	Chief Executive	0	172	33	205
				Children, Families and Education	0	1,523	(19,460)	(17,937)
0	1,784	11,752	13,730	Place and Infrastructure	380	1,537	22,969	24,886
0	607	(2,451)	(1,844)	Customer and Commercial	1,628	(5,620)	(1,339)	(5,331)
0	227	13	241	Public Health, Commissioning & Procurement	0	0	0	0
				Public Health and Wellbeing	35	974	370	1,379
0	2,511	670	3,181	People	0	0	0	0
0	5,082	74	5,155	Schools Individual Budgets	0	12,134	(1,245)	10,889
22,312	248	(4,621)	17,940	Housing Revenue Account	0	241	(2,364)	(2,123)
32,900	0	5,568	38,468	Other Corporate Accounts	(17,044)	11,541	(48,017)	(53,520)
55,213	**11,848**	**25,988**	**78,084**	**Net Cost of Services**	**(15,001)**	**22,502**	**(49,053)**	**(41,552)**
(12,477)	9,659	(11,728)	(14,546)	Other Income & Expenditure	(50,209)	194,236	0	144,027
46,736	**21,507**	**(706)**	**63,537**	**(Surplus) or Deficit**	**(65,210)**	**216,738**	**(49,053)**	**102,475**

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.

2019/20				2020/21		
Depreciation, amortisation, impairment £000	Fees & Charges £000	Internal Recharges £000		Depreciation, amortisation, impairment £000	Fees & Charges £000	Internal Recharges £000
3,380	(1,354)	(15,984)	Chief Executive	0	(699)	(3,409)
9,463	(28,318)	(26,693)	Place and Infrastructure	(5,353)	(14,163)	(9,366)
			Children, Families and Education	16,176	(30,454)	(28,781
1,028	(16,904)	(40,051)	Customer and Commercial	2,118	(14,163)	(47,584)
1,806	(629)	(2,884)	Public Health, Commissioning & Procurement	0	0	0
			Public Health and Wellbeing	2,285	(20,772)	(428)
29,464	(15,655)	(6,487)	People	0	0	0
0	(8,203)	(5,563)	Schools Individual Budgets	0	(3,2182	(247)
37,068	(38,866)	(272)	Housing Revenue Account	13,894	(39,852)	(459)
0	(2,468)	(2,512)	Other Corporate Accounts	0	(5,309)	(4,083)
82,209	**(112,398)**	**(100,446)**	**Total**	**26,120**	**(128,594)**	**(94,357)**

Note 8) Expenditure and Income Analysed By Nature

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

* 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.

2019/20 £000		2020/21 £000
	Expenditure	
258,388	Employee benefits expenses*	257,680
338,282	Other services expenses	338,217
51,302	Support service recharges	52,542
82,209	Depreciation, amortisation, impairment	26,120
15,046	Interest payments	3,573
115	Precepts and levies	119
651	Payments to Housing Capital Receipts Pool	651
(2,933)	(Gain) / Loss on the disposal of assets	5003
743,061	**Total**	**722,616**
(100,446)	Internal recharges**	(94,357)
642,615	**Total expenditure**	**628,259**
	Income	
(112,596)	Fees, charges and other service income	(143,231)
(16,589)	Interest and investment income	(17,326)
(121,511)	Income from council tax, non-domestic rates	(144,040)
(314,308)	Government grants and contributions	(376,919)
(565,004)	**Total income**	**(681,516)**
77,611	**Surplus or Deficit on the Provision of Services**	**(53,257)**

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Note 9) Other Operating Expenditure

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

2019/20 £000		2020/21 £000
115	Levies	119
651	Payments to the Government Housing Capital Receipts Pool	651
(2,933)	(Gain) / loss on the disposal of non-current assets	(1,375)
(2,167)	**Total**	**(2,145)**

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.

2019/20 Group £000	2019/20 Single £000		2020/21 Group £000	2020/21 Single £000
15,046	15,046	Interest payable and similar charges	16,576	16,576
9,659	9,659	Net interest on the net defined benefit liability	10,056	10,056
(791)	(16,589)	Interest receivable and similar income	(20,618)	(25,320)
(57,961)	(10,223)	Income and expenditure in relation to investment properties and changes in their fair value (Note 32)	14,010	(1,838)
0	0	Capitalisation directive and grant contribution	(19,125)	(19,125)
(622)	(621)	Trading and other investment activities (Note 20)	(452)	(452)
(34,668)	(2,728)	**Total Financing and Investment Income and Expenditure**	**447**	(16,427)

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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.

2019/20 £000		2020/21 £000
(75,694)	Council Tax income	(81,698)
(31,542)	Non-domestic rates	(47,834)
(14,275)	Non-domestic rates Top Up Payment	(14,508)
(10,704)	Revenue Support Grant	(10,879)
(1,959)	New Homes Bonus	(1,581)
(4,952)	S31 Business Rates Compensation	(17,445)
(223)	Other grants	(6,834)
(10,195)	Capital grants and contributions	(23,770)
(149,545)	**Total Taxation and Non Specific Grant Income**	**(204,549)**

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.

Capital grants and contributions are analysed in more detail below:

2019/20 £000		2020/21 £000
(2,514)	Capital Grants -School Condition Allocation	(3,582)
(1,672)	Other Capital Grants – Education	(3,624)
(396)	Devolved Formula Capital	(430)
(2,787)	Local Transport Plan Block Allocation Grant	(4,402)
0	Wardown Park Museum Development Grant	(7,742)
(1,049)	Other Government Grants (<£1m)	(324)
(148)	Other Non-Government Grants (<£1m)	(1,263)
(1,629)	s106 Developers' Contributions	(2,402)
0	Luton Dunstable Busway Contributions	0
(10,195)	Total Capital Grants and Contributions	**(23,769)**

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 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.

2019/20 £000		2020/21 £000
	Revenue Grants Credited to Services	
(150,542)	Dedicated Schools Grant	(155,307)
(47,365)	Rent Allowances	(41,427)
(23,746)	Rent Rebates	(23,054)
(14,979)	Public Health Grant (main)	(15,581)
(7,728)	Pupil Premium Grant	(6,760)
0	Education Services Grant	0
(2,811)	Challney Girls PFI - EFA Funding	(2,811)
(2,404)	Infant Free School Meals Grant	(2,302)
(1,068)	Weekly Collection Support Scheme	0
(938)	HB Admin subsidy	(1,072)
(1,097)	Troubled Families Initiative	(963)
(717)	Discretionary Rent Allowance Benefits Subsidy	(605)
(3,487)	Homelessness Support Grant	(3,344)
(6,473)	Improved Better Care Fund	0
(1,287)	Unaccompanied Asylum Seeker Grant	(1,209)
(2,200)	Adult Learning- Education Skills Fund	(1,929)
(496)	Innovation Fund	(411)
(15,866)	Other Grants & Contributions	(59,599)
(283,204)	**Total Revenue Grants Credited to Services**	(316,373)
	Capital Grants Credited to Services	
(1,216)	Disabled Facilities Grant	(1,285)
(202)	Other Contributions to House Renovation Grants	0
(1,652)	Other Capital Grants – Education	(714)
(3,070)	**Total Capital Grants Credited to Services**	**(1,999)**
(286,274)	**Total Grants Credited to Services**	**(318,371)**

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Note 13) Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early years (England) Regulations 2020. The Schools Budget included elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2020/21 are as follows:

2019/20				2020/21		
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
24,590	199,489	224,079	Final DSG before Academy Recoupment	28,541	206,165	234,707
0	(73,466)	(73,466)	Academy figure recouped	0	(79,596)	(79,596)
24,590	126,023	150,613	Total DSG after Academy Recoupment	**28,541**	**126,569**	**155,110**
3,856	0	3,856	Brought forward from previous year	2,646	0	2,646
0	0	0	Carry-forward to next year agreed in advance	0	0	0
28,466	126,023	154,469	Agreed initial budgeted distribution in this year	**31,187**	**126,569**	**157,756**
(71)	0	(71)	In year adjustments	196	0	196
28,375	**126,023**	**154,398**	**Final budgeted distribution for this year**	**31,384**	**126,569**	**157,952**
(25,761)	0	(25,761)	Actual Central Expenditure for this year	(26,472)	0	(26,472)
0	(126,023)	(126,023)	Actual ISB deployed to schools	0	(126,518)	(126,518)
0	0	0	Local authority contribution for this year	0	0	0
2,614	**0**	**2,164**	**DSG (Over)/Underspend carried forward**	**4,911**	**51**	**4,962**

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 2019/20 (see Note 31)
- £115.426 million upward revaluation of educational assets total, £17.177 million upward in 2019/20.
- £39.235 million of depreciation has been charged across the General Fund and Housing revenue Account, £36.634 million in 2019/20 (see Note 31)

Note 15) Member Allowances

The Council paid the following amounts to members of the Council during 2020/21:

2019/20 £000		2020/21 £000
438	Member Allowances	435
5	Member Expenses	0
443	**Total**	**435**

Note 16) External Audit Costs

2019/20 Group £000	2019/20 Single £000		2020/21 Group £000	2020/21 Single £000
94	94	Fees payable to Ernst & Young LLP with regard to external audit services carried out by the appointed auditor	94	94
17	0	Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns	27.5	27.5
		LLAL Audit Services procured from PWC LLP	76	
		Foxhall Audit Services procured from PWC LLP	13	
199	122	**Total**	**210.5**	**121.5**

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections:

There have been some significant non-audit fees incurred by LLAL during 2020/21: Audit £76k (£70k 2019/20), Non-Audit £200k estimated, (£195k 2019/20) and Foxhall Homes 2019/20: Audit £24k (£23.8k 2019/20) and Non-Audit £18k (£18.8k 2019/20).

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
2020/21					
Chief Executive – Robin Porter		185	35	0	220
Corporate Director, London Luton Airport Ltd (LLAL)		132	26	0	158
Corporate Director, Customer & Commercial and Inclusive Economy		130	24	0	154
Corporate Director, Children, Families & Education and Children's Services		138	26	0	164
Corporate Director, Place & Infrastructure and Deputy Chief Executive		138	26	0	164
Corporate Director, Public Health and Healthy Lives & Children's Joint Commissioning		81	11	0	92
Corporate Director, Public Health and Healthy Lives & Children's Joint Commissioning (Interim)		25	5	0	30
Service Director, HR and Monitoring Officer		92	18	99	209
Service Director, Finance and Audit, Section 151 Officer		94	17	0	111
Total 2020/21 Remuneration		1,085	198	**166**	1,449
2019/20					
Chief Executive (Trevor Holden)*	To Dec 2018	181	27	0	209
Interim Chief Executive (Laura Church)	From Jan 2019	12	4	0	17
Corporate Director, Customer and Commercial		104	18	0	122
Corporate Director, People		135	25	0	160
Corporate Director, Place and Infrastructure	To Dec 2018	133	19	0	151
Interim Corporate Director, Place and Infrastructure	From Dec 2018	21	3	0	24
Corporate Director, Public Health, Commissioning & Procurement		131	18	0	150
Service Director, Human Resources 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

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*Chief Executives' salary for 2020/21 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	2019/20			2020/21		
	Council Officers Number	Community Schools Number	Total Number	Council Officers Number	Community Schools Number	Total Number
£50,000 to £54,999	70	39	**109**	116	32	**148**
£55,000 to £59,999	54	37	**91**	119	18	**137**
£60,000 to £64,999	9	15	**24**	62	17	**79**
£65,000 to £69,999	19	16	**35**	75	11	**86**
£70,000 to £74,999	5	15	**20**	29	7	**36**
£75,000 to £79,999	2	9	**11**	24	7	**31**
£80,000 to £84,999	2	2	**4**	12	4	**16**
£85,000 to £89,999	6	3	**9**	6	1	**7**
£90,000 to £94,999	2	3	**5**	9	0	**9**
£95,000 to £99,999	0	0	**0**	6	2	**8**
£100,000 to £104,999	0	0	**0**	2	1	**3**
£105,000 to £109,999	0	0	**0**	0	0	**0**
£110,000 to £114,999	0	0	**0**	3	0	**3**
Total	**169**	**139**	**308**	**463**	**100**	**563**

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				
£0 to £20,000	33	97	219	619
£20,001 to £40,000	6	18	164	489
£40,001 to £60,000	0	6	0	307
£60,001 to £80,000	0	5	0	362
£80,001 to £100,000	0	1	0	83
£100,001 to £150,000	0	1	0	149
£150,001 and above	0	2	0	608
Total	**39**	**130**	**383**	**2,617**
This consists of:				
Voluntary Exits	7	53	48	1,376
Compulsory Exits	27	72	273	1,179
Other Exits	5	5	62	62
Total	**39**	**130**	**383**	**2,617**

The Council terminated the contract of a number of employees in 2020/21, liabilities of £2.617 million (£0.383 million in 2019/20). 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 2020-21 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, and the provision of Adult Social Care services.

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

Total Expenditure	Luton Borough Council	NHS Luton	2019/20 Net (surplus)/ deficit	Pooled Arrangement	Total Expenditure	Luton Borough Council	NHS Luton	2020/21 Net (surplus)/ deficit
£000	£000	£000	£000		£000	£000	£000	£000
22,567	(14,829)	(7,738)	**0**	Better Care Fund (including iBCF)	23,347	(15,445)	(7,902)	**0**
2,767	(2,506)	(1,145)	**(884)**	Children & Young People's Service	3,414	(2,057)	(1,004)	**(353)**
360	(145)	(145)	**70**	Children Joint Commissioning - Staffing	368	(166)	(166)	**(36)**
1,579	(1,552)	(27)	**0**	Children's Public Health Services	1,579	(1,552)	(27)	**0**
7,636	(3,620)	(3,620)	**396**	Learning Disability Services – Purchased Care	7,462	(3,696)	(3,696)	**(70)**
1,876	(1,303)	(284)	**289**	Learning Disability Services – Staffing	1,971	(1,351)	(292)	**(328)**
36,785	**(23,955)**	**(12,959)**	**(129)**	**Total**	**38,141**	**(24,267)**	**(13,087)**	**(787)**

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 £1,802,163 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 £28,560 in 2020-21.

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 2020/21 is summarised below:

Turnover	Expenditure	2019/20 (Surplus)/ Deficit	Description	Turnover	Expenditure	2020/21 (Surplus)/ Deficit
	£000	£000		£000	£000	£000
(21,859)	22,874	1,015	Housing maintenance	(24,435)	25,559	1,123
(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	(4,432)	1,971	(2,461)
(37,848)	**38,922**	**1,074**	**Total**	**(41,128)**	**40,506**	**(622)**

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.

General Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves		General Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
					2019/20							2020/21
	£000	£000	£000	£000	£000		£000	£000	£000	£000	£000	£000
						Revenue Charges for Capital						
(28,429)	(10,618)					Charges for depreciation and impairment of non-current assets	(25,606)	(10,297)				**35,903**
(615)						Amortisation of intangible assets	(115)					**115**
(19,926)	(26,450)					Revaluation losses on Property, Plant and Equipment	16,969	(3,879)				**(13,090**
3,830	198					Movements in the market value of Investment Properties	(3,570)	378				**3,192**
(4,755)	0					Revenue Expenditure funded Capital under Statute	(18,156)	0				**18,156**
(201)	(3,097)					Non-current assets written off on disposal or sale as part of the gain/loss on disposal	(9,045)	(2,700)				**11,744**

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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		General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	2020/21 Unusable Reserves £000
						External Capital Financing Adjustments						
8,153	778				(8,931)	Capital grants and contributions applied to CAA	12,383	0				(12,383)
4,334				(4,334)	0	Capital grants and contributions unapplied recognised in year	13,408				(13,408)	0
				5,240	(5,240)	Application of grants to capital financing transferred to the Capital Adjustment Account					5,301	(5,301)
1,721	4,566		(6,292)		5	Transfer of cash sale proceeds credited as part of the gain/loss on disposal	6,395	3,870		(10,295)		30
	(57)		57		0	Contribution from the Capital Receipts Reserve towards administrative costs of disposals		(56)		56		0
(651)			651		0	Contribution from Capital Receipts to be paid to the government capital receipts pool	(651)			651		0
			(2)		2	Transfer from Deferred Capital Receipts Reserve upon receipt of cash				0		0
			4,617		(4,617)	Use of the Capital Receipts Reserve to finance new capital expenditure				11,856		(11,856)

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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		General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	2020/21 Unusable Reserves £000
						Capital Financing Requirement Funding						
8,289					**(8,289)**	Minimum Revenue Provision	8,673					**(8,673)**
484					**(484)**	Statutory provision for repayment of debt (PFI)	642					**(642)**
5,153	3,940				**(9,093)**	Capital expenditure charged against the revenue	5,744					**(5,744)**
	10,618	(10,618)			**0**	Reversal of Major Repairs Allowance credited to the HRA		10,393	(10,393)			**0**
		14,049			**(14,049)**	Use of the Major Repairs Reserve to finance new capital			10,358			**(10,358)**
						Other Statutory Adjustments						
235	16				**(252)**	Amount by which finance costs differ from costs chargeable	0	0				**0**
(47,494)	(2,024)				**49,518**	Reversal of retirement benefits debited or credited to CIES	(53,898)	(57)				**53,955**
26,457	1,554				**(28,011)**	Employer's pensions contributions & direct payments to pensioners in the year	31,453					**(31,453)**
699					**(699)**	Council Tax & NNDR income credited differs from income in accordance with statute	13,030					**(13,030)**
(236)	(10)				**245**	Officer remuneration charged on an accruals basis differs from amount under statute	363	(41)				**(322)**
(42,953)	**(20,585)**	**3,431**	**(969)**	**906**	**60,170**	**Total Statutory Adjustments**	**(1,982)**	**(2,388)**	**35**	**2,267**	**(8,107)**	**10,244**

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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 2019 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2020 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2021 £000
General Fund							
General Fund Reserve	**(14,021)**	**0**	**0**	**(14,021)**	**0**	**0**	**(14,021)**
Earmarked Reserves							
Invest to Save Reserve	(5,343)	0	(825)	(6,168)	150	(3,432)	(9,450)
Specific Risk Management Reserve	(2,970)	0	0	(2,970)	0	0	(2,970)
Service Provision Reserve	(7,640)	689	0	(6,951)	1,612	(734)	(6,073)
Butterfield Profit Share Reserve	(1,137)	0	(118)	(1,255)	200	(139)	(1,194)
Recession & Welfare Benefits Reserve	(1,472)	0	0	(1,472)	0	0	(1,472)
Reorganisation Reserve	(1,667)	188	0	(1,479)	0	0	(1,479)
Major Projects Reserve	(8,362)	0	0	(8,362)	0	0	(8,362)
Insurance Reserve	(2,859)	0	(238)	(3,097)	0	(131)	(3,228)
Capital Reserve	(408)	0	0	(408)	263	(93)	(238)
Pension Fund Reserve	(6,117)	0	(757)	(6,874)	0	0	(6,874)
Public Health Reserve	(478)	0	(362)	(840)	0	(706)	(1,546)
Investment Reserve	(809)	271	0	(538)	317	0	(221)
Funding Equalisation Reserve	(12,661)	0	(2,224)	(14,885)	0	(13,837)	(28,722)
Specific Service Reserve	(485)	82	0	(403)	0	0	(403)
Luton Investment Framework Reserve	(2,406)	657	0	(1,749)	612	0	(1,137)
Cremator Mercury Emissions Reserve	(301)	0	(196)	(497)	0	(155)	(652)
Property Commercialisation	(844)	0	0	(844)	0	(3,876)	(4,720)
Covid – 19 Reserve		0	(5,423)	(5,423)	5,423	(7,601)	(7,601)
Interest Equalisation Reserve				0	0	(4,853)	(4,853)
Other Reserves	(196)	124	0	(72)	0	0	(72)

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Earmarked Reserves Total	(56,155)	2,011	(10,144)	(64,287)	8,313	(35,464)	**(91,269)**
School Reserves	(20,894)	2,237		(18,524)	0	(6,690)	**(25,213)**
General Fund Total	(91,070)	4,382	(10,143)	(96,831)	**8,313**	**(42,154)**	**(130,504)**
Reserves Description	**Balance at 1 April 2019 £000**	**Transfers Out £000**	**Transfers In £000**	**Balance at 31 March 2020 £000**	**Transfers Out £000**	**Transfers In £000**	**Balance at 31 March 2021 £000**
Housing Revenue Account							
HRA General Balance	**(10,532)**	1,388	0	**(9,144)**	0	(3,337)	**(12,481)**
HRA Earmarked Reserves							
Legal Disputes Reserve	(133)	3	0	**(130)**	0	0	**(130)**
Revenue Contributions to Capital	(302)	0	(678)	**(980)**	0	(1,496)	**(2,475)**
HRA Earmarked Reserves Total	(435)	3	(678)	**(1,110)**	0	(1,496)	**(2,605)**
House Revenue Account Total	(10,967)	1,391	(678)	(10,254)	**0**	**(4,833)**	**(15,086)**

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 2020/21 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.

2019/20 £000		2020/21 £000
(253,340)	Revaluation Reserve (note 24)	(290,498)
(593,247)	Capital Adjustment Account (note 25)	(605,209)
414,933	Pensions Reserve (note 26)	631,586
6,227	Financial Instruments Adj. Account (note 27)	6,227
(19,657)	Deferred Capital Receipts (note 28)	(19,657)
(1,392)	Collection Fund Adjustment Account (note 29)	14,423
2,810	Accumulated Leave Reserve (note 30)	2,488
(443,668)	**Total Unusable Reserves**	**(289,486)**

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.

2019/20 £000		2020/21 £000
-		-
(260,444)	**Opening Balance**	**253,341**
(15,290)	Upward revaluation of assets	(50,452)
16,405	Downward revaluation of assets	243
1,115	**Surplus or deficit on revaluation of non- current assets**	**(50,209)**
5,664	Difference between fair value depreciation and historical cost depreciation	6,845
325	Accumulated gains on assets sold or scrapped	6,205
(253,340)	**Closing Balance**	**290,500**

Note 25) Capital Adjustment Account

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

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

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

2019/20 £000		2020/21 £000
(626,619)	**Opening Balance**	(593,247)
	Reversal of capital charges debited or credited to the CIES:	
39,047	Charges for depreciation and impairment of non-current assets	35,903
4,755	Revenue expenditure funded from capital under statute	2,401
	Capitalisation Directive	15,756
615	Amortisation of intangible assets	115
3,298	Non-current assets written off on disposal or sale as part of the gain/ loss on disposal to the CIES	11,905
46,376	Revaluation losses on Property, Plant and Equipment	(13,090)
(4,028)	Movements on Investment Properties	3,192
90,064	**Total reversal of capital charges debited or credited to the CIES**	56,182
(5,664)	Adjusting amounts written out of the Revaluation Reserve	(6,845)
(325)	Accumulated gains on assets sold or scrapped	(6,205)
	Net written out amount of the cost of non-current assets consumed in the year	**43,132**
	Capital financing applied in the year:	
(4,617)	Use of the Capital Receipts Reserve to finance new capital expenditure	(11,856)
(14,049)	Use of the Major Repairs Reserve to finance new capital expenditure	(10,358)
(8,931)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(12,519)
(5,240)	Application of grants to capital financing from the Capital grants Unapplied Account	(5,301)
(8,289)	Minimum Revenue Provision	(8,673)
(484)	Minimum Revenue Provision (PFI)	(642.20)
(9,093)	Capital expenditure charged against the general Fund and HRA balance	(5,744)
(50,702)	**Total capital financing applied in year**	(55,093)
(593,247)	**Closing Balance**	**(605,208)**

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.

2019/20 £000		2020/21 £000
416,857	**Opening Balance**	414,933
49,518	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(31,453)
(28,011)	Actual amount charged against General Fund Balance for pensions in the year	68,274
21,507	**Total Movement in Reserves Transfers to Reserve**	36,821
(23,431)	Re-measurements of the net defined benefit liability debited or credited to Other Comprehensive Income & Expenditure Statement	179,832
414,933	**Closing Balance**	**631,586**

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

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.

2019/20 £000's		2020/21 £000's
(19,664)	**Opening Balance**	(19,657)
5	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	0
2	Transfer to the Capital Receipts Reserve upon receipt of cash	0
(19,657)	**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.

2019/20 £000		2020/21 £000
(694)	**Opening Balance**	**(1,393)**
1,023	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	(725)
(1,722)	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	(12,305)
(1,393)	**Closing Balance**	**14,423**

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 £0.322 million increase in the 31st March 2021 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 2020/21	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 2020	**470,817**	**428,852**	**57,298**	**210,055**	**9,265**	**6,298**	**13,304**	**1,195,889**	**1,304,604**
Additions	14,577	15,860	2,738	9,153	514	0	4,675	47,517	140,096
Depreciation written out on revaluation	(11,187)	(11,290)	0	0	0	0	0	(22,477)	(20,267)
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(1,749)	51,957	0	0	0	0	0	50,208	1,702
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,879)	16,969	0	0	0	0	0	13,090	(49,193)
Derecognition – disposals	(2,700)	(3,357)	(222)	0	(113)	(1,073)	0	(7,465)	(3,505)
Derecognition – other	0	(160)	(979)	(4)	0	(1,187)	0	(2,330)	0
Assets reclassified (to)/from Other Non-Current Assets	0	(6,462)	0	0	(37)	0	(545)	(7,044)	(614)
Other movements in cost or valuation	9,954	(1,018)	0	0	149	0	(2,912)	6,173	0
At 31 March 2021	**475,833**	**491,351**	**58,835**	**219,204**	**9,778**	**4,038**	**14,522**	**1,273,561**	**1,372,823**
Accumulated Depreciation & Impairment									
At 1 April 2020	(1)	(24,698)	(40,927)	(38,660)	0	0	0	(104,286)	(85,452)
Depreciation charge	(10,393)	(13,641)	(4,423)	(7,443)	0	(3)	0	(35,903)	(39,047)
Depreciation written out on revaluation	11,187	11,290	0	0	0	0	0	22,477	20,267
Impairment losses/reversals recognised in the Surplus/ Deficit on the Provision of Services	0	0	0	0	0	0	0	0	
Derecognition – disposals	0	177	192	(0)	0	3	0	372	207

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Derecognition – other	0	3	979	4	0	0	0	986	0
Other movements in cost or valuation	(795)	1,018	0	0	0	0	0	223	0
At 31 March 2020	(2)	(25,851)	(44,179)	(46,099)	**0**	**0**	**0**	(116,131)	**(104,025)**
Net Book Value at 31 March 2020	**470,816**	**404,154**	**16,371**	**171,395**	**9,265**	**6,298**	**13,304**	**1,091,603**	**1,219,214**
Net Book Value at 31 March 2021	**475,831**	**465,500**	**14,656**	**173,105**	**9,778**	**4,038**	**14,522**	**1,157,430**	**1,268,860**

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**	**1,304,604**
Additions	16,327	10,529	2,203	7,891	389	0	10,346	47,685	140,096
Depreciation written out on revaluation	(10,305)	(9,962)	0	0	0	0	0	(20,267)	(20,267)
Revaluation increases/(decreases) to RR	(1,458)	3,160	0	0	0	0	0	1,702	1,702
Revaluation increases/(decreases) to CIES	(29,101)	(20,092)	0	0	0		0	(49,193)	(49,193)
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	0	(27,877)	0	0
At 31 March 2020	**470,817**	**428,594**	**57,298**	**210,055**	**9,265**	**6,296**	**13,304**	**1,195,629**	**1,372,823**
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	9,962	0	0	0	3	0	20,267	20,267
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 2021	0	(24,439)	(40,927)	(38,659)	**0**	**0**	**0**	(104,025)	**(104,025)**
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**	**404,155**	**16,371**	**171,396**	**9,265**	**6,296**	**13,304**	**1,091,603**	**1,268,860**

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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 2020/21 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 2021.

A sample of School valuations were carried out by Cluttons, an external valuer and the other school's valuations have been indexed on the basis of this sample.

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.

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.

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
	0	0	0	0	0	0	0	0	0	0	0
Held at Historic Cost		272	14,657	173,044	9,247		14,522		289	32	212,063
Held at Insurance Valuation										5,849	5,849
Valued at Current Value:											0
31-Mar-21	475,829	267,485				13		114,812			858,139
31-Mar-20		128,955			531			1,935			131,421
31-Mar-19		47,258				3,933		957			52,148
31-Mar-18		17,796		61							17,857
31-Mar-17		3,361				27					3,388
31-Mar-16		295									295

31-Mar-15		78				65					143
Total Cost or Valuation	**475,829**	**465,500**	**14,657**	**173,105**	**9,778**	**4,038**	**14,522**	**117,704**	**289**	**5,881**	**1,281,303**

Capital Commitments

At 31st March 2021, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 and future years.

There are no existing contractual commitments, as at 31ST March 2021, in excess of £1 million.

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:

2019/20 Group £000	2019/20 Single £000		2020/21 Group £000	2020/21 Single £000
(62,868)	(10,626)	Rental income from investment property	(11,039)	(10,223)
4,120	4,464	Direct operating expenses arising from investment property	16,751	8,869
(8,387)	(4,028)	Net gains/losses from fair value adjustments		3,192
9,175		Charitable Donations	8,298	
(57,961)	**(10,190)**	**Net (gain)/loss on investment property**	**14,010**	1,838

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:

31/03/2020 Group £000	31/03/2020 Single £000		31/03/2021 Group £000	31/03/2021 Single £000
725,529	**109,819**	**Opening Balance**	**773,183**	**123,581**
38,653	9,123	Additions – Purchases	10,709	132
0	0	Disposals	(25,258)	(3,468)
8,387	4,028	Total gains/losses in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	(3192)	(3,192)
614	614	Transfers (to/from Inventories or PPE)	650	651
773,183	**123,584**	**Balance at end of the year**	**756,093**	**117,704**

During 2020/21, 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.

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.

2019/20 £000		2020/21 £000
1,936	Gross Carrying Amount	2,216
(1,207)	Accumulated Amortisation	(1,822)
728	**Net Carrying Amount**	**394**
281	Additions – Purchases	10
0	Reclassifications to/from PPE	0
(615)	Amortisation for the period	(115)
0	Disposals	0
2,217	Grossing Carrying Amount	2,226
(1,823)	Accumulated Amortisation	(1,937)
394	**Balance at end of the year**	**289**

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 2020/21. 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.

2019/20 £000		2020/21 £000
530,329	**Opening Capital Financing Requirement**	659,321
	Opening Balance Adjustment*	(1,802)
	Capital investment	
47,685	Property, Plant and Equipment (Note 23)	47,517
9,123	Investment Properties (Note 24)	132
281	Intangibles (Note 25)	10
	Capitalisation Directive	15,756
4,755	Revenue Expenditure Funded from Capital under Statute (Note 22b)	2,401
115,940	London Luton Airport Limited Debenture Loan	97,101
1,911	Share Capital Expenditure (Foxhall Homes & LEP)	10,788
	Sources of finance	
(4,617)	Capital Receipts (Note 22b)	(11,856)
(14,171)	Government Grants and Other Contributions (Note 22b)	(17,820)
(14,049)	Major Repairs Reserve (Note 22b)	(10,358)
	Sums set aside from revenue:	
(9,093)	Direct revenue contributions (Note 22b)	(5,744)
(8,773)	MRP/loans fund principal (Note 22b)	(9,315)
659,321	**Closing Capital Financing Requirement**	776,131
128,992	**Underlying increase to borrow**	**116,810**

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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 2019/20 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

2019/20					2020/21			
Current		Non Current			Current		Non Current	
Investments £000	Debtors £000	Investments £000	Debtors £000		Investments £000	Debtors £000	Investments £000	Debtors £000
				Amortised Cost				
15		258,175		Subsidiary Loans	15		364,163	
				Fixed Term Deposit				
	72,239		2,697	Debtors		125,816		2,881
				Cash & Cash Equivalents (Bank)	(10,769)			
15	72,239	258,175	2,697	**Amortised Cost Total**	(10,769)	125,816	364,163	2,881
				Fair Value through Profit and Loss				
		46,296		Unquoted Equity Investments			46,296	
43,480				Cash & Cash Equivalents (MMF)	54,055			
43,480	0	46,296	0	**Fair Value through Profit and Loss Total**	54,055	0	46,296	0
34,600	73,239	304,471	2,697	**Total Financial Assets**	43,286	125,816	410,459	2,881
0	48,763	0	0	**Non-Financial Instruments**	0	47,843	0	0
34,600	122,002	304,471	**2,697**	**Balance Sheet Total**	43,286	173,660	410,459	**2,881**

Effect of reclassification and remeasurement as at 1st April 2019

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

2019/20					2020/21			
Current		Non Current			Current		Non Current	
Borrowings £000	Creditors £000	Borrowings £000	Creditors £000		Borrowings £000	Creditors £000	Borrowings £000	Creditors £000
				Amortised Cost				
(73,870)		(430,296)		Loans	(98,043)		(490,569)	
		(21,337)		PFI Liabilities			(20,695)	
		(789)		Other Liabilities			(789)	
	(60,352)		(1,209)	Creditors		(96,404)		(629)
(73,870)	(60,352)	(452,422)	(1,209)	**Amortised Cost Total**	(98,043)	(96,404)	(512,053)	(629)
(73,870)	(60,352)	(452,422)	(1,209)	**Total Financial Liabilities**	(98,043)	(96,404)	(512,053)	(629)
0	(37,515)	0	0	**Non-Financial Instruments**	0	47,843	0	0
(73,870)	(97,868)	(452,422)	(1,209)	**Balance Sheet Total**	**(98,043)**	**(48,560)**	(512,053)	(629)

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:

2019/20 Surplus or Deficit on the Provision of Services £000		2020/21 Surplus or Deficit on the Provision of Services £000
	Interest income:	
(16,589)	Financial assets measured at amortised cost	(16,589)
	Other financial assets measured at fair value through Profit and Loss	
(16,589)	**Total interest revenue (note 10)**	**(16,589)**
	Fee income	
	Interest expenses:	
15,046	Financial liabilities measured at amortised cost	15,046
15,046	**Total interest expenses (note 10)**	**15,046**
98	**Fee expense**	**98**

Fair value of financial assets and liabilities

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

- 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.

2019/20			2020/21	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
		Financial assets measured at amortised cost:		
258,175	260,642	Subsidiary Loans	364,163	407,237
0	0	Fixed Term Deposits	0	0
75,936	75,936	Debtors	128,697	128,697
-8,880	-8,880	Cash & Cash Equivalents (Other)	(10,769)	(10,769)
		Other financial assets measured at fair value through profit and loss:		
46,296	46,296	Unquoted Equity Investments	46,296	46,296
43,480	43,480	Cash & Cash Equivalents (MMF)	54,055	54,055
415,007	417,474	**Total Financial Assets**	582,443	625,516
		Financial liabilities measured at amortised cost:		
504,166	513,212	Loans	588,612	513,212
21,337	37,343	PFI Liabilities	20,695	38,173
789	812	Other Liabilities	789	812
60,352	60,352	Creditors	96,404	96,404
586,644	611,719	**Total Financial Liabilities**	706,500	648,601

The valuation of the financial assets and liabilities for 2020/21 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 credit criteria in respect of financial assets held by the council are detailed below:

Group	Rating	Exposure	Maximum Maturity
A			
B	Combination scoring method - second band (all at least AA- with one agency)	£22.5 m	
C	Combination scoring method - third band (all at least A with one agency)	£15.0 m	
D			
E			
F			
F1			

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

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

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

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. The Council does not generally allow credit for customers, such that only £2.362 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.

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

31/03/2020 £000	Debt past due date	31/03/2021 £000
13,332	Less than one month	13,332
649	One to three months	649
796	Three months to one year	796
917	More than one year	917
15,694	**Total**	**15,694**

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	31/03/2021 £000	31/03/2020 £000
(A)	Challney Girls PFI Scheme	(21,337)	(21,337)
(B)	Multi-Functional Devices	(303)	(303)
(C)	Highways Vehicles	(434)	(434)
	Total	**(22,074)**	**(22,074)**

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 2020/21 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	1,549	260	2,224	4,033
Payable within 2 to 5 years	5,031	3,210	8,301	16,542
Payable within 6 to 10 years	6,977	6,645	8,064	21,686
Payable within 11 to 15 years	7,654	10,579	3,528	21,761
Payable within 16 to 20 years	0	0	0	0
Total	21,211	20,694	22,117	64,022

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	2019/20 £000	2020/21 £000
Opening balance	21,820	21,336
Loan repayment	(2,829)	(2,935)
Interest incurred	2,345	2,293
Closing balance	**21,336**	20,694

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 2019/20 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 2021 (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 2020/21, the Council paid £10.522 million (2019/20 £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 2020/21, the Council paid £0.021 million (2019/20 £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 2.00% (2.35% in 2019/20) 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

2019/20 £000		2020/21 £000
	Comprehensive Income and Expenditure Statement	
	Cost of services:	
(40,108)	Current service cost	(49,946)
(188)	Past service cost	(567)
(568)	(Gain) / loss from settlements	(525)
1,005	**Financing and Investment and Expenditure:**	(7,180)
(9,659)	Net Interest Expense	(10,056)
(49,518)	**Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services**	**(68,274)**
	Re-measurement of the Net Defined Benefit Liability comprising:	
(50,889)	Return on plan assets (excluding the net interest expense)	106,055
(30,649)	Actuarial gains and (losses) arising on changes in demographic assumptions	9,687
120,160	Actuarial gains and (losses) arising on changes in financial assumptions	(305,510)
(15,191)	Other (if applicable)	9,936
23,431	**Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement**	**(179.832)**
	Movement in Reserves Statement	
49,518	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	68.274
	Actual amount charged against the General Fund Balance for pensions in the year:	
27,190	Employers contributions payable to scheme	30,653
821	Contribution in respect of unfunded benefits	800
28,011	**Total amount charged against the General Fund**	**31,453**

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 2021 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 2021. 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:

31/03/2020 £000		31/03/2021 £000
(958,451)	Present value of the defined benefit obligation	(1,316,161)
543,518	Fair value of plan assets	684,575
(414,933)	**Net liability arising from defined benefit obligation**	(631,586)
(1,631)	Group- Net liability in subsidiary (LLAL)	(1,626)
	Group- Net liability in subsidiary (Foxhall Homes)	0
(416,564)	**Group Net Liability from defined benefit obligation**	**(633,212)**

Reconciliation of the Movements in the Fair Value of Scheme Assets

2019/20 £000		2020/21 £000
593,669	**Opening Balance**	543,518
14,331	Interest income	9,317
	Re-measurement gain / (loss):	
(50,889)	The return on plan assets, excluding the net interest	106,055
27,190	Contributions from employer	30,653
6,587	Contributions from employees into the scheme	7,886
(46,448)	Benefits paid	(29,798)
(354)	Other (if applicable) Effect of Settlements	17,469
(568)	Administrative expenses	(525)
543,518	**Closing Balance**	543,518

Reconciliation of the Movements in the Fair Value of Scheme Liabilities

2019/20 £000		2020/21 £000
(1,010,526)	**Opening Balance**	(958,451)
(40,108)	Current Service Cost	(49,946)
(23,990)	Interest cost	(19,373)
(6,587)	Contribution from scheme participants	(7,886)
	Re-measurement (gains) and losses:	
(30,649)	Actuarial (gains) and losses arising on changes in demographic assumptions	9,687
120,160	Actuarial (gains) and losses arising on changes in financial assumptions	(305,510)
4,815	Other (if applicable)	9,936
(188)	Past service cost	(567)
1,359	Effect of settlements	(24,649)
27,263	Benefits paid	30,598
(958,451)	**Closing Balance**	(1,316,161)

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".

Assets Composition

Quoted Prices 2019/20 Active Market £000	Quoted Prices 2019/20 Inactive Market £000	2019/20 Total £000		Quoted Prices 2020/21 Active Market £000	Quoted Prices 2020/21 Inactive Market £000	2020/21 Total £000
0	24,458	24,458	**Cash and cash equivalents**	0	17,177	17,177
			Debt Securities			
44,025	0	44,025	UK Government	48,605	0	48,605
			Private Equity:			
0	3,805	3,805	All	0	8,215	8215
			Property:			
0	50,547	50,547	UK Property	0	63,452	63,452
0	0	0	Overseas Property	0	0	0
0	**50,547**	**50,547**	**Sub-total Property**	**0**	**63,452**	**63,452**
			Other Investment Funds:			
97,290	174,469	271,759	Equities	0	109,532	109,532
45,656	0	45,656	Bonds	49,974	0	49,974
101,638	1,631	103,268	Other	0	387,620	387,620
244,583	176,100	420,683	**Sub-total Other investment funds**	49,974	497,152	547,126
288,608	**254,910**	**543,518**	**Total Assets**	**98,579**	**585,996**	**684,575**

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:

		31/03/2021
Longevity at 65 for current pensioners:		
Men	22.2	21.9
Women	24.3	24.3
Longevity at 65 for future pensioners:		
Men	23.4	22.8
Women	26.1	26.0
Rate of increase in salaries	2.70%	3.80%
Rate of increase in pensions	1.70%	2.80%
Rate for discounting scheme liabilities	2.35%	2.00%

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%	26,412
0.1% increase in the Salary Increase Rate	0%	2,042
0.1% increase in the Pension Increase Rate	2%	24,135

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 2018/19, 2019/20 and 2020/21. The service rate increased from 14.1% to 17.3% for the three financial years. The lump sum was £7.019 million in 2019/20 (£5.788 million in 2018/19). The next valuation was carried out in 2020/21 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.

31/03/2020 £000		31/03/2021 £000
346	Not later than one year	346
247	Later than one year and not later than five years	247
0	Later than five years	0
593	**Total**	**593**

The expenditure charged to service in the Comprehensive Income and Expenditure Statement during the year was £0.324 million (£0.593 million during 2019/20). 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.

31/03/2020 £000		31/03/2021 £000
7	Not later than one year	2
2	Later than one year and not later than five years	
	Later than five years	
9	**Total**	**2**

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 2019/20).

There are no contingent rents for 2020/21 (nil in 2019/20).

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 normal level of passengers is 18 million however, as a result of COVIDF 19 passengers have fallen to 3 million in 2020/21, 7 million in 2021/22 and 13.5 million in 2022/23. It is expected that passenger numbers will reach pre-pandemic levels in 2023/24. This will have an impact on the valuation of the airport and will result in future impairment. The next valuation was due to be undertaken as at 31st March 2020; it has, however, been agreed that, 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
18,000	Later than five years	15,000
33,000	**Total**	**30,000**

Note 42) Debtors

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

Debtor Classification 2020/21	31 Mar 20 Group Debtor £000	31 Mar 20 Impairment of asset £000	31 Mar 20 Net Debtor £000	31 Mar 21 Single Debtor £000	31 Mar 21 Impairment of asset £000	31 Mar 20 Net Debtor £000
Other Local Authority	2,135	0	2,135	2,728	0	2,728
Central Government	14,195	0	14,195	52,407	0	52,407
NHS Bodies	3,599	0	3,599	1,386	0	1,386
Public Corporations & Trading*	21,500	0	21,500	1,066	0	1,066
Council Tax	27,440	(16,332)	11,108	36,210	(20,024)	16,186
NNDR	6,621	(4,308)	2,312	8,768	(4,229)	4,539
Housing Tenants	11,840	(11,499)	341	13,823	(12,637)	1,186
Housing Benefit Overpayments	11,922	(11,521)	670	12,419	(11,715)	704
Other bodies	18,341	(2,457)	15,884	28,634	(2,823)	25,811
Payments in advance	1,452	0	1,452	19,719	0	19,719
Total	**119,044**	**(45,848)**	**73,197**	**177,161**	**(51,428)**	**125,733**
2019/20 Comparator						
Other Local Authority	3,157	0	3,157	3,157	0	3,157
Central Government	9,787	0	9,787	9,787	0	9,787
NHS Bodies	4,837	0	4,837	4,837	0	4,837
Public Corporations & Trading*	0	0	0	1,395	0	1,395
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	38,772	(2,299)	34,904	26,223	(2,299)	23,924
Payments in advance	4,620	0	4,580	4,620	0	4,620
Total	**123,274**	**(48,961)**	**74,313**	**112,120**	**(48,961)**	**63,159**

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.

2019/20 Group £000	2019/20 Single £000		2020/21 Group £000	2020/21 Single £000
	0	Short term deposits with banks		0
22,907	22,907	Money Market funds	22,907	54,055
12,890	12,334	Bank Current Accounts	12,890	(3,376)
46	46	Cash held by the Authority	46	29
35,842	**35,286**	**Total**	**35,842**	**50,708**

Note 44) Creditors

The outstanding creditors at 31st March 2021 comprised the following:

2019/20 Group £000	2019/20 Single £000		2020/21 Group £000	2020/21 Single £000
(4,322)	(4,322)	Other Local Authorities	(4,322)	(5,891)
(18,581)	(18,581)	Central Government Bodies	(18,581)	(20,476)
(3,677)	(3,677)	NHS Bodies	(3,677)	(3,294)
(93)	(93)	Wholly Owned Subsidiaries	(93)	(587)
(4,455)	(4,455)	Council Tax	(4,455)	(5,223)
(2,229)	(2,229)	NNDR	(2,229)	-
(3,051)	(3,051)	Housing Tenants	(3,051)	(3,051)
(42,766)	(32,639)	Other Bodies	(42,766)	(77,903)
(79,174)	**(69,047)**	**Total Short Term Creditors**	**(79,174)**	(116,424)
(1,209)	(1,209)	Long-Term Creditor – Other Bodies	(1,209)	(629)
(80,383)	**(70,256)**	**Total All Creditors**	**(80,383)**	**(629)**

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

	31/03/2019 Opening £000	Additions £000	Utilised £000	Released £000	31/03/20 Closing £000	Additions £000	Utilised £000	Released £000	31/03/21 Closing £000
Employee related		0	19	0		0	0	0	
Insurance related		(1,067)	209	1,093		(870)	312	912	
Business Rates Appeals		(8,279)	7,293	0		(589)	512	0	(6,166)
Other		(393)	101	0		(204)	232	0	(1,155)
Total	(8,892)	(9,739)	7,622	1,093	(9,916)	(1,663)	1,056	912	(9,611)

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	0	(2,068)	(219)	(2,287)	(2,287)
Business Rates Appeals	0	(6,166)	0	(6,166)	(6,166)
Other	(1,154)	0	0	0	(1,154)
Total	(1,157)	**(8,235)**	**(219)**	**(8,454)**	(9,611)

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.

31/03/2020 £000		31/03/2021 £000
(9,916)	Single entity Other LT liabilities	(9,911)
(71,271)	Subsidiary deferred tax liability (LLAL)	(93,463)
(81,187)	**Total**	**(103,074)**

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.

31/03/2020 £000		31/03/2021 £000
(36,895)	Basic Needs Grant	(32,091)
	Special Provision (SEND) Capital Grant	(1,495)
(519)	Weekly Collection	(370)
(1,099)	Highways Access Project (Local Growth Fund- DCLG)	-
(2,469)	Other Govt Grants (<£1m)	(1,056)
(1,868)	s106 Developer Contributions	(3,313)
(929)	Other Non-govt Grants (<£1m)	(663)
(43,779)	Total	(38,988)

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.

31/03/2020 £000		31/03/2021 £000
(196)	Business Rates S31 Covid-19	(4,468)
(971)	Other Govt Grants (<£1m)	(2,391)
(9,130)	Other Grants and Contributions (<£1m)	-
(10,900)	Total	(6,859)

Cash Flow Statement Supporting Notes

Note 48) Cash Flow Statement – Operating Activities

2019/20 Group £000	2019/20 Single £000		2020/21 Group £000	2020/21 Single £000
(65,042)	**(77,612)**	**Net surplus or deficit on the provision of services**	**15,932**	**(61,309)**
		Adjustments for non-cash items		
39,661	39,661	Depreciation and amortisation	36,018	39,663
46,374	46,374	Impairment and downward valuations	(13,090)	49,193
(8,387)	(4,028)	Movements in the market value of investment properties	(9,518)	(4,028)
35,429	12,929	Increase/(decrease) in creditors	32,503	10,559
6,346	10,284	(Increase)/decrease in debtors	(55,664)	26,105
12,837	1,022	Increase/(decrease) in provisions	28,198	1,024
(3,054)	(170)	(Increase)/decrease in inventories	(5,100)	(168)
21,505	21,505	Movement in pension liability	(5)	21,507
3,295	3,295	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	11,900	3,298
141,313	**130,871**		**25,242**	**147,152**
		Adjustments for investing and financing activity items		
(7,465)	(7,465)	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	15	(7,496)
(5,586)	(5,586)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(9,558)	(5,584)
(14,065)	(13,834)	Any other items for which the cash effects are investing or financing cash flows	8,984	(15,523)
(27,116)	**(26,885)**		**(559)**	**(28,604)**
49,156	**26,374**	**Net cash flows from operating activities**	**40,615**	**57,240**

Luton

2019/20 Group £000	2019/20 Single £000		2020/21 Group £000	2020/21 Single £000
(7,854)	12,949	Interest Paid	(7,737)	16,576
(815)	(16,608)	Interest Received	(1,007)	25,320
0	0	Dividends	0	0

Note 49) Cash Flow Statement – Investing Activities

2019/20 Group £000	2019/20 Single £000		2020/21 Group £000	2020/21 Single £000
(147,139)	(71,714)	Purchase of property, plant & equipment & intangible assets	(130,225)	(57,089)
(41)	(80,171)	Purchase of short and long term investments	0	(117,853)
6,383	6,383	Proceeds from the sale of property, plant & equipment	9,588	5,645
3,500	3,500	Proceeds from short and long term investments	0	0
24,383	24,383	Other receipts from investing activities	11,582	29,975
(112,914)	**(117,619)**		**(109,055)**	**(139,322)**

Note 50) Cash Flow Statement – Financing Activities

2019/20 Group £000	2019/20 Single £000		2020/21 Group £000	2020/21 Single £000
120,000	120,000	Cash receipts of short and long term borrowing	84,447	120,000
0	0	Other receipts from financing activities	0	(34,944)
(552)	(552)	Cash payments for the reduction of outstanding liabilities (finance leases)	(643)	(929)
0	0	Other payments for financing activities	0	2,475
119,448	**119,448**		**83,804**	**86,602**

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 2020/21 are shown in Note 14. During 2020/21 the council did not have any transactions with organisations that Members had a pecuniary interest in.

Officers

During 2020/21 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	2020/21 Expenditure £000	2020/21 Income £000	2020/21 Debtor £000	2020/21 Creditor £000
Luton Cultural Services Trust	116	(96)	2	121
Active Luton (Leisure Trust)	1,634	(254)	48	101
Barnfield / West Herts College	3,528	(46)	12	(359)
Marsh Farm Future	125	0	0	0
Luton BID ltd	385	(21)	70	7
Luton Foodbank	10	0	0	75
Lutonians Cricket Club	-	0	0	0

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.

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 2019/20 £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 2019/20).

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 31/03/2021 £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31/03/2021 £000
Retail	37,562		37,562	37,562		37,562
Leisure	3,240		3,240	3,240		3,240
Office Units	40,545		40,545	40,545		40,545
Industrial	13,261	1,740	15,001	15,001	1,740	16,741
Freehold Interest in London Luton Airport					650,773	650,773
Other		18,419	18,419	18,419	18,419	36,838
Total	**94,608**	**20,159**	**114,767**	**114,767**	**669,124**	**771,283**

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.

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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.

31/03/2020 £000		31/03/2021 £000
	Expenditure	
10,863	Repairs and maintenance	10,434
6,364	Supervision and management	6,560
2,713	Rents, rates, taxes and other charges	2,306
288	HRA services' share of Corporate and Democratic Core	358
39,688	Depreciation and impairment of non-current assets	13,894
0	Upward revaluation of non-dwellings	0
0	Impairment Reversal	0
0	Movement in fair value of Investment Properties	(32)
0	Revenue Expenditure funded by Capital Under Statute	0
81	Debt management costs	81
340	Movement in the allowance for bad debts	193
60,337	**Total Expenditure**	**33,795**
	Income	
(32,588)	Dwelling rents	(34,021)
(1,548)	Non-dwelling rents	(1,244)
(4,351)	Tenant services and facilities charges	(4,464)
(277)	Leaseholders services and facilities charges	(225)
(102)	Contributions towards expenditure	(92)
(38,866)	**Total Income**	**(40,045)**
21,471	**Net Cost for HRA Services**	**(6,250)**
	HRA Share of the operating income and expenditure	
(1,412)	(Gain) or loss on sale of HRA non-current assets	(1,115)
0	Movement in fair value of Investment Properties	0
4,802	Interest payable and similar charges	4,720
(187)	Interest and investment income	(31)
222	Net interest on the net defined benefit liability	230
(1)	Capital contributions receivable	0
24,894	**(Surplus) or deficit for the year on HRA services**	**(2,447)**

31/03/2020 £000		31/03/2021 £000
(10,535)	**Balance on the HRA at the end of the previous year**	**(12,153)**
24,894	(Surplus) or deficit for the year on HRA services	(2,447)
	Adjustments between accounting and funding basis:	
(10,618)	Charges for depreciation and impairment of non-current assets	(10,297)
(29,070)	Revaluation losses on Property, Plant and Equipment	(3,501)
0	Movements in the market value of Investment Properties	0
0	Revenue Expenditure funded from Capital under Statute	0
(3,097)	Non-current assets written off on disposal or sale as part of the gain/loss on disposal	(2,700)
1	Capital grants and contributions applied to capital financing	0
4,566	Transfer of cash sale proceeds credited as part of the gain/loss on disposal	3,870
(57)	Contribution from the Capital Receipts Reserve towards administrative costs of disposals	(56)
3,940	Capital expenditure charged against the General Fund and HRA balances	0
10,618	Reversal of Major Repairs Allowance credited to the HRA	10,393
0	Amount by which finance costs differ from costs chargeable in accordance with statute	0
(2,024)	Reversal of items relating to retirement benefits debited or credited to the statement	0
1,554	Employer's pensions contributions and direct payments to pensioners payable in the year	0
(10)	Amount by which officer remuneration charged on an accruals basis differs from remuneration chargeable in accordance with statute	(41)
698	**Net (increase) or decrease before transfers to or from reserves**	**(4,777)**
(2,315)	Transfer to or (from) earmarked reserves	1,496
(1,618)	**(Increase) or decrease in year on the HRA**	(3,281)
(12,152)	Balance on the HRA at the end of the current year	**(15,434)**

HRA Statement Supporting Notes

Movements in Asset Values

	Dwellings £000	Land & Buildings £000	VPFE £000	Surplus £000	Investment Property £000	2020/21 Total £000	2019/20 £000
Opening	**470,815**	**6,314**	**28**	**1,204**	**7,624**	**485,985**	**486,684**
Additions/Transfer	23,736	(207)	0	0	0	**23,529**	**44,701**
Depreciation	(10,393)	(311)	(7)	0	0	**(10,711)**	**(10,607)**
Revaluations	(5,628)	345	0	0	378	**(4,905)**	**(32,726)**
Disposals	(2,700)	0	0	(1177)	0	**(3,877)**	**(3,097)**
Closing	**475,830**	**6,141**	**21**	**27**	**8,002**	**490,021**	**485,985**

The above table does not include any Assets Under Construction. The balance as at 31st March 2021 is £2.251 million (£3.611 million as at 31st March 2020).

Housing Stock

	Houses & bungalows				Flats			Total
	1 bed	2 bed	3 bed	>3 bed	1 bed	2 bed	3 bed	
31 March 2020	128	764	2,513	134	2,382	1,647	221	**7,789**
31 March 2021	128	771	2,511	138	2,379	1,636	221	**7,784**
(Reduction)/Increase	**0**	**7**	**(2)**	**7**	**(3)**	**(11)**	**(0)**	**(5)**

The average dwelling value is £0.061 million (£0.065 million in 2019/20).

Vacant Possession Values

The vacant possession value of dwellings as at 31st March 2021 is £1,249 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

31/03/2020 £000		31/03/2021 £000
1,956	Prudential Borrowing	
503	Capital Grants	
3,940	Direct Revenue Financing	
14,049	Major Repairs Reserve	10,358
1,611	Capital Receipts	5,470
2,408	HRA Capital Reserves	
24,467	**Total Capital Expenditure**	**15,828**

Capital Receipts Reconciliation

31/03/2020 £000		31/03/2021 £000
(5,536)	Sale of Council Houses	(4,660)
0	Mortgage receipts	0
(5,536)	**HRA receipts in year**	**(4,660)**
651	less: Statutory pooling	651
(4,885)	**Total Capital Receipts**	**(4,009)**

Rent and Arrears

Government policy changed from 1st April 2020 to permit annual rent increases on both social and affordable rent properties. The increase was limited to CPI plus 1 percent point, and would be for a period of at least five years.

	Number of Bedrooms	Lowest	Highest	Typical
		£	£	£
Houses & Bungalows	1	55.03	130.39	84.34
	2	72.02	185.49	91.58
	3	77.10	233.36	98.10
	4 or more	93.13	275.25	116.13
Flats	1	46.94	129.08	76.47
	2	57.47	153.23	86.49
	3	85.84	197.64	94.34

Rent arrears at 31st March 2021 were £3.616 million (£3.146 million at 31st March 2019), against which a provision for bad debt of £3.477 million (£3.287 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.

2019/20 NNDR £000	2019/20 Council Tax £000		2020/21 NNDR £000	2020/21 Council Tax £000
	(95,271)	Income from Council Tax		
(69,756)		Income collectable from business rates	(43,459)	(100,072)
(69,756)	**(95,271)**	**Total Income**	(43,459)	(100,072)
(1,763)	-	Central Government	2,627	
(1,728)	1,823	Luton Borough Council	2,574	1303
-	226	Bedfordshire Police Authority		178
(35)	121	Beds and Luton Combined Fire Authority	53	87
(3,526)	2,171	**Total Prior years surplus / (deficit)**	5,254	1,568
32,192	-	Central Government	33,626	
31,548	74,893	Luton Borough Council	32,953	79,671
-	10,239	Bedfordshire Police Authority		10,922
644	4,988	Beds & Luton Combined Fire Authority	673	5,204
64,384	90,120	**Total Precepts and Demands**	67,252	95,867
240	-	Costs of Collection	238	
3,360	1,579	Write-offs charged to Collection Fund	73	127
345	2,609	Change in allowance for impairment	(344)	1639
(955)	0	Appeals charged to Collection Fund	(1,047)	
2,968	0	Change in provision for appeals	1,205	
(573)	-	Transitional Protection payments	715	
5,385	4,188	**Total Charges to Collection Fund**	840	1,766
66,242	96,479	**Total Expenditure**	73,346	99,201
(3,514)	**1,207**	**Deficit/(Surplus) for year**	29,886	871

Collection Fund Movement in Reserves

The surplus generated in 2020/21 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.

Collection Fund Supporting Notes

Split of the Collection Fund Balances Share by Major Preceptor

2019/20 NNDR £000	2019/20 Council Tax £000		2020/21 NNDR £000	2020/21 Council Tax £000
(1,193)		Central Government	(13,187)	
(1,170)	(234)	Luton Borough Council	(12,922)	(945)
	(21)	Bedfordshire Police Authority		(137)
(24)	(12)	Beds & Luton Combined Fire Authority	(264)	(57)
(2,387)	**(267)**	**Total Reserve Balance**	**(26,373)**	**(1,139)**

Luton

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

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 2020 was £174.2 million (£169.9 million at 31st March 2019). The 2020/21 rating multiplier set by central government was 50.4p per £ (49.3p per £ in 2019/20) and the 2020/21small business multiplier was 49.1p per £ (48.0p in 2019/20).

Income from Council Tax

The Council's tax base for 2020/21 was 50,444.50 (50,461.10 in 2019/20). 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	2	5/9	£1,027.61
A	Under 40,000	20,019	6/9	£1,233.13
B	40,000 – 52,000	27,132	7/9	£1,438.66
C	52,000 – 68,000	22,529	8/9	£1,644.17
D	68,000 – 88,000	7,779	9/9	£1,849.70
E	88,000 – 120,000	3,422	11/9	£2,260.74
F	120,000 – 160,000	1,080	13/9	£2,671.79
G	160,000 – 320,000	271	15/9	£3,082.83
H	Over 320,000	31	18/9	£3,699.40

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.