

Statement of Accounts 2022/23

01

Written Statements and Narrative Report

Chief Finance Officer’s Narrative Report
Page 4

Statement of Responsibilities for the Statement of Accounts
Page 24

Annual Governance Statement
Page 25

Independent Auditor’s Report
Page 38

02

Core Financial Statements

Comprehensive Income and Expenditure Statement
Group Page 40
Single Page 41

Movement in Reserves Statement
Group Page 42
Single Page 43

Balance Sheet
Group Page 44
Single Page 44

Cash Flow Statement
Group Page 47
Single Page 48

03

Notes to the Accounts

General Accounting Policies and Judgements
Page 50

Comprehensive Income and Expenditure Statement Supporting Notes
Page 59

Movement in Reserves Statement Supporting Notes
Page 77

Balance Sheet Statement Supporting Notes
Page 89

Cash Flow Statement Supporting Notes
Page 133

Other Supporting Notes
Page 135

04

Supplementary Statement and Supporting Notes

Housing Revenue Account (HRA) Statements
Page 142

Housing Revenue Account (HRA) Supporting Notes
Page 145

Collection Fund Statements
Page 148

Collection Fund Supporting Notes
Page 150

05

Glossary

Glossary of Terms
Page 153

01

Contents

Page

Written Statements and Narrative Report

Narrative Report 4

Statement of
Responsibilities
for the
Statement of
Accounts 24

Annual Governance
Statement 25

Independent
Auditor's
Report 38

Chief Finance Officer's Narrative Report

Introduction

Similar to 2021/22, 2022/23 has been another very challenging year due to the continued impacts of coronavirus, ongoing demand pressures on several key services and the continued delivery of the substantial savings programme needed to keep the budget affordable and sustainable at the same time dealing with the continuation of the recovery plan for the airport. This shows good financial management and ensuring the resilience of both the Council and its subsidiaries which are vital for the prosperity of the local economy.

The year has been a year of volatility set against a backdrop of economic and political instability. Many factors have had a pervasive impact on the Council and its finances, impeding full delivery of savings targets and compromising the ability to accurately forecast outturns. These include (but are not limited to) increasing demand on services, accommodating refugees, recruitment & retention crisis, higher than budgeted pay award, reduction in Employer's National Insurance contribution rates, 30 year high inflation, increase in interest rates and dealing with the legacy effects of Covid.

The financial implications of the Covid-19 Pandemic, the recent increase in inflation and looming recession have had a huge impact on Local Government finance in general and the financial position of Luton Borough Council in particular. This may also impact on the recovery of passenger numbers at the airport as the aviation industry may be affected by the slowing down of the economy and the impact of inflation on cost of living.

The Council continues to drive its town-wide vision for Luton 2020-2040 – 'a place to thrive' that was launched in October 2020, and the proposed budget is key to its ongoing development and delivery. The vision sets an ambitious

blueprint for the future of Luton to be a healthy, fair and sustainable town where everyone can thrive and no-one has to live in poverty. The Corporate Plan builds on the successes of Luton over the last few years and seeks to overcome the immediate challenges we face, to ensure a strong recovery from the COVID-19 Pandemic and tackle poverty in Luton so that everyone can benefit from future growth in the town. The capital programme includes significant regeneration projects – one, The Stage project, having been awarded part-funding from the levelling-up fund. It must be noted that the schemes are subject to the development of a full business case including updated viability assessment, with delivery models and financing options.

The plan to deliver the vision was brought forward following the impact of COVID-19 and now has to take into account the recent cost of living crisis. The Pandemic further highlighted the scale and significance of the challenge of poverty in Luton with the poorest in the town likely to be hit hardest by the health and economic impacts of the virus. The budget focuses on overcoming these impacts by protecting the most disadvantaged and securing a strong economic recovery which is evidenced by the Council support to the stabilisation and recovery plan of the airport which is key to the economic recovery and the creation of jobs.

Net spend on General Fund services for 2022/23 was £148.311 million prior to movements in reserves. After contributions from and to specific operational reserves, there is an initial net deficit of £0.556m, compared to budget, as reported to the Executive Committee on 26th June 2023. Regarding schools, a net overall overspend in the Dedicated Schools Grant (DSG) of £0.817m, comprising an under-spend of £0.215m in the Centrally Retained Schools Budget and an over-spend of £1.032m in Individual Schools Budgets. In terms of the wider outlook across local government, the provisional spending review was based on a one-year settlement, with consultation proposed with the local government sector on how funding will be allocated for future years. It is now anticipated that the local government funding reforms will take place in 2026-27 rather than 2025-26. It will be essential that the council contributes actively to the debate on future allocations, and expert local government finance resources will be required in order to do so effectively. The settlement

does not take into account the ongoing and increasing pressures related, to achieving net zero, which are likely to be significant factors in both capital and revenue spending for the future.

The financial implications of the Covid-19 Pandemic, the recent increase in inflation and looming recession have had a huge impact on Local Government finance in general and the financial position of Luton Borough Council in particular. This will continue to be the case in 2023/24 and in the medium term, as the recovery is likely to be prolonged and expected to last until end of 2024. This may also impact on the recovery of passenger numbers at the airport as the aviation industry may be affected by the slowing down of the economy and the impact of inflation on cost of living. In terms of the future outlook, in 2023/24 the revenue support grant is increased by an inflation allowance, the new one-off services grant has been reduced by £1.149m and there is a significant increase in the social care grant (Luton's provisional increase in allocation amounts £6.9m) which is intended to help towards the additional costs to the Council that will arise from additional pressures and demographic changes in the care sector. For 2023/24 one of the key uncertainties, although the likelihood has reduced, remains whether Covid-19 will again impact to such a degree that any further lockdowns will be required, and the degree to which any further support would be made available if this were to be the case. The budget assumes that no further support would be provided by central government. This is causing additional budget pressures as the impact of COVID 19 on both costs and income is still being felt and the Council has to find innovative ways and prioritise in order to keep within budget and maintain the service delivery.

The new year budget is based on the council receiving no dividend from Luton Rising (formerly LLAL) in 2023/24, as was the case for the 2022/23 budget (a huge change from the position expected in 19/20 when the final dividend declared – but ultimately not paid - by LLAL was £19.125m). The impact of Covid-19 and its aftermath on Luton Rising, and consequent reduction in

revenue from Luton Rising remains one of the major budget risks facing the council.

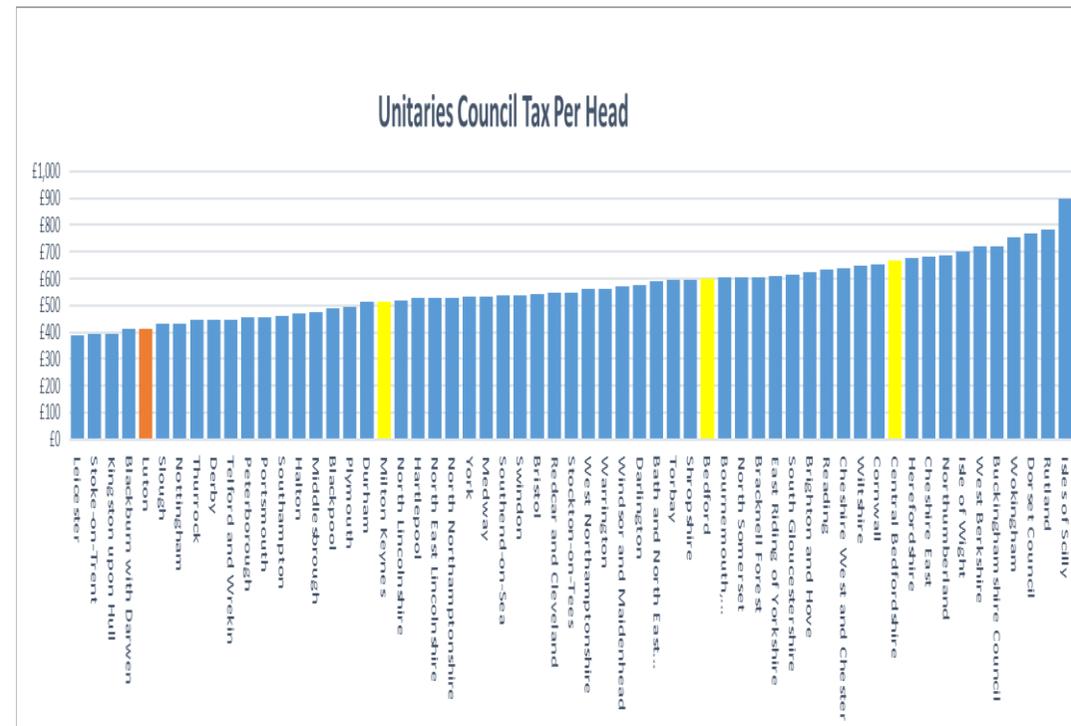
Notwithstanding the financial challenges and uncertain backdrop the Council continues to deliver on its progressive place building strategy, the 'Luton Investment Framework' and the 2040 vision, with remarkable progress in the construction of the Luton DART, the application to expand London Luton Airport and numerous commercial development projects.



Sustainable Airport Growth

The spending review for 2022/23 allowed councils to set the Council Tax at a maximum of a 3% general increase, plus, for those authorities with social care responsibilities, an additional 2% social care precept, without being required to hold a referendum. The spending review also assumed, for its calculations of the core spending power of councils, that all would increase their council tax to the maximum permitted. In February 2022 the Council agreed to increase the Council Tax by 2.99% plus a 2% social care precept.

Despite the Council Tax increase, the Council still demonstrates significant value for money. A high proportion of Luton tax payers reside in Band A and B properties (57% of all properties) and will therefore only receive a maximum weekly increase of 67 pence (including Adult Social Care Precepts) as a result of the increase in the Council’s proportion of the tax. The following table shows where Luton fits within the unitary council range in terms of council tax decisions for 2022/23.



Background

Luton is a vibrant, modern and diverse town with many unique features. Luton has a population of 225,300 and is recognised as being one of the youngest and most diverse towns in the country.

Luton has a unique location as a central point between London and the Ox-Cam arc, as well as excellent connectivity by road, rail and air, making the town the international gateway to England's economic heartland. The town also has a number of important assets including a strong voluntary and community sector, a diverse local economy, excellent parks and greenspaces and several key anchor institutions such as London Luton Airport, Luton and Dunstable University Hospital, University of Bedfordshire and Luton Town FC.

In October 2020, we launched our town-wide vision for Luton 2040, to become a healthy, fair and sustainable town where everyone can thrive and no-one has to live in poverty.

The Luton 2040 vision is being delivered by everyone in our town, with work being driven by our two partnership Boards – The Inclusive Economy Board and the Health and Wellbeing Board, which include representatives from the public, private and voluntary and community sectors.

The vision responds to the challenge of poverty in Luton as identified by the Luton Inclusive Growth Commission in 2019, as well as our wider priorities and commitments:

- To build a more inclusive economy

- Improving population wellbeing
- Becoming a net-zero town
- Becoming a child-friendly town
- Ensuring fairness and social justice

The council has an important role to play as the place-leader for Luton in supporting the entire Luton system to deliver on the vision. In addition, the council is contributing towards the vision as an organisation through our own services and actions, as set out in the Corporate Plan.

The council has refreshed the Luton 2040 Vision and Corporate Plan, both of which were published in 2023.

Corporate Governance

The Council's Corporate Plan 2023-2028, was approved in 2023. The Corporate Plan sets out the Council's mission and strategic priorities to deliver on the town-wide vision for Luton 2040.

The Corporate Plan sets out how the council delivers its part in the Luton 2040 vision and priorities across its services. The council's strategic delivery framework within this document demonstrates how the priorities in the Luton 2040 vision feed into the corporate plan, service plans and team plans as well as how we measure progress against each of these. The Corporate Plan also includes our sixth strategic priority, which is focussed on ensuring our organisation is equipped to deliver on the five priorities in the vision. This includes our financial planning (Medium Term Financial Plan, Capital Strategy and Annual Budget) our people strategy and our transformation strategy.

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 annual service plans (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 2022-2023

- The launch of Luton's new Town Centre Masterplan and the creation of a new Town Centre Strategic Board
- £20 million Levelling Up Funding secured for The Stage – a new mixed-use development in the town centre
- £7.74 million funding received from Public Sector Decarbonisation Scheme
- Launch of 'Curating Luton' a new Heritage Strategy and refresh of 'Harnessing Momentum' our strategy for arts, culture and creative sector

- Completion of a new Adult Social Care Strategy and a new Employment and Skills Strategy
- Work commenced on a new Pocket Park and contractor appointed for opening up of the River Lea in the town centre.
- Launch of the Fairness Taskforce and the creation of a new Equality, Diversity and Inclusion Board
- Opening of new Windmill Hill Secondary School for children with SEND
- Luton was named the top UK city for tech start-ups in 2021
- Refurbishment and re-opening of Lewsey Pool and a new boxing facility at Lewsey Sports Park
- Thriving Communities Luton launched as part of social prescribing programme
- Green Flag Status retained for six of Luton's parks
- London Luton Airport awarded Level 3 of the Airport Carbon Accreditation Scheme and University of Bedfordshire ranked eighth out of 154 universities for sustainability
- Over £250,000 of funding received from the Welcome Back Fund which supported initiatives such as Our River to commemorate the Covid-19 pandemic and the installation of the urban tree in the town centre
- Return of events to Luton, including St George's Day, Carnival and new events such as Chinese New Year, Pride and a vegan food festival.
- A 5.5% reduction in the latest child poverty figures (Centre for Research in Social Policy, 2023);
- The highest gross value added growth rate outside of London (Centre for Cities, 2023);
- The best location in the UK to start a new business (Fasthosts, 2021);
- The third-most generous area in the UK (JustGiving, 2023);
- The second most sustainable university in the UK (UK University Rankings, 2022).
- Luton hosting its first Pride Festival;
- Luton Town Football Club's rise to the Premier League in 2023;

- Luton Airport's ongoing investment in the town, at 53p invested into Luton per passenger, 26 times more than any other UK airport.

One of the youngest populations in the country - a fifth of our residents are below the age of 16

Home to the 5th largest airport in the UK

Home to the University of Bedfordshire, Luton Sixth Form College and Barnfield College

A super-diverse town - 55% of the population are non-white British

A strong local economy - worth £7.5 billion at the beginning of 2020

Outstanding green space, including six Green Flag parks

Outstanding location and connectivity - 10 miles from the M25 and less than 30 minutes from London by rail

77.5% of pupils attending good or outstanding schools in Luton

A growing arts, culture, heritage and leisure offer that supports the wellbeing of our population

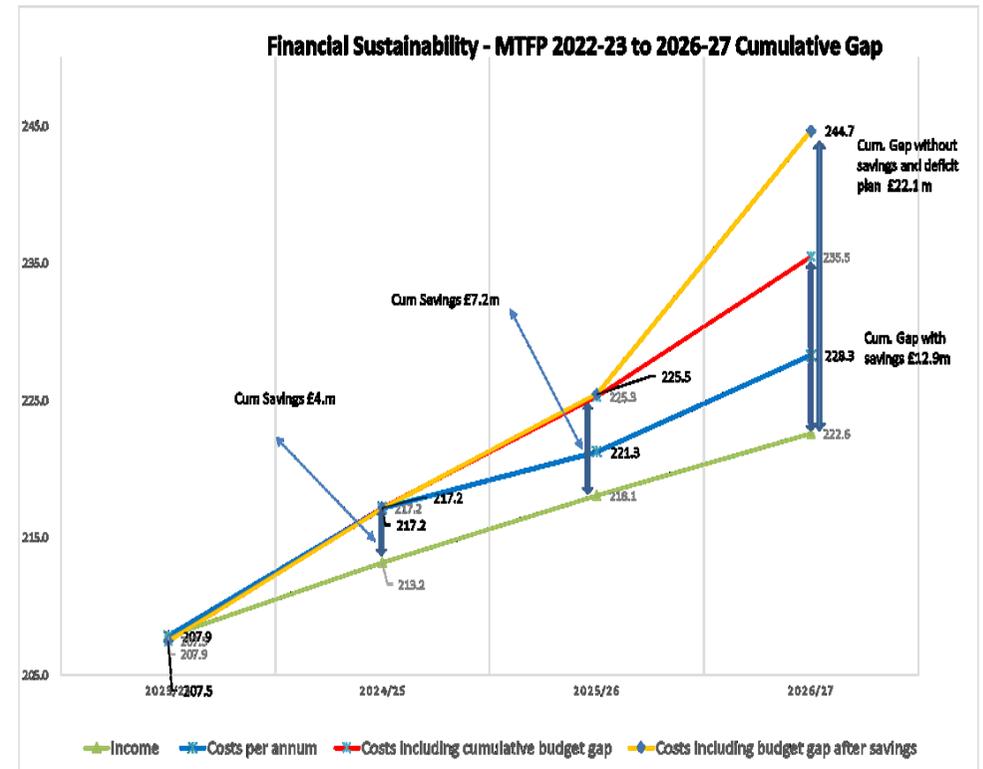
Home to the Luton and Dunstable Hospital

Achievements in Luton 2022-2023

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.



Financial Sustainability MTFP 2022-23 to 2026-27

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.

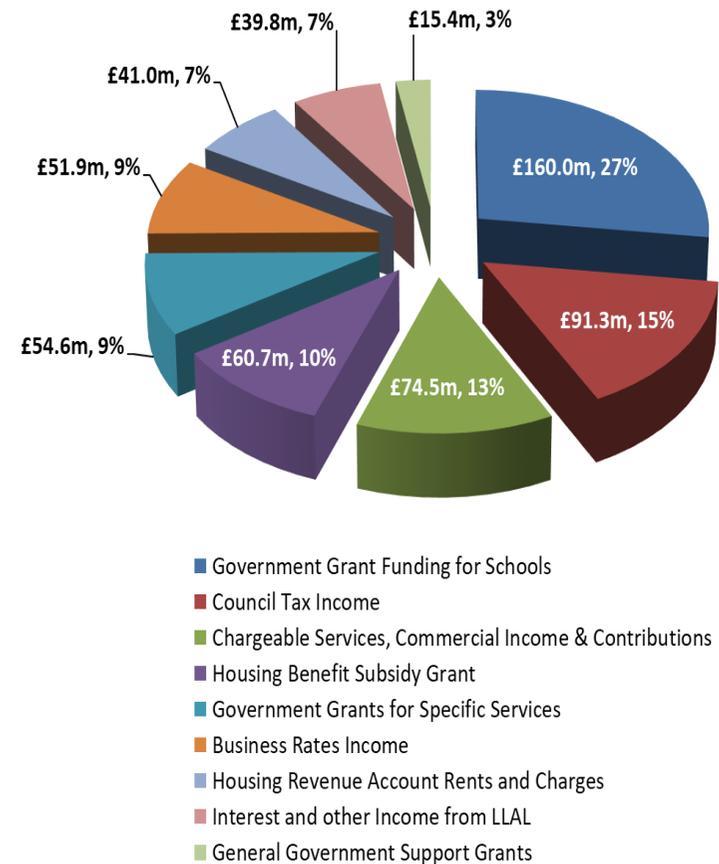
As per the table above, the base budget cumulative savings required over the three years amounts to £22.1m. Any changes to the main budget assumptions around council tax rises and grant allocation in these planning assumptions may widen the budget gap.

Any deterioration in LLAL finances will undoubtedly have an impact on the Council's finances. The Council's financial sustainability is closely linked to the position of LLAL, its 100% owned Airport Company and its recovery from the impact of the pandemic.

Revenue Financing and Sources

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

Revenue Budget Income Sources 2022/23 - £589.2m



Revenue Budget Income Sources 2022/23 --- £589.2m

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 some one-off income and the release of an element of 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.

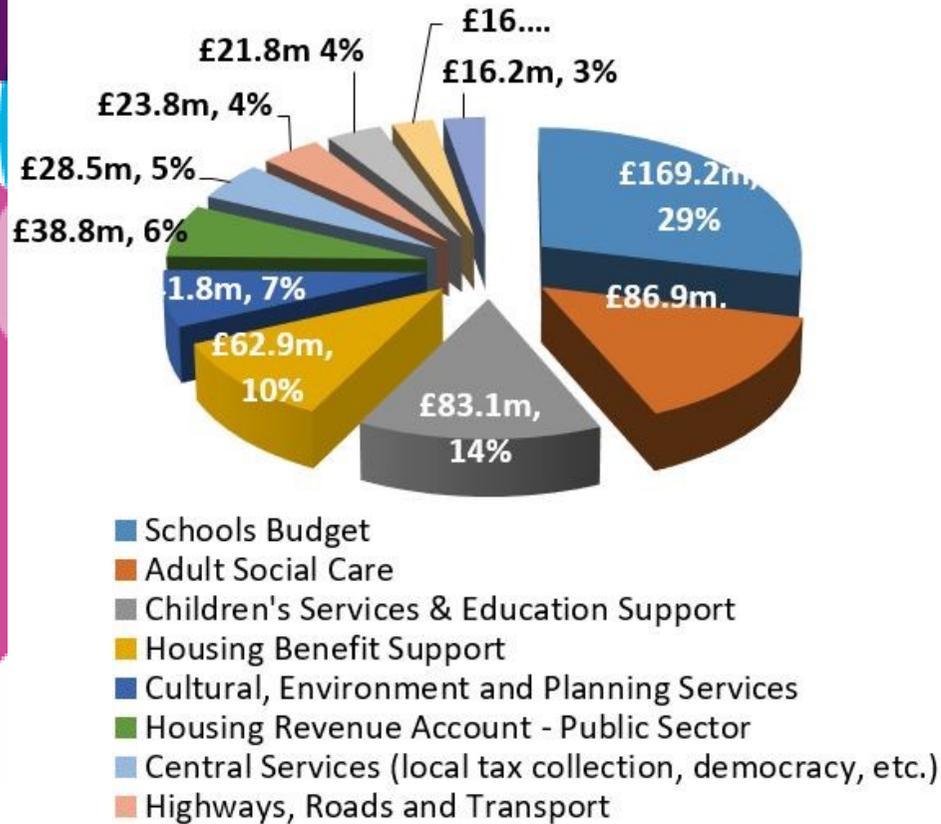
Financial Position

General Fund Balances have increased slightly and now stand at £130.090m (the balance for 2021/22 was £130.075m). Of total useable reserves, £91.4m is ring-fenced for specific projects and service pressures, £24.7m is ring-fenced for schools and the only non-specific reserve has a balance of £14m 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). There is £11.1m ring-fenced to the Housing Revenue Account.

During 2022/23 unusable reserves have increased from £432.203m to £837.421m. 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 2022/23 has been a reduction in the pension reserve deficit of £461.372m which is mainly 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).

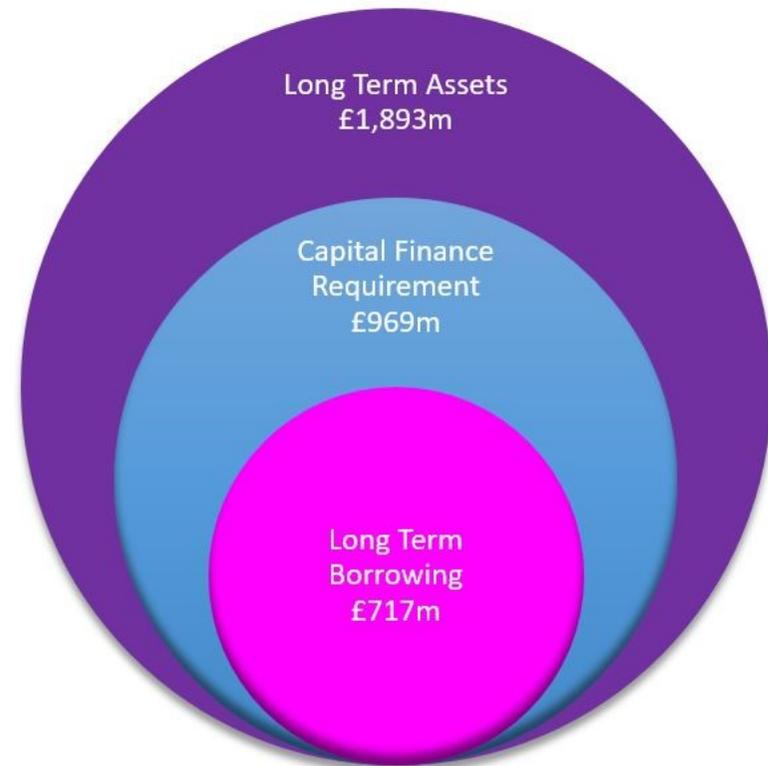
Revenue Budgets by Main Service



Revenue Outturn

Capital Long Term Assets and Capital Financing Requirement

The Capital Financing Requirement increased by £114.8m (HRA and General Fund) during the financial year. The following 'donut' reports the overall capital programme values at 31st March 2023.



A summary of each department's outturn position compared to budget is shown below. The total departmental adverse variance of £7.665m is offset by corporate (non-service) favourable variances totalling £7.109m with the balance, £0.556m, being funded from reserves. Further analysis on this is provided in the out-turn report to Executive.

	Approved Budget	Net Expenditure / (Income)	Variance	Analysis of Variances			
				£m	£m	£m	£m
General Fund Departments	£m	£m	£m	Core Service: Base Costs & Income	22/23 Additional Pay Award Impact	Price Inflation Impact	Corona-Virus Impacts
Airport	-£0.014	-£0.059	-£0.045	-£0.045			
Chief Executive	£11.170	£15.901	£4.731	£3.174	£0.378	£0.074	£1.105
Children, Families & Education	£57.034	£58.070	£1.036	£0.587	£0.449	£0.000	£0.000
Inclusive Economy	£48.678	£55.292	£6.614	£2.491	£1.168	£1.187	£1.768
Population Wellbeing	£67.174	£70.148	£2.974	£1.458	£1.016	£0.500	£0.000
Services Total	£184.042	£199.353	£15.311	£7.665	£3.011	£1.761	£2.873
Pension Fund Account	£0.000	-£4.800	-£4.800	-£1.789	-£3.011		
Contingencies	£8.206	£1.664	-£6.542	-£1.908		-£1.761	-£2.873
Borrowing Cost & Treasury Man.	£18.025	£15.031	-£2.994	-£2.994			
Interest on Investments	-£38.119	-£38.537	-£0.418	-£0.418			
Capital Financing & Corporate Grants	-£24.400	-£24.401	£0.000				
Non-Services Total	-£36.288	-£51.042	-£14.754	-£7.109	-£3.011	-£1.761	-£2.873
Net Overspend (prior to application of Reserves)	£147.754	£148.311	£0.557	£0.556			
Net Contributions to / (from) Reserves	£0.614	£0.057	-£0.556	-£0.556	£0.000	£0.000	£0.000
General Fund Provisional Outturn	£148.368	£148.368	£0.000	£0.000	£0.000	£0.000	£0.000

General Fund Service Variations

The main variations to budget for each department are shown in the table below.

Dept	Service Area	Var. to Budget £'m
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LLAL	The Outturn position was net income of £59k which was a £45k underspend compared to budget.	-0.045
CE	<p>Net expenditure for the Chief Executive Department in was £15.901m with a total over spend of £4.731m. Excluding the impacts of Pay Award, Inflation & Covid pressures, there was a Core Service overspend of £3.174m, the main drivers being:</p> <ul style="list-style-type: none"> • £1.6m overspend related to the Community Led Local Development (CLLD) Programme; • Housing Benefits Net Cost £0.987m overspend; • £1.105m related to the ongoing impact of coronavirus, primarily within the Revenues service; • The 2022/23 pay award was higher than what was provided in service budgets by £0.378m; • The increased inflation rates are also estimated to have had an adverse impact of £74k above budgeted inflationary. 	3.174
CF	Children, Families & Education: £0.587m net Core Service overspend, the main driver being pressure on the childrens care placements budget.	0.587
IE	<p>Inclusive Economy - £2.491m net forecast Core Service overspend, the main drivers being:</p> <ul style="list-style-type: none"> • £1.898m SEN Transport as a result of increases in demand; • An over spend of £0.517m in Highways Services due to increase in the cost of labour and materials. 	2.491
PW	<p>Population Wellbeing £1.458m net Core Service overspend, the main drivers being:</p> <ul style="list-style-type: none"> • An over spend of £0.659m in Adult Social Care as a result of the impact of the Demographic growth pressure within Learning Disability. • A £0.799m overspend occurred in Homelessness due to increase in the number of Bed and Breakfast and nightly paid accommodations. 	1.458
CE	Corporate Items listed in the table above	-7.109

Net Overspend prior to application of reserves	0.556
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Key:

CE – Chief Executives Department

CF&E – Children, Families & Education

PW – Population Wellbeing

IE – Inclusive Economy

Events after the reporting Period

Headlines from the Quarter One budget monitoring report for 2023/24: The prospects for the Council's budget remain extremely difficult, with combined challenges from the ongoing delivery of budgeted savings and high levels of demand for services, now supplemented by the acute rise in price inflation, economic and political instability and expected pay pressures.

The Government has already indicated that no additional funding will be provided to help meet the exceptional increases currently faced by Local Authorities. Early recovery measures are therefore essential, to support a continuous improvement from the current forecast overspend, toward achieving a balanced outturn position by the end of the year.

Housing Revenue Account Overview

- The 2022/23 Housing Revenue Account budget was set with an original contribution to balances of £2.419 million, in line with HRA

financing regulations that require contributions from revenue balances to support capital improvements and additions to the housing stock.

- The final position for the year is an overspend of £1.271m compared to the original budget, primarily relating to increase in materials for repairs & maintenance, giving a final contribution to balances of £1.148m for the year.

Schools Budget Overview

- Total spend on the Schools Budget for 2022/23 was £160.28m against a budget of £159.47, giving a net overspend of £0.817m for the year.
- Central Schools Budgets – an under spend of -£0.215m due to:
- High Needs Block (HNB) – there were reduced costs on the commissioning of alternative provision placements because of lower activity levels and also as a result of better negotiated rates.
- HNB received additional funding which was distributed to all the appropriate settings as per the agreement by the Schools Forum.
- Overspend in the Early Years Block (EYB) was mitigated by the receipt of additional funding during the financial year which was distributed to early year's providers as per the agreement with the Schools Forum.

- Individual School Budgets – an over spend of £1.03m and drawdown from the School grant reserves.
- Individual School Balances have reduced between 1 April 2022 and 31 March 2023 by £1,0317m with balances now standing at £18.5m

Capital Outturn

The Base Budget for the 2022/23 Capital Programme was approved at £127.435m: £103.347m for the General Fund and £24.088m for the Housing Revenue Account.

With £55.066m of slippage from 2021/22 being added to the base budget for 2022/23 and some other adjustments to reflect budget re-profiling into future years, the budget was adjusted by £45.736m to give a revised base budget of £173.171m for 2022/23.

Following the reported forecasts at quarter 2 this revised Budget was agreed within the budget setting process for 2023/24 of £173.171m, representing £149.562m for General Fund and £23.609m for the HRA. This is as a result of all adjustments mentioned above.

General funding analysis

The outturn spend for the capital programme for 2022/23 is £147.234m. Of this £39.914m relates to the service related capital programme and £84.230m relates to subsidiary company debenture loan agreements leaving £23.090m of HRA spend.

The table below summarises the capital outturn position by department compared to the original programme budget.

Capital Programme Summary by Department	2022/23 Original Budget	Revised Budget Incl. slippage and adjustments during year	Final Budget after capital financing adjustments	Final Out-turn 2022/23	Variances
	£m	£m	£m	£m	£m
Inclusive Economy	36.399	18.175	25.922	27.800	1.878
Children, Families & Education	9.059	5.816	9.280	9.280	0
Population & Wellbeing	14.250	9.982	2.834	2.834	0
Total General Fund	59.708	33.973	38.035	39.914	1.878
(Excluding Corporate Projects)					
Corporate Projects	43.639	115.589	115.591	84.230	-31.361
Total General Fund Programme	103.347	149.562	153.626	124.144	-29.483
Housing Revenue Account	24.088	23.609	28.754	23.090	-5.664
Total LBC Capital Programme	127.435	173.171	182.380	147.234	-35.147

The table below reports the funding streams use to finance the years capital expenditure.

Summary of Resources for Financing Capital Expenditure 2022/23	Funding per Budget	Funding Per Outturn	Variance
	£m	£m	£m
General Fund Financing			
Grants & Contributions	10.967	17.082	6.115
Revenue Reserves/Budget	0.276	1.491	1.215
Capital Receipts	5.004	3.061	-1.943
RCCO	4.252	4.669	0.417
GF Borrowing Requirement	84.429	97.840	13.411
Total General Fund Programme	104.928	124.143	19.215
HRA Financing			
1-4-1 Capital Receipts	4.107	3.268	-0.839
Other Capital Receipts	1.079	1.036	-0.043
Earmarked Revenue Reserve/Grant	7.682	6.491	-1.191
Major Repairs Reserve	9.640	12.295	2.655
HRA Borrowing Requirement	0.000	0.000	0.000
Total Housing Revenue Account	22.508	23.090	0.582
Total LBC Capital Programme	127.436	147.233	19.797

General Funding Analysis

In general the following issues account for the slippage across the financial year:

- Covid related delays linked to early year lock down issues;
- General problems with staff shortages leading to delays in programming;
- World wide shortage of certain goods and services, e.g. vehicles and equipment, leading to delays in project completion.

Financial Statements Explained Section

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

People Plan

Our People Strategy sets out how we intend to recruit, develop and enable our workforce to deliver key strategic priorities and is an important strategy for achieving our Luton 2020-2040 ambitions.

Having an effective, efficient and engaged workforce helps us to drive forward and deliver our 2040 vision, and supports our Corporate Plan by:

- Ensuring a strong workforce that delivers high quality services to our communities
- Leading by example as a key Anchor organisation in Luton as a Good Employer
- Developing a workforce reflective of our community
- Providing quality jobs pathways for local residents
- Inspiring and providing opportunities for our young people and acting as corporate parent for our looked after children
- Building an empowered, representative workforce whose voices are heard
- Fostering a culture of innovation, continuous improvement and values-led behaviours

We will continue to ensure that everything we do is underpinned by:

- Our values
- Equalities, Diversity and Inclusion
- Employee wellness
- Effective leadership
- Quality service delivery

The plan focuses on key areas:

- Progression routes, with training and development opportunities for employees to advance their careers within the council and successfully recruit the best candidates
- Reward, recognition and benefits
- Actively listen and learn from our workforce
- Supporting our workforce with accessible, timely and inclusive learning opportunities
- Ensuring managers are able to lead, manage and improve performance of individuals, teams and services

Careers within the council and successfully recruiting the best candidates

To succeed in our 2040 ambitions, we need to attract and retain the right people. The relationship between worker and work is changing and we want

to ensure that our offer speaks to both our current and potential staff - which we articulate and demonstrate clearly. As an organisation, we believe in growing our talented people to be successful in their roles.

We aim to increase the number of 'recruit for potential' opportunities, providing career progression through a range of schemes, including our career pathways programme, secondments, enabling access to higher-level apprenticeships and further developing our mentoring and coaching programme.

We look to invest in our talent pipeline through a range of early talent initiatives, including our First Steps to Employment programme; work experience and support for years 9 & 10, college and university students, as well as recruiting new apprentices and graduates. Having already introduced a Guaranteed Interview Scheme for care leavers and progression opportunities for underrepresented groups, with the council making a commitment to year on year increases in the proportion of ethnic minority background staff, we will support the Council's role as a Corporate Parent by increasing opportunities for care leavers.

Reward, recognition and benefits

The plan also recognises the importance of offering a rewarding benefits package to our employees, helping to attract and retain great people. This includes measures to enhance our already attractive health and wellbeing offer and taking steps to ensure that our pay and reward strategy remains fair, equitable and competitive. We will continue to develop a modern recruitment and on boarding service that can respond to labour market challenges, including hard to recruit areas and modernise how we describe jobs and build career structure through job families.

Actively listen and learn from our workforce

We aim to foster a culture of fairness, positive engagement and transparency, by:

1. Undertaking regular employee surveys and 'pulse' surveys
2. Supporting our existing staff networks to create a culture of engagement; enabling employees to have a voice that is listened to, heard and ideas acted upon
3. Encouraging staff to use online platforms to learn, discuss, debate and support each other
4. Ensuring Exit interviews are undertaken for all leavers where feedback is analysed, reported and acted on
5. Using different ways of inclusive engagement with our front line staff

Opportunity, skills and growth for all colleagues and the organisation

Enabling our workforce to operate in a more modern and digital way is an important focus. The last few years has seen new ways of working, different technologies and working environments, and our job now is to develop and strengthen what works and continue to look for innovative and creative ways to ensure operational effectiveness and efficiency.

The strategy sets out measures to improve access to data and information among our workforce, by developing our internal communication channels and creating an information dashboard to support planning and decision-making. We will also develop the skills of our employees to be digitally capable and confident.

The strategy sets out how we will continue to develop leadership at all levels and address inconsistencies in performance and behaviours. This includes:

- Creating the space for our managers to carry out their leadership role effectively and develop a culture of inclusion and fairness
- Creating time and space for managers to come together to reflect, collaborate and develop
- Communicating our expectations clearly
- Providing up to date and clear policies, procedures and toolkits to empower good leadership
- Providing effective training and development to support leadership and management that is based on our values
- Promoting 'Good Work' principles of happier, healthier more productive and fair workplaces that support quality work for all

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 corporate Risk Management Strategy 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.

All risks are recorded on the council's risk management system, and are assigned to Risk Owners for review and monitoring. The system issues automatic reminders for Risk Owners to update their risk assessments and control measures when they become due for review. E-learning training on risk and how to use the system is available to Risk Owners.

During 2022/23 the council's insurance provider, was commissioned to assist the council to develop and expand its risk appetite statement. In June 2022, they engaged with Senior Officers and Members for their views on risk via a survey and workshop to discuss the survey results and to develop the council's risk appetite statement. They explored nine categories of risk in the acknowledgement that there will be different attitudes to what risk is. This subsequently led to the development of risk appetite statements for each category of risk; and an overall risk appetite statement. These statements were considered and approved by the Audit and Governance Committee in March 2023 for inclusion within the corporate risk management framework.

Corporate risks are reported to the Internal Governance Group, Corporate Leadership Management Team, and Audit and Governance Committee for review on a quarterly basis.

The following 4 corporate risks are currently rated as high priority:

Risk Details	Control Measure Update
<p>Failure to keep to approved budget, particularly re: demanded services, new requirements, savings targets, inflationary pressures on both price and pay, budget pressures due to demographic changes, loss of income and the impact of Covid-19 on the Council and Luton Rising. (Risk Ref. LBC0006)</p> <p><i>Inherent Risk Score = 16 (High) (Likelihood 4 x Consequences 4)</i></p> <p><i>Residual Risk Score = 12 (High) (Likelihood 3 x Consequences 4)</i></p>	<p>The ability to increase Council Tax by 5%, a modest increase in Grant Funding combined with prudent financial management following the July 2020 emergency budget has allowed the Council to set a balanced General Fund Revenue budget for 2023/24. However delivering this is subject to specific challenges and risks.</p> <p>The following mitigation plans and regular monitoring, reporting with corrective measures should assist the council to deliver a balanced budget this year.</p> <ul style="list-style-type: none"> • Preparation and delivery of a deficit recovery plan and this year's new savings. • No additional commitments without identification of funding sources. • Delivery of the income target as approved by Council. • Exit strategy for commitments whereby funding was available on a one-off basis. • Active demand management and preventative measures put in place at the outset. • Close monitoring of inflation and increases in interest rates and

Risk Details	Control Measure Update
	<p>impact on both revenue and capital budget and corrective measures put in place.</p> <ul style="list-style-type: none"> • Close monitoring of council tax and business rates collection rates, commercial income and housing benefits payment.
<p>Failure to recruit/retain staff (i.e. potentially losing top performing staff due to competitiveness of salary package in some sectors). (Risk Ref. LBC0008)</p> <p><i>Inherent Risk Score = 16 (High) (Likelihood 4 x Consequences 4)</i></p> <p><i>Residual Risk Score = 12 (High) (Likelihood 3 x Consequences 4)</i></p>	<p>Developing a new People Strategy and implementation plan. Recruitment and retention will be central to this, including a review of the Employee Value Proposition. HR Redesign Project will develop more efficient recruitment processes through the HR system and will explore options for the most appropriate recruitment functions for the Council.</p> <p>Review Summary: Risk score remains the same. Mitigations are being put in place including a business case for the modernisation of the recruitment service.</p>

Risk Details	Control Measure Update
<p>The current demand profile/poverty in Luton continues to result in an overspend on the agreed budget. (Risk Ref. LBC0071)</p> <p><i>Inherent Risk Score = 16 (High)</i> <i>(Likelihood 4 x Consequences 4)</i></p> <p><i>Residual Risk Score = 12 (High)</i> <i>(Likelihood 3 x Consequences 4)</i></p>	<p>Budget Monitoring. Luton 2040 agenda.</p> <p>Review Summary: Although the temporary accommodation numbers have reduced to 1,045 (end of May 2023) the use of more expensive bed and breakfast has increased costs. A plan is now in place to reduce bed and breakfast specifically and bring down overall numbers which is planned for 900 by the end of the financial year 2023/24.</p>
<p>Failure to improve the decline and look of the town centre. (Risk Ref. LBC0085)</p> <p><i>Inherent Risk Score = 16 (High)</i> <i>(Likelihood 4 x Consequences 4)</i></p> <p><i>Residual Risk Score = 12 (High)</i> <i>(Likelihood 3 x Consequences 4)</i></p>	<p>Town Centre Development Framework. Town Centre Strategic Board. Masterplan and Delivery Plan. Masterplan Project Board meet monthly. Developing IPM Place Metrics for prioritisation of delivery and funding. Monthly IE DMT Updates with key internal Directors.</p> <p>Review Summary: Whilst there have been recent positive developments, including the new pocket park being opened, a contract has been awarded for the LUF scheme, and UKSPF money secured for public realm improvements. These still</p>

Risk Details	Control Measure Update
	<p>represent a small portion of the town centre and their impact has not been fully realised.</p> <p>The Football Club promotion is also likely to help the delivery of the new football stadium with the club quoting 2026 delivery. This achievement has raised Luton's profile nationally and led to informal inquiries about wider investment.</p> <p>The Mall has now been acquired with the Fraser Group and the council is in discussions with them on their long term strategy. This is likely to see an improved uptake of vacant units in the short term (albeit, we have less vacant units than the national average).</p> <p>The new town place brand is to launch shortly and is to help promote the town and change incorrect perceptions. This is expected to improve local footfall and spend.</p> <p>The underlying fundamentals, recent economic turbulence and external environment remain extremely challenging. Until inflation settles and values improve, town centre decline is a high risk. Recent continued uncertainty to interest</p>

Risk Details	Control Measure Update
	<p>rates, as inflation stays higher than predicted levels, has hurt investor confidence.</p> <p>The council has recently set up a developer forum to bring together property developers to best work with the market on delivering the right homes and the right quality to the town and town centre.</p>

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 Revenues & Benefits)

The Service Director (Finance, Revenues & Benefits) 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.

29 September 2023

Dev Gopal FCA, FCPFA, FCCA, CMgr MCMI

Service Director (Finance, Revenues & Benefits)

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 Jaqueline Burnett

Chair of Audit & Governance Committee

Annual Governance Statement

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/cm5public/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.

B. The Purpose of the Governance Framework

B1. The governance framework comprises the systems and processes, and culture and values by which the Council is directed and controlled and its activities through which it accounts to and engages with the community. It enables the Council to monitor the achievement of its strategic

objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services, including achieving value for money.

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

B3. The governance framework has been in place at the Council for the year ended 31st March 2022 and up to the date of approval of the Statement of Accounts.

C. The Governance Framework – Outline

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

Strategic Planning

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

C3. The 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, where 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 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. The external auditors are going to qualify their VFM opinion with regard to procurement.

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 in accordance with the procedure set out in the Code of Conduct for Members and may be considered 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 2021/22 there were ten complaints, two of which were resolved informally; of the remaining eight, three were of sufficient concern to be taken through the formal process. Two of these were dismissed at the assessment stage and the remaining complaint was not upheld at the adjudication stage. 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.

- C23. 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.
- C24. 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.
- C25. 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.
- C26. 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

- C27. The Council's Standing Orders, including regulations regarding contracts, and Financial Regulations form part of the Council's Constitution.
- C28. 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.

- C29. 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.
- C30. 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

- C31. 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 2021/22, ten 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.
- C32. 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.

C33. 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

C34. 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.

C35. 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.

C36. 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

C37. 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

C38. 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).

C39. 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.

- C40. 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.
- C41. 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

- C42. 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.
- C43. 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

- C44. 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.

- C45. 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.
- C46. 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.
- C47. 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.
- C48. 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

- C49. 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.

C50. 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.

C51. 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

C52. 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.

C53. 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.

C54. 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.

C55. 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.

C56. 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 the form of debentures and the Council has subscribed to the share capital of that company. The accounts of Foxhall Homes forms part of the Group Accounts.

D. Review of Effectiveness

- D1. Luton Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including the system of internal control. The review of effectiveness is informed by the work of the Corporate Directors and Service Directors who have responsibility for the development and maintenance of the governance environment, Internal Audit's annual report, and also by the reviews of the external auditors and other review agencies and inspectorates.
- D2. This review is administered by the Internal Governance Group and includes full coordination of the Council's Risk Registers and annual 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. CIPFA carried out an External Quality Assessment of Internal Audit's Conformance to PSIAS in March 2023; and confirmed that the service generally conforms to the requirements of PSIAS and the CIPFA Local Government Application Note.
- 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 2021/22. 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 28th July 2022 Audit and Governance Committee, the Chief Finance Officer presented a report which addressed a number of outstanding issues regarding the finalisation of the 2018/19 accounts with the final sign-off with EY LLP expected soon. Thereafter the audit for 2019/20 can be managed into the autumn of 2022.

- The impact of Covid-19 is still evident but the council has managed to deliver services on budget during 2021/22. The Council has provided the following list of support packages to help manage the impact of the pandemic, many of which are still in place to support service delivery: 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.

D14. 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 2019/20, 2020/21, 2021/22 and 2022/23. This will include the going concern assessment of the group and single entity financial statements.

D15. 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>.

D16. 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.

E. Review of Progress In Relation To Significant Governance and Internal Control Issues in the 2022/23 Statement

E1. During 2022/23, Internal Audit issued 5 'Limited' and 1 'No' assurance audit reports. This is a slight reduction from the previous year (2021/22) when the team issued 7 'Limited' and 1 'No' assurance audit reports.

E2. The team also carried out 7 physical follow up reviews, during the year, where a previous 'Limited' assurance opinion had been issued to confirm whether audit recommendations had been implemented:

- In 1 of these cases, based on the progress made by management to implement recommendations, the opinion was raised from 'Limited' assurance to 'Adequate' assurance.
- For 3 follow up reviews, it was identified that management had made progress in addressing the control weaknesses highlighted during the initial reviews.
- In 1 case, the 'Limited' assurance opinion remained due to the significance of the outstanding recommendation.
- In the other 2 instances, the physical follow up reviews were in the process of being concluded.

E3. From a key financial system audit review of Bank Reconciliation, completed in September 2022, it was identified that during 2021/22 there were some significant issues with the new bank reconciliation module introduced in March 2021. In particular, there were some

functionality issues within the new module, which resulted in a high volume of transactions being posted to suspense. These transactions had to be manually cleared, which proved to be resource intensive and put a considerable strain on the Banking and Income team. The system issues were escalated to the council's IT provider for a solution, and regular progress meetings were held. At the time of the audit whilst daily reconciliations were being performed further work was required to resolve the daily reconciliation differences between the Bank Reconciliation module and the General Ledger. It should be noted that this issue did not impact the monthly bank reconciliations undertaken. Due to this significant issue, a 'Limited' assurance opinion on the standards of internal control was provided for the financial year 2021/22, and 1 high and 5 medium priority recommendations were raised to address the internal control weaknesses noted during the review.

In June 2023, a physical follow up review was completed which identified that of the 6 recommendations raised; 4 were fully implemented; 1 was partially implemented; and 1 had not yet been implemented. The recommendation that is yet to be implemented relates to resolving the functionality issues within the daily bank reconciliation module.

Whilst the follow up review has identified that considerable progress has been made to implement the majority of the recommendations made in the September 2022 audit report, and the volume of transactions being posted to suspense is manageable with the position expected to be further improved; the system functionality issues in being able to perform accurate daily bank reconciliations continues to be a significant issue. Therefore the 'Limited' assurance opinion remains. However, it is acknowledged that this functionality issue does not impact the accuracy of the monthly bank account reconciliations, and a further review will be carried out in September 2023.

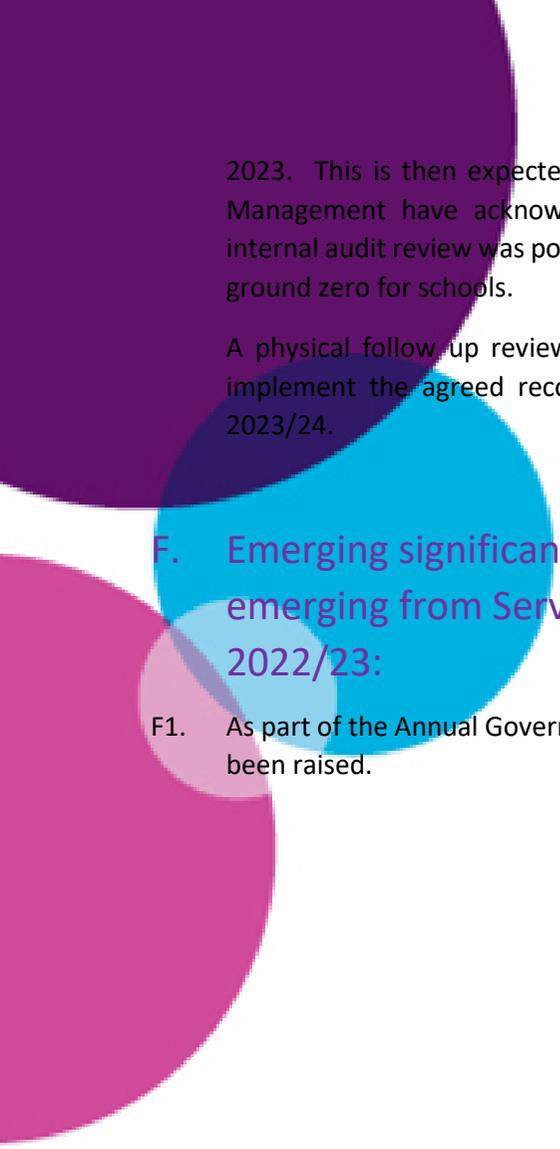
Since the follow up review management have confirmed that progress is being made to implement outstanding recommendations.

- E4. Internal Audit were requested to undertake an assurance review of the governance arrangements in place for the neighbourhood behaviour provision, and use of dedicated funds to support children and young people with behavioural, emotional and social difficulties. This review was completed in January 2023.

The audit review found a significant number of control weaknesses relating to the governance, planning and monitoring of the Dedicated School Grant and the behaviour provisions. In particular it was noted that no conditions have been set by the Local Authority for the use of these funds by Behaviour Provisions; there is a lack of clarity and central guidance in place over roles and responsibilities; governance over the allocation, distribution and return of funds is not robust; not all units have a sufficient audit trail of expenditure; and there is no requirement for the Local Authority to receive budget monitoring reports / year-end returns from units.

12 high priority recommendations were raised to address the internal control weaknesses noted during the audit review and a 'No' assurance opinion was provided on the current standards of internal control. For each unit visited a separate Internal Audit Report was issued detailing the findings from the review together with recommendations to improve the control environment.

Since the audit review, management have created a work stream to formalise the framework around behaviour provision. Work has been completed on the toolkit for governance, and a quality review of each of the 5 behaviour provisions, for assurance on quality and safeguarding. A guidance paper to provide central direction on the Neighbourhood Partnership Funding for Behaviour Provisions will be produced and issued to schools via the Schools Forum in September



2023. This is then expected to strengthen the control environment. Management have acknowledged that whilst the results from the internal audit review was poor, it was as expected and provides a useful ground zero for schools.

A physical follow up review to confirm the progress being made to implement the agreed recommendations will be carried out during 2023/24.

F. Emerging significant governance issues emerging from Service Directors during 2022/23:

- F1. As part of the Annual Governance Statement no significant issues have been raised.

A. Approval of Annual Governance Statement

Signed:

Robin Porter
Chief Executive

Signed:

Councillor Hazel Simmons
Leader of the Council



B. Independent Auditor's Report

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Auditor's Report will be included following completion of 2022/23 audit

02

Contents

Page

Core Financial Statements

Comprehensive Income and Expenditure Statement	Group	40
	Single	41
Movement in Reserves Statement	Group	42
	Single	43
Balance Sheet	Group	44
	Single	44
Cash Flow Statement	Group	47
	Single	48

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.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2021/22			2022/23			
GROSS SPEND £000	GROSS INCOME £000	NET SPEND £000		GROSS SPEND £000	GROSS INCOME £000	NET SPEND £000
110,210	(83,284)	26,926	Chief Executive	98,217	(79,119)	19,098
92,545	(24,512)	68,033	Children, Families and Education Services	87,423	(24,405)	63,019
161,218	-	161,218	Population Wellbeing	131,988	(68,995)	62,993
123,426	-	123,426	Inclusive Economy	160,640	(89,356)	71,285
1,219	1,192	2,411	Airport	1,877	0	1,877
207,826	(199,978)	7,848	Schools Individual Budgets	319,772	(316,083)	3,690
22,890	(40,483)	(17,593)	Housing Revenue Account (separate HRA statement)	50,468	(38,844)	11,623
3,608	28,235	31,843	Other Corporate Accounts	175,342	(140,648)	34,694
722,941	(318,829)	404,112	Total Net Cost of Services	1,025,727	(757,449)	268,278
		(4,574)	Other Operating (Income)/Expenditure			(4,411)
		8,958	Financing and Investment (Income)/Expenditure			(6,499)
		(168,632)	Taxation and Non-Specific Grant Income			(176,984)
		239,864	(Surplus) / Deficit on Provision of Services			80,384
		28,503	Tax expenses of subsidiary (LLAL)			(1,404)
		0	Tax expenses of subsidiary (FH)			0
		268,367	Group (Surplus) / Deficit on Provision of Services			78,980
		(49,780)	(Surplus) / Deficit on Revaluation of PPE assets			12,304
		(118,604)	Re-measurement of the Net Defined Liability/(Asset)			(489,425)
		(168,384)	Other Comprehensive (Income) and Expenditure			(477,121)
		99,983	Total Comprehensive (Income) and Expenditure			(398,141)

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.

2021/22			Single	2022/23		
GROSS SPEND £000	GROSS INCOME £000	NET SPEND £000		GROSS SPEND £000	GROSS INCOME £000	NET SPEND £000
110,210	(83,780)	26,430	Chief Executive	98,217	(81,125)	17,091
92,545	(26,923)	65,622	Children, Families and Education Services	87,423	(26,424)	60,999
161,218	(89,647)	71,571	Population Wellbeing	131,988	(68,995)	62,993
123,426	(73,002)	50,423	Inclusive Economy	160,640	(89,356)	71,285
1,219	(1,192)	27	Airport	1,877	(1,831)	46
207,826	(199,978)	7,848	Schools Individual Budgets	319,772	(316,083)	3,690
22,890	(40,483)	(17,593)	Housing Revenue Account (separate HRA statement)	50,468	(38,844)	11,623
3,608	(3,225)	382	Other Corporate Accounts	175,342	(178,220)	(2,878)
722,941	(518,229)	204,712	Total Net Cost of Services	1,025,727	(800,878)	224,848
		(4,574)	Other Operating (Income)/Expenditure Note 9			(4,411)
		(5,256)	Financing and Investment (Income)/Expenditure Note 10			(10,040)
		(168,632)	Taxation and Non-Specific Grant Income Note 11			(176,984)
		26,250	(Surplus) / Deficit on Provision of Services			33,414
		(49,780)	(Surplus) / Deficit on Revaluation of PPE assets Note 31			12,304
		(118,604)	Re-measurement of the Net Defined Liability/(Asset) Note 40			(489,425)
		(168,384)	Other Comprehensive (Income) and Expenditure			(477,121)
		(142,134)	Total Comprehensive (Income) and Expenditure			(443,707)

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.

	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	LLAL Profit & Loss Account Reserve £000	Foxhall Homes Profit & Loss Account Reserve £000	Share of JV Reserve (QED) £'000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2021	(130,502)	(15,087)	(35)	(12,506)	(12,054)	(427,203)	987	0	(596,400)	(272,478)	(868,878)
Movement in Reserves during 2021/22											
Total Comprehensive Income & Expenditure	29,623	(3,373)	0	0	0	(276,600)	(987)	0	(251,337)	(168,384)	(419,722)
Adjustments between accounting basis & funding basis under regulations	(29,197)	8,888	34	(3,538)	(1,768)	0	0		(25,581)	25,581	0
(Increase) / Decrease in 2021/22	426	5,515	34	(3,538)	(1,768)	(276,600)	(987)	0	(276,918)	(142,803)	(419,722)
Balance as at 31 March 2022	(130,076)	(9,572)	(1)	(16,044)	(13,822)	(703,803)	0	0	(873,318)	(415,281)	(1,288,600)
Balance at 31 March 2022	(130,076)	(9,572)	(1)	(16,044)	(13,822)	(703,803)	0	0	(873,318)	(415,281)	(1,288,600)
Movement in Reserves during 2022/23											
Total Comprehensive Income & Expenditure	36,100	(2,686)	0	0	0	(130,361)	848	0	(95,251)	(528,131)	(623,382)
Adjustments between accounting basis & funding basis under regulations Note 21	(36,113)	1,165	0	(454)	(4,094)	0	0	0	(39,495)	39,495	0
(Increase) / Decrease in 2022/23	(13)	(1,521)	1	(454)	(4,094)	(130,361)	848		(134,746)	(455,571)	(623,382)
Balance as at 31 March 2023	(130,090)	(11,093)	0	(16,498)	(17,916)	(833,318)	848	0	(1,008,065)	(903,917)	(1,911,982)

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 £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	<u>Total Usable Reserves</u> £000	Unusable Reserves £000	<u>Total Council Reserves</u> £000
Balance at 31 March 2021	(130,503)	(15,087)	(35)	(12,505)	(12,053)	(170,184)	(289,400)	(459,583)
Movement in Reserves during 2021/22								
Total Comprehensive Income & Expenditure	29,623	(3,373)	0	0	0	26,250	(168,384)	(142,134)
Adjustments between accounting basis & funding basis under regulations	(29,197)	8,888	34	(3,539)	(1,769)	(25,583)	25,583	0
(Increase) / Decrease in 2021/22	426	5,515	34	(3,539)	(1,769)	667	(142,801)	(142,134)
Balance as at 31 March 2022	(130,077)	(9,572)	(1)	(16,044)	(13,822)	(169,516)	(432,201)	(601,717)
Movement in Reserves during 2022/23								
Total Comprehensive Income & Expenditure	36,100	(2,686)	0	0	0	33,414	(485,583)	(477,797)
Adjustments between accounting basis & funding basis under regulations (note21)	(36,113)	1,165	1	(454)	(4,094)	(39,495)	39,495	0
(Increase) / Decrease in 2022/23	(13)	(1,521)	1	(454)	(4,094)	(6,082)	(471,716)	(477,797)
Balance as at 31 March 2023	(130,090)	(11,093)	(0)	(16,498)	(17,916)	(175,599)	(903,917)	(1,079,517)

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 Mar 22 Group £'000	31 Mar 22 Single £000		Note	31 Mar 23 Group £'000	31 Mar 23 Single £000
1,372,307	1,239,066	Property, Plant and Equipment	Note 31	1,275,664	1,256,251
1,710,591	120,610	Investment Property	Note 32	1,778,907	125,032
199	199	Intangible Assets	Note 33	1,089	1,089
5,881	5,881	Heritage Assets	Note 34	10,109	10,109
92,675	476,520	Long Term Investments	Note 36	12,351	565,600
359	359	Long Term Debtors	Note 36	344	344
3,182,013	1,842,636	Total Long Term Assets		3,078,464	1,958,426
16,088	1,335	Inventories	-	3,198	1,325
166,949	157,423	Short Term Debtors	Note 42	162,269	133,693
42,568	41,922	Cash and Cash Equivalents	Note 43	80,457	79,209
225,606	200,680	Total Current Assets		245,925	214,228
(19,566)	(19,566)	Short Term Borrowing	Note 36	(43,691)	(43,691)
(174,915)	(139,222)	Short Term Creditors	Note 44	(174,937)	(161,449)
(1,191)	(1,191)	Current Provisions	Note 45	(7,690)	(7,690)
(10,062)	(10,062)	Revenue Grants Receipts in Advance	Note 47	(11,966)	(11,966)
(205,734)	(170,040)	Total Current Liabilities		(238,284)	(224,796)
(214,772)	(3,292)	Non Current Provisions	Note 45	(214,232)	(2,752)
(34,990)	(34,990)	Capital Grants Receipts in Advance	Note 46	(39,095)	(39,095)
(428,682)	-	Long term Creditors	Note 44	(92,734)	-

(20,958)	(20,958)	Other Long Term Liabilities	Note 38	(20,278)	(20,278)
(551,224)	(549,659)	Pension Scheme Net Liability	Note 40	(89,852)	(88,287)
(662,659)	(662,659)	Long Term Borrowing	Note 36	(717,931)	(717,931)
(1,913,285)	(1,271,557)	Total Long Term Liabilities		(1,174,122)	(868,343)
1,288,600	601,718	Total Net Assets		1,911,982	1,079,514

Group	Single	Reserves		Group	Single
£'000	£'000			£'000	£'000
(130,077)	(130,076)	General Fund Reserves (including GF Earmarked)	MiRS	(130,090)	(130,090)
(9,573)	(9,573)	Housing Revenue Account Res. (including HRA Earmarked)	MiRS	(11,093)	(11,093)
(1)	(1)	Major Repairs Reserve		-	-
(16,043)	(16,043)	Capital Receipts Reserves		(16,498)	(16,498)
(13,821)	(13,821)	Capital Grants Unapplied Reserve		(17,916)	(17,916)
(703,803)	-	LLAL Profit & Loss Account		(833,318)	-
-	-	Foxhall Homes Profit & Loss Account		848	-
(873,318)	(169,514)	Total Usable Reserves		(1,008,065)	(175,597)
(333,991)	(333,991)	Revaluation Reserve	Note 24	(351,351)	(351,351)
(619,949)	(619,949)	Capital Adjustment Account Reserve	Note 25	(618,064)	(618,064)

549,659	549,659	Pensions Reserve	Note 26	88,287	88,287
5,975	5,975	Financial Instruments Adjustment Account Reserve	Note 27	5,724	5,724
(2,736)	(19,657)	Deferred Capital Receipts Reserve	Note 28	(19,657)	(19,657)
(16,739)	(16,739)	Collection Fund Adjustment Account Reserve	Note 29	(11,354)	(11,354)
2,499	2,499	Accumulated Leave Reserve	Note 30	2,499	2,499
(415,282)	(432,204)	Total Unusable Reserves		(903,917)	(903,917)
(1,288,600)	(601,718)	Total Reserves		(1,911,982)	(1,079,514)

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 2023 and its income and expenditure for the year then ended.



Dev Gopal FCA, FCPFA, FCCA, CMgr MCMI

Service Director (Finance, Revenues & Benefits) and S151 Officer

Date 29 September 2023

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 which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Cash Flow Statement (Group)

31/03/2022		31/03/2023
£000		£000
(62,010)	Net surplus/(deficit) on provision of services	(78,980)
42,239	Adj to net surplus/deficit on provision of services for non-cash movements	114,586
3,017	Adj for items included in the net surplus/deficit on provision of services that are investing and financing activities	(116,444)
(16,754)	Net cash flows from Operating Activities (Note 48)	(80,837)
(99,523)	Investing Activities (Note 49)	(113,390)
108,140	Financing Activities (Note 50)	232,116
(8,137)	Net (increase)/decrease in cash and cash equivalents	37,889
50,706	Cash and cash equivalents at the beginning of the reporting period	42,569
42,569	Cash and cash equivalents at the end of the reporting period	80,457

Cash Flow Statement (Single)

31/03/2022		31/03/2023
£000		£000
(26,250)	Net surplus/(deficit) on provision of services	(33,414)
29,676	Adj to net surplus/deficit on provision of services for non-cash movements	102,023
3,097	Adj for items included in the net surplus/deficit on provision of services that are investing and financing activities	(96,364)
(16,754)	Net cash flows from Operating Activities (Note 48)	(27,754)
(141,364)	Investing Activities (Note 49)	(141,256)
126,737	Financing Activities (Note 50)	212,116
(8,104)	Net (increase)/decrease in cash and cash equivalents	43,106
44,207	Cash and cash equivalents at the beginning of the reporting period	36,103
36,103	Cash and cash equivalents at the end of the reporting period	79,209

03

Contents

Page

Notes to the Core Statements

General Accounting Policies & Judgements **50**

Comprehensive Income & Expenditure Supporting Notes **59**

Movement in Reserves Statement Supporting Notes **77**

Balance Sheet Supporting Notes **89**

Cash Flow Statement Supporting Notes **133**

Other Supporting Notes **135**

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 44,837,002 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 £487 million at 31st March 2023.

At the year ended 31st March 2023, the company had net assets of £1,669 million (£1,071 million at 31st March 2022). The 2022/23 profit before tax was £12.056 million and after tax was a profit of £13.460 million (loss before and after tax was £24.999 million for 2021/22).

As agreed, there was no dividend paid by LLAL to the Council for the year 2022/23 as the airport continues the recovery from the Covid-19 pandemic.

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 have submitted a draft valuation of the airport as at 31 March 2023 at c£1.2bn. This valuation is under review with LLAL statutory auditors. 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 annually. LLAL carry out an independent valuation of ALL investment properties each year in support of the statutory reporting requirements. This independent valuation is carried out annually by Deloitte LLP Real Estate team. The DART is now operational and has been in commercial use since 27th March 2023.

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 2023, the company had net negative assets of £1.491 million (net assets). The profit before and after tax was £1.548 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 2023. 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 2022/23 financial year and its position at the year-end of 31st March 2023. 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 2022/23, these practices are 'The Code of Practice on Local Authority Accounting in the United Kingdom 2022/23' ('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 2023 and 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;
- 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 2022/23 (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

Significant Changes Adopted in the 2022/23 Statement of Accounts

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

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom and will be adopted in 23/24:

- **IFRS 16 Leases** (but only for those local authorities implementing early in 2023/24). Application of IFRS 16 to recalculation of PFI/PPP liabilities (but only for authorities that deferred this aspect when implementing IFRS 16 in 2022/23).
- **IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** will be amended to define accounting estimates as 'monetary amounts in financial statements that are subject to measurement

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.

uncertainty'. This change is not anticipated to significantly impact on the amounts held in the Council's financial statements.

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2** will be amended to give more guidance on the disclosure of accounting policies in financial statements. This change is not anticipated to significantly impact on the amounts held in the Council's financial statements.
- **IAS 12 Income Taxes** will be amended in relation to deferred tax but no relevant transactions in group accounts have been identified.
- **IFRS 3 Business Combinations** will be amended in terms of references to conceptual framework. As no acquisitions have happened or are planned in the relevant time period, this has no impact on the Council's financial statements.

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

The Statement of Accounts, prepared on a going concern basis, contain estimated figures that are based on assumptions made by the Council about

the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items which there are a significant risk of material adjustment in the forthcoming financial year are included in the table over the page. Note 6 also explains any post balance sheet events including COVID -19 on both LBC and LLAL.

Item	Uncertainty Explanation	Consequences of Uncertainty
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. For HRA dwellings, the use of the major repairs allowance as a proxy for depreciation is no longer acceptable. The new treatment of depreciation is further explained in Note 31 .	If the useful lives of assets are reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by approximately £1 million for General Fund and £0.4 million for the HRA for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways; during 2022/23, the Council's actuaries advised that the net pension's liability had decreased by £461.4 million. Please see Note 40 for sensitivity analysis.
Business Rates Appeals	At 31 st March 2023, the Council had a provision for NNDR appeals of £6.518 million (49%) of £13.302 million of the total appeals provision attributable to the Collection Fund). Please see Provisions Note 45 .	Analysis and projections of appeals are 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 £3.179 million which is 24% of the total provision. Currently there are 38 known appeals outstanding at an approximate average of £73,729.

Doubtful Debts	As at 31 st March 2023, the Council had outstanding arrears of £155.525 million after which £46.874 million has been provided for in case of non-collection of debts. Note 42. If there was a reduction in the rate of collection there would be an increase need to contribute to the provision on an annual basis.	If the provision was incorrectly calculated and higher than expected debt write offs were required, future financial years would have to incur additional budgetary costs. If the downturn in collection rates was representative of longer term collection, then the Council may need to revise the doubtful debt provision calculation and annual budgeted contribution.
Going concern	The key business risks and uncertainties for the company are considered to relate to fluctuations in passenger throughput, the key determinant of the concession income. Passenger numbers are subject to competition between airlines, airport operators, the selection of routes and destinations and the underlying passenger demand for air travel, which can be influenced by the general economic environment and customer confidence. The concessionaire is deemed to be in the best position to manage this risk by its contractual relationships with airline operators. This, coupled with potential macroeconomic exposure such as high inflation and subsequent impact on disposable income remain under consideration.	The financial strategy of the council has been impacted by the pandemic and more recently by the price inflation and cost of living increases and, although appropriate mitigations have been deployed, careful monitoring is required to assess any future impact. Furthermore, there is a risk that the valuation of the asset may be impaired which can have a material impact on the balance sheet of the airport and upon the group accounts of the Council.

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 2023 the Council approved a budget for 2022/23 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.

At 31 March 2023 the council reported a net deficit of £0.556 million, compared to budget with net additional general fund reserves of £14.021 million which is in line with the agreed level. General Earmarked reserves totalled £84.143 million, of which £9.315 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 2022/23 and 2023/24. 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.

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 2023 and the Council is currently working on the 2024/25 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 19), 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.

Q1 Budget Monitoring Position 2023/24

The prospects for the Council's budget, as reported at Quarter 1 to the Executive on 11th September 2023, remain extremely difficult, with the

combined challenges of the ongoing delivery of budgeted savings and high levels of demand for services, now supplemented by the acute rise in price inflation, economic and political instability and expected pay pressures. In a review of its financial position at the end of Q1, the Council is forecasting a £6.525m overspend against its £156.8m revenue budget. Officers are working to formulate deficit recovery plans in efforts to manage the pressures.

Note 6) Events after the Reporting Period

The un-audited Statement of Accounts were authorised for issue by the Service Director (Finance, Revenues & Benefits) on 31 August 2023. 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 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Headlines from the Quarter One budget monitoring report for 2023/24: The prospects for the Council's budget remain extremely difficult, with combined challenges from the ongoing delivery of budgeted savings and high levels of demand for services, now supplemented by the acute rise in price inflation, economic and political instability and expected pay pressures.

The Government has already indicated that no additional funding will be provided to help meet the exceptional increases currently faced by Local Authorities. Early recovery measures are therefore essential, to support a continuous improvement from the current forecast overspend, toward achieving a balanced outturn position by the end of the year.

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 2022/23 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.

Net Expenditure Chargeable to the General Fund & HRA Balances £'000	2021/22 Adjustment between the Funding & Accounting Basis £'000	Net Expenditure Comp Income & Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund & HRA Balances £'000	2022/23 Adjustment between the Funding & Accounting Basis £'000	Net Expenditure Comp Income & Expenditure Statement £'000
13,156	13,274	26,430	Chief Executive	15,901	1,190	17,092
55,303	10,319	65,622	Children, Families and Education	58,070	2,929	60,999
49,754	669	50,423	Inclusive Economy	55,292	7,701	62,993
67,004	4,568	71,572	Population Wellbeing	70,148	1,137	71,285
(1,199)	1,226	27	Airport	(59)	105	46
7,849	(1)	7,848	Schools Individual Budgets	1,036	2,654	3,690
(13,910)	(3,683)	(17,593)	Housing Revenue Account	26,032	(14,409)	11,623
(93,464)	93,846	382	Other Corporate Accounts	1	(2,878)	(2,878)
(186,808)	120,218	204,711	Net Cost of Services	226,420	(1,572)	224,848
		(173,830)	Other Income & Expenditure	(191,435)	6	(191,435)
(186,808)	120,218	30,881	(Surplus) or Deficit	34,980	(1,566)	33,414
(26,502)			Opening General Fund & HRA Balance	(23,464)		
3,038			Movement in the Year	(1,521)		
(23,464)			Closing General Fund & HRA Balance	(24,985)		

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:

Adjustment for Capital Purposes Note 1 £'000	Net Change for the Pensions Adjustment Note 2 £'000	Other Differences Note 3 £'000	Total 2021/22 Adjustment £'000		Adjustment for Capital Purposes Note 1 £'000	Net Change for the Pensions Adjustment Note 2 £'000	Other Differences Note 3 £'000	Total 2022/23 Adjustment £'000
0	13,513	(239)	13,274	Chief Executive	0	1,904	(714)	1,190
0	13,054	(2,735)	10,319	Children, Families and	0	3,990	(1,061)	2,929
0	4,322	(3,652)	670	Education	0	3,467	4,235	7,701
(301)	4,490	378	4,567	Inclusive Economy	(9)	2,324	(1,178)	1,137
0	86	1,140	1,226	Population Wellbeing	0	104	1	105
(75)	22	53	0	Airport	(1,187)	4,235	(394)	2,654
301	529	(4,513)	(3,683)	Schools Individual Budgets	0	1,153	(15,562)	(14,409)
26,090	50,074	17,682	93,846	Housing Revenue Account	21,638	0	(24,518)	(2,878)
26,015	86,090	8,114	120,219	Other Corporate Accounts	20,442	17,177	(39,191)	(1,572)
(4,696)	22,864	(5,190)	12,978	Net Cost of Services	0	0	6	6
21,319	108,954	2,924	133,197	Other Income & Expenditure	20,442	17,177	(39,185)	(1,566)
				(Surplus) or Deficit				

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 9, 10 and 11.

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.

Depreciation amortisation impairment £'000	2021/22				2022/23		
	Fees & Charges £'000	Internal Recharges £'000			Depreciation amortisation impairment £'000	Fees & Charges £'000	Internal Recharges £'000
	6,977	(217)	(55,919)		Chief Executive	915	(5,460)
10,878	13,924	(5,278)	Children, Families and Education	10,877	(2,479)	(6,674)	
6,721	(37,911)	(19,879)	Inclusive Economy	12,019	(31,224)	(47,879)	
1,896	(30,143)	2,782	Population Wellbeing	8,264	(44,695)	(26,961)	
3	(18,026)	(2,286)	Airport	0	(1,831)	(4,438)	
0	(5,600)	443	Schools Individual Budgets	0	(6,838)	0	
301	(73,252)	(9,595)	Housing Revenue Account	14,704	(41,292)	(1,154)	
0	(1,996)	11	Other Corporate Accounts	631	(38,493)	(5,108)	
26,776	(153,221)	(89,721)	Total	47,411	(172,311)	(111,853)	

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.

* 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.

2021/22 000		2022/23 000
	Expenditure	
284,832	Employee benefits expenses*	237,573
355,242	Other services expenses	325,117
49,032	Support service recharges	78,540
26,776	Depreciation, amortisation, impairment	42,816
3,661	Interest payments	21,880
122	Precepts and levies	124
4,696	(Gain) / Loss on the disposal of assets	(4,535)
724,361	Total	701,515
(89,722)	Internal recharges**	(75,680)
634,639	Total expenditure	625,836
	Income	
(153,221)	Fees, charges and other service income	(116,602)
(35,714)	Interest and investment income	(42,205)
(123,243)	Income from council tax, non-domestic rates	(144,752)
(337,718)	Government grants and contributions	(288,863)
(649,896)	Total income	(592,422)
15,257	Surplus or Deficit on the Provision of Services	33,414

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.

2021/22 £000		2022/23 £000
122	Levies	124
(4,696)	(Gain) / loss on the disposal of non-current assets	(4,535)
(4,574)	Total	(4,411)

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.

2021/22 Group £000	2021/22 Single £000		2022/23 Group £000	2022/23 Single £000
18,557	18,557	Interest payable and similar charges	21,880	21,885
12,514	12,514	Net interest on the net defined benefit liability	13,391	13,391
(26,923)	(31,625)	Interest receivable and similar income	(42,205)	(42,205)
5,438	(4,074)	Income and expenditure in relation to investment properties and changes in their fair value (Note 32)	694	(2,755)
(628)	(628)	Trading and other investment activities (Note 20)	(259)	(356)
8,958	(5,254)	Total Financing and Investment Income and Expenditure	(6,499)	(10,040)

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.

2021/22 £000		2022/23 £000
(91,223)	Council Tax income	(97,578)
(22,143)	Non-domestic rates	(32,811)
(14,508)	Non-domestic rates Top Up Payment	(14,363)
(10,939)	Revenue Support Grant	(11,278)
(1,402)	New Homes Bonus	(392)
(572)	S31 Business Rates Compensation	(4,880)
2	Other grants	32
(27,846)	Capital grants and contributions	(15,651)
(168,631)	Total Taxation and Non Specific Grant Income	(176,984)

Note: The figures reported in the table above are the budgeted figures for the financial year 2022/23 and exclude any variances (surplus/deficit) adjustments in respect of the collection funds for council tax and business rates. These variances are covered within the collection accounts for these funding streams.

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:

2021/22 £000		2022/23 £000
(3,573)	Capital Grants -School Condition Allocation	(4,052)
(3,634)	Other Capital Grants – Education	(3,223)
(430)	Devolved Formula Capital	(903)
(4,402)	Local Transport Plan Block Allocation Grant	(3,326)
(7,742)	Wardown Park Museum Development Grant	(946)
(1,324)	Other Government Grants (<£1m)	(1,193)
(4,263)	Other Non-Government Grants (<£1m)	(531)
(2,478)	s106 Developers' Contributions	(262)
0	Luton Dunstable Busway Contributions	(3,022)
(27,846)	Total Capital Grants and Contributions	(15,651)

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.

2021/22 £000		2022/23 £000
	Revenue Grants Credited to Services	
(157,356)	Dedicated Schools Grant	(160,499)
(36,227)	Rent Allowances	(33,264)
(21,795)	Rent Rebates	(20,712)
(15,730)	Public Health Grant (main)	(16,172)
(7,216)	Pupil Premium Grant	(7,571)
(2,811)	Challney Girls PFI - EFA Funding	(2,811)
(2,093)	Infant Free School Meals Grant	(2,227)
(899)	HB Admin subsidy	(836)
(1,073)	Troubled Families Initiative	(1,456)
(680)	Discretionary Rent Allowance Benefits Subsidy	(482)
(5,885)	Homelessness Support Grant	(6,004)
0	Improved Better Care Fund	(7,841)
(1,370)	Unaccompanied Asylum Seeker Grant	(2,303)
(1,590)	Adult Learning- Education Skills Fund	(928)
(14,828)	Covid Grant	0
(27,255)	Other Grants & Contributions	(10,837)
(296,809)	Total Revenue Grants Credited to Services	(273,583)
	Capital Grants Credited to Services	
(1,637)	Disabled Facilities Grant	(1,481)
(104)	Other Capital Grants – Education	(348)
(1,741)	Total Capital Grants Credited to Services	(1,829)
(298,550)	Total Grants Credited to Services	(275,412)

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 ring-fenced 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 2022. 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 2022/23 are as follows:

Net Expenditure Chargeable to the General Fund and HRA Balances £000	2021/22			2022/23		Net Expenditure Comprehensive Income and Expenditure Statement £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	
29,595	221,235	250,830	Final DSG before Academy Recoupment	39,957	224,604	264,561
0	(93,095)	(93,095)	Academy Figure Recouped	0	(102,777)	(102,777)
29,595	128,140	157,735	Agreed Initial Budgeted distribution in this year	39,957	121,827	161,784
4,963	0	4,963	Brought forward from previous year	6,641	(723)	5,918
0	0	0	Carry-forward to next year agreed in advance	0	0	0
34,557	128,140	162,697	Agreed initial budgeted distribution in this year	46,598	121,104	167,702
(379)	0	(379)	In year adjustments	63	0	63
34,178	128,140	162,318	Final budgeted distribution for this year	46,661	121,104	167,765
(27,536)	0	(27,536)	Actual Central Expenditure for this year	(34,284)	0	(34,284)
0	(128,863)	(128,863)	Actual ISB deployed to schools	0	(127,374)	(127,347)
6,641	723	5,919	DSG (Over)/Underspend carried forward	12,377	(6,243)	6,134

Note 14) Material Items of Income and Expenditure

This note identifies material items of income and expenditure.

- £3,842 decrease in revaluation of the Housing Revenue Account Council Dwellings, £49,780 million increase in revaluation in 2021/22 (see Note 31)
- £37,811 million of depreciation has been charged across the General Fund and Housing revenue Account, £33,064 million in 2021/22 (see Note 31)

Note 15) Member Allowances

The Council paid the following amounts to members of the Council during 2022/23:

2021/22 £000		2022/23 £000
456	Member Allowances	456
1	Member Expenses	4
457	Total	460

Note 16) External Audit Costs

2021/22 Group £000	2021/22 Single £000		2022/23 Group £000	2022/23 Single £000
94	94	Fees payable to Ernst & Young LLP with regard to external audit services carried out by the appointed auditor	113	113
27.5	27.5	Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns	28.5	28.5
76	0	LLAL Audit Services procured from PWC LLP	96	0
13	0	Foxhall Audit Services procured from PWC LLP	31	0
210.5	121.5	Total	268.5	141.5

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

There have been some significant fees incurred by LLAL in respect of two of the older legacy years (2018/19 and 2019/20) for which a provision of £500k has been set aside but the account is yet to be agreed with the auditor. Furthermore, given the additional work on the Councils accounts for 2018/19 and 2019/20 an additional provision has been set aside totalling £250k in respect of external audit work for these periods.

Note 17) Officer Remuneration

The remuneration of senior employees, defined as the Corporate Leadership Management Team, those holding statutory posts, and for those whose remuneration is £150,000 or more per year to be specifically named, was as set out below.

2022/23	Salary	Employers pension contributions	Compensation for loss of office	Total remuneration
Post Holder	£000	£000	£000	£000
Chief Executive (Robin Porter)	206	38	0	244
Corporate Director, Inclusive Economy	140	26	0	166
Corporate Director, Childrens, Families & Education (Interim)	123	22	0	144
Corporate Director Population Wellbeing	142	27	0	169
Corporate Director, Luton Rising	147	27	0	173
Service Director of Adult Social Care	102	19	0	121
Service Director LLAL & Monitoring officer	93	17	0	110
Service Director of Public Health	102	0	0	102
Service Director, Finance and Audit, Section 151 Officer	102	19	0	121
Total	1,154	195	0	1,349

2021/22				
Post Holder	Salary £000	Employers pension contributions £000	Compensation for loss of office £000	Total remuneration £000
Chief Executive (Robin Porter)	212	38	0	250
Corporate Director, Luton Rising	140	26	0	167
Corporate Director, Childrens, Families & Education	140	31	0	171
Corporate Director, Inclusive Economy (vacant for part year)	135	25	0	161
Corporate Director, Population & Wellbeing	84	16	0	100
Head of Legal Services & Monitoring Officer	89	16	0	106
Director, Finance Revenues & Benefits, Section 151 Officer	100	19	0	118
Director of Public Health	94	17	0	111
Director of Adult Social Care	100	19	0	118
Total	1,095	207	0	1,302

*Chief Executives' salary for 2021/22 included election allowances of £14,497.

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	2021/22			2022/23		
	Council Officers Number	Community Schools Number	Total Number	Council Officers Number	Community Schools Number	Total Number
£50,000 to £54,999	97	30	127	99	28	127
£55,000 to £59,999	40	28	68	57	21	78
£60,000 to £64,999	28	25	53	52	12	64
£65,000 to £69,999	9	12	21	10	13	23
£70,000 to £74,999	17	14	31	17	11	28
£75,000 to £79,999	4	7	11	9	10	19
£80,000 to £84,999	4	6	10	1	4	5
£85,000 to £89,999	3	4	7	3	3	6
£90,000 to £94,999	3	0	3	5	2	7
£95,000 to £99,999	1	2	3	3	2	5
£100,000 to £104,999	2	1	3	4	1	5
£105,000 to £109,999	0	1	1	0	0	0
over £110,000	0	0	0	5	0	0
Total	208	130	338	265	107	367

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 17.

Note 18) Exit Packages

Accounting Policy

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

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

Exit Package Cost Band	Number of Exit Packages		Cost of Exit Packages	
	2021/22 No.	2021/22 £'000	2022/23 No.	2022/23 £'000
£0 to £20,000	72	276	30	141
£20,001 to £40,000	5	192	2	46
£40,001 to £60,000	0	0	1	42
£60,001 to £80,000	0	0	0	0
£80,001 to £100,000	0	0	0	0
£100,001 to £150,000	0	0	0	0
£150,001 and above	0	0	0	0
Total	77	468	33	229
This consists of:				
Voluntary Exits	13	152	13	119
Compulsory Exits	62	299	7	46
Other Exits	2	17	13	64
Total	77	468	33	229

The contracts for 33 employees were terminated in 2022/23 with a liability of £0.229 million, (0.468 million in 2021/22). The number and cost of exits including Schools, are set out in the table above. All costs are reflected in the Comprehensive Income and Expenditure Account.

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 2022-23, 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 £000	Luton Borough Council £000	NHS Luton £000	2021/22 Net (surplus)/ deficit £000	Pooled Arrangement	Total Expenditure £000	Luton Borough Council £000	NHS Luton £000	2022/23 Net (surplus)/ deficit £000
24,318	(15,949)	(8,176)	(193)	Better Care Fund (including iBCF)	25,454	(16,896)	(8,559)	1
0	0	0	0	Better Care Fund – Discharge (LB)	656	(754)	0	98
0	0	0	0	Better Care Fund – Discharge (ICB)	1,103	(813)	(296)	6
4,025	(2,456)	(1,098)	(471)	Children & Young People's Service	3,949	(2,613)	(1,120)	(216)
1,400	(1,373)	(27)	0	Children's Public Health Services	1,412	(1,385)	(26)	(1)
9,447	(5,248)	(4,367)	168	Learning Disability Services	9,651	(5,761)	(4,619)	729
4,324	(2,464)	2,364	504	Collaborative Commissioning	4,849	(2,613)	(2,533)	297
36,812	(2,068)	(34,744)	0	Other – Metal Health	37,520	(1,761)	(35,759)	0
80,326	(29,558)	(50,776)	(8)	Total	84,594	(32,596)	(52,912)	914

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, 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 £1,738,914 towards Mental Health services commissioned by the CCG from East London Foundation Trust.

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 2022/23 is summarised below:

Turnover £000	Expenditure £000	2021/22 (Surplus)/ Deficit £000	Description	Turnover £000	Expenditure £000	2022/23 (Surplus)/ Deficit £000
(18,407)	18,281	(126)	Housing maintenance	(21,898)	22,163	265
(1,297)	1,423	126	Insurance	(1,462)	2,555	1,093
(3,735)	4,875	1,140	Schools catering service	0	0	0
(1,482)	1,903	421	Property design and maintenance	(2,509)	2,375	(134)
(3,962)	1,154	(2,809)	Other trading units	(6,711)	7,101	390
(28,884)	28,539	(1,248)	Total	(32,580)	34,194	1,614

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	2021/22					Unusable Reserves	2022/23					Unusable Reserves
	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	General Fund Reserves		Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	General Fund Reserves	
	£000	£000	£000	£000	£000		£000	£000	£000	£000	£000	
						Revenue Charges for Capital						
(25,710)	(10,696)	0	0	0	36,406	Charges for depreciation and impairment of non-current assets	(26,966)	(10,845)	0	0	0	37,811
(89)	0	0	0	0	89	Amortisation of intangible assets	(136)	0	0	0	0	136
10,465	0	0	0	0	(10,465)	Revaluation losses on Property, Plant and Equipment	0	(3,842)	0	0	0	3,842
(9,076)	10,465	0	0	0	(1,389)	Movements in the market value of Investment Properties	1,765	0	0	0	0	(1,765)
(1,820)	0	0	0	0	1,820	Revenue Expenditure funded Capital under Statute	(1,829)	(740)	0	0	0	2,569
3,083	(4,276)	0	0	0	1,193	Non-current assets written off on disposal or sale as part of the gain/loss on disposal	0	4,535	0	0	0	(4,535)

						2021/22							2022/23
General Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves		General Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves	
£000	£000	£000	£000	£000	£000		£000	£000	£000	£000	£000	£000	
						External Capital Financing Adjustments							
41,772	0		0	0	(41,772)	Capital grants and contributions applied to CAA	21,575	0	0	0	0	(21,575)	
(13,821)	0		0	13,821	0	Capital grants and contributions unapplied recognised in year	(4,095)	0	0	0	4,095	0	
0	0		0	(15,589)	15,589	Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	(8,189)	8,189	
(2,000)	4,115		(16,976)	0	14,860	Transfer of cash sale proceeds credited as part of the gain/loss on disposal	0	1,146	0	0	0	1,146	
0	(301)		301	0	0	Contribution from the Capital Receipts Reserve towards administrative costs of disposals	0	0	0	0	0	0	
0	0		13,137	0	(13,137)	Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	(454)	0	454	

						2021/22							2022/23
General Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves		General Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves	
£000	£000	£000	£000	£000	£000		£000	£000	£000	£000	£000	£000	
							Capital Financing Requirement Funding						
9,925	0	0	0	0	(9,925)		8,906	0	0	0	0	(8,906)	
260	0	0	0	0	(260)		679	0	0	0	0	(679)	
10,706	0	0	0	0	(10,706)		3,441	0	0	0	0	(3,441)	
0	10,395	(10,395)	0	0	0		0	10,845	(10,845)	0	0	0	
0	0	10,430	0	0	(10,430)		0	0	10,846	0	0	(10,846)	
							Other Statutory Adjustments						
(88,772)	(815)	0	0	0	89,587		(74,688)	(673)	0	0	0	75,361	
33,609	0	0	0	0	(33,607)		35,987	0	0	0	0	(35,987)	
2,316	0	0	0	0	(2,316)		(752)	0	0	0	0	752	
(44)	0	0	0	0	44		0	0	0	0	0	0	
(29,197)	8,889	35	(3,538)	(1,768)	25,580		(36,113)	1,166	1	(454)	(4,094)	39,494	
							Total Statutory Adjustments						

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

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.

Reserve Description	Balance at 01 Apr 21 £000	Transfers out of the Reserve £000	Transfers in to the Reserve £000	Balance at 31 Mar 22 £000	Transfers out of the Reserve £000	Transfers in to the Reserve £000	Balance at 31 Mar 23 £000
General Fund							
General Fund Reserve	(14,021)	0	0	(14,021)	0	0	(14,021)
<u>GF Earmarked Reserves</u>							
Invest to save	(9,450)	1,429	0	(8,021)	434	0	(7,587)
Service provision	(6,073)	0	(4,422)	(10,495)	852	(2,977)	(12,620)
Specific risk management	(2,970)	0	0	(2,970)	0	0	(2,970)
Planning	(62)	0	(600)	(662)	600	(34)	(96)
Reorganisation	(1,479)	43	0	(1,436)	0	0	(1,436)
Cremator Mercury Emissions	(652)	0	(155)	(807)	0	(155)	(962)
Recession & welfare benefits	(1,472)	0	0	(1,472)	0	0	(1,472)
Butterfield profit share	(1,194)	225	(41)	(1,010)	0	0	(1,010)
Major projects	(8,362)	0	0	(8,362)	0	(1,077)	(9,439)
Public health	(1,546)	99	(338)	(1,785)	0	(285)	(2,070)
Investment	(221)	0	0	(221)	0	0	(221)
Funding Equalisation	(28,722)	15,821	(8,053)	(20,955)	0	0	(20,955)
Neighbourhood Services	(403)	0	(67)	(470)	66	0	(404)
Luton Investment Framework	(1,137)	428	0	(709)	102	0	(607)
Property Commercialisation	(4,720)	0	0	(4,720)	0	0	(4,720)
Covid Funding	(7,601)	2,264	(3,804)	(9,141)	5,145	(682)	(4,678)
Interest Equalisation Reserve	(4,853)	0	0	(4,853)	0	(4,018)	(8,871)
Luton 2040	0	13	(230)	(217)	50	0	(167)
Inflation	0	0	(2,500)	(2,500)	0	0	(2,500)

Pension fund	(6,874)	0	0	(6,874)	0	0	(6,874)
Capital	(238)	188	0	(50)	50	0	0
Insurance	(3,228)	392	0	(2,836)	1,097	0	(1,739)
Other	(10)	0	0	(10)	0	0	(10)
GF Earmarked total	(91,267)	20,901	(20,211)	(90,576)	8,396	(9,228)	(91,408)
Schools Reserve	(25,214)	4,243	(4,507)	(25,478)	4,035	(3,218)	(24,661)
General Fund Total	(130,501)	25,145	(24,717)	(130,075)	12,431	(12,446)	(130,090)
Housing Revenue Account							
HRA Reserve	(12,481)	6,547	(3,509)	(9,443)	30	(1,551)	(10,964)
<u>HRA Earmarked Reserves</u>							
Legal Disputes	(130)	0	0	(130)	0	0	(130)
Revenue Contributions to Capital	(2,476)	2,476	0	0	800	(800)	0
HRA Earmarked total	(2,606)	2,476	0	(130)	800	(800)	(130)
HRA Total	(15,087)	9,023	(3,509)	(9,572)	830	(2,351)	(11,094)

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 2021/22 to 2022/23.

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.

2021/22 £000		2022/23 £000
(333,991)	Revaluation Reserve (note 24)	(351,351)
(624,582)	Capital Adjustment Account (note 25)	(618,064)
549,659	Pensions Reserve (note 26)	88,287
5,975	Financial Instruments Adj. Account (note 27)	5,724
(19,657)	Deferred Capital Receipts (note 28)	(19,657)
(12,106)	Collection Fund Adjustment Account (note 29)	(11,354)
2,499	Accumulated Leave Reserve (note 30)	2,499
(432,203)	Total Unusable Reserves	(903,917)

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.

2021/22 £000		2022/23 £000
290,500	Opening Balance	333,991
216,182	Opening Balance Adjusted	336,893
(243)	Upward revaluation of assets	18,819
243	Downward revaluation of assets	0
0	Surplus or deficit on revaluation of non- current assets	18,819
111,604	Difference between fair value depreciation and historical cost depreciation	(4,392)
6,205	Accumulated gains on assets sold or scrapped	31
333,991	Closing Balance	351,351

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.

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.

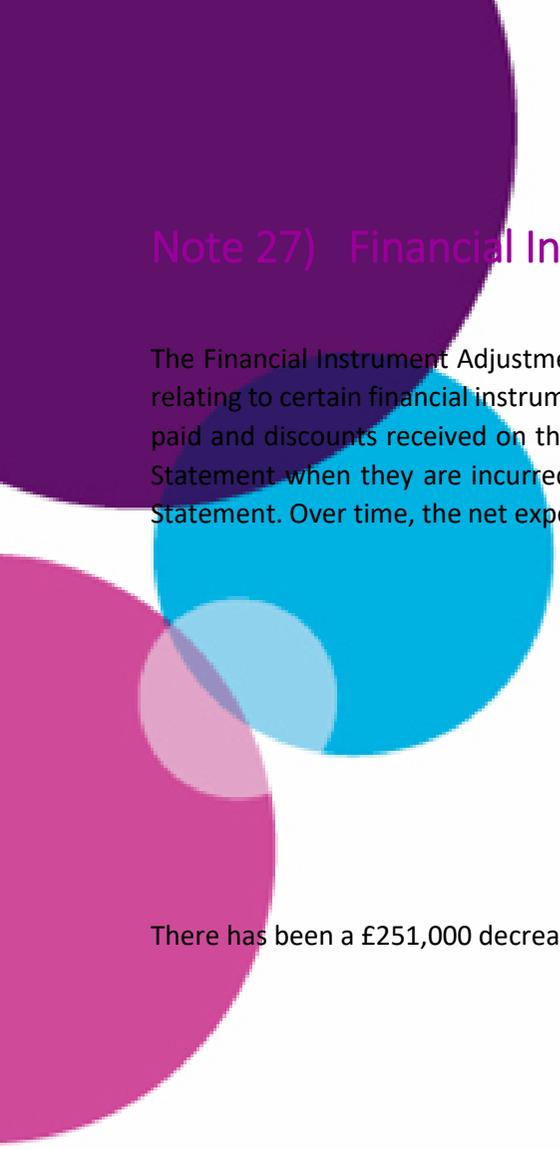
2021/22 £000		2022/23 £000
(605,208)	Opening Balance	(619,949)
	Reversal of capital charges debited or credited to the CIES:	
36,406	Charges for depreciation and impairment of non-current assets	37,811
(20,980)	Revenue expenditure funded from capital under statute	1,829
15,756	Capitalisation Directive	0
89	Amortisation of intangible assets	136
7,199	Non-current assets written off on disposal or sale as part of the gain/ loss on disposal to the CIES	7,261
159	Revaluation losses on Property, Plant and Equipment	12,305
(1,389)	Movements on Investment Properties	(1,765)
37,240	Total reversal of capital charges debited or credited to the CIES	57,578
560	Adjusting amounts written out of the Revaluation Reserve	(4,392)
(6,205)	Accumulated gains on assets sold or scrapped	31
31,595	Net written out amount of the cost of non-current assets consumed in the year	53,277
	Capital financing applied in the year:	
(13,137)	Use of the Capital Receipts Reserve to finance new capital expenditure	(14,721)
(6,942)	Use of the Major Repairs Reserve to finance new capital expenditure	(10,846)
(21,214)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(13,386)
15,589	Application of grants to capital financing from the Capital grants Unapplied Account	647
(9,665)	Minimum Revenue Provision	(8,906)
(260)	Minimum Revenue Provision (PFI)	(679)
(10,706)	Capital expenditure charged against the general Fund and HRA balance	(3,441)
(50,969)	Total capital financing applied in year	(51,332)
(619,949)	Closing Balance	(618,064)

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.

2021/22 £000		2022/23 £000
631,586	Opening Balance	549,659
67,545	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	67,082
(33,609)	Actual amount charged against General Fund Balance for pensions in the year	(39,029)
33,936	Total Movement in Reserves Transfers to Reserve	28,053
(115,863)	Re-measurements of the net defined benefit liability debited or credited to Other Comprehensive Income & Expenditure Statement	(489,425)
549,659	Closing Balance	88,287



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.

There has been a £251,000 decrease in the 31st March 2023 Balance Sheet value.

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.

2021/22 £000's		2022/23 £000's
(19,657)	Opening Balance	(19,657)
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	0
0	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.

2021/22 £000		2022/23 £000
(9,791)	Opening Balance	(12,107)
(10,350)	Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	1,572
8,034	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	(820)
(12,107)	Closing Balance	(11,354)

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 £0.694 million increase in the 31st March 2023 Balance Sheet value. The final figure is reported here. The final accounts to be adjusted accordingly (within the next draft publication).

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.

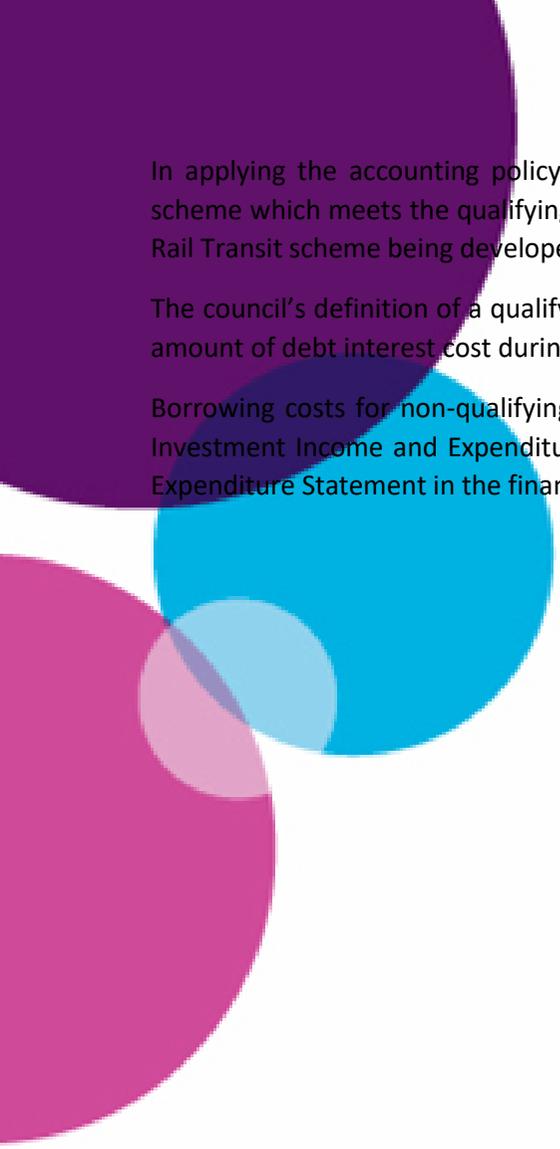
The remaining assets, which are contained with the operational portfolio, are often of a specialised nature such as schools and leisure centres. The Council requires the valuation specialists to provide component information for each asset which is then reviewed to assess if inclusion of different components 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 2022/23	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Single Total Property, Plant & Equipment	Group Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2022	548,551	526,352	61,257	229,228	10,239	955	15,022	1,391,603	1,372,307
Additions	13,049	18,363	1,465	11,169	9,501	0	3,576	57,122	57,122
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	18,819	0	0	0	0	0	0	18,819	57,530
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(12,304)	0	0	0	0	0	0	(12,304)	(12,304)
De-recognition – disposals	(7,431)	0	0	0	0	0	0	(7,431)	(7,431)
At 31 March 2023	560,684	544,715	62,722	240,397	19,740	955	18,598	1,447,812	1,467,225
Accumulated Depreciation & Impairment									
At 1 April 2022	(10,396)	(39,851)	(47,782)	(54,506)	0	0	0	(152,536)	(152,535)
Depreciation charge	(10,497)	(13,675)	(3,617)	(10,022)	0	0	0	(37,811)	(37,811)
Depreciation written out on revaluation	(1,416)	0	0	0	0	0	0	(1,416)	(1,416)
De-recognition – disposals	201	0	0	0	0	0	0	201	201
At 31 March 2023	(22,106)	(53,526)	(51,399)	(64,528)	-	-	-	(191,560)	(191,560)
Net Book Value at 31 March 2022	488,372	486,501	13,475	174,722	10,238	955	15,022	1,239,066	1,372,307
Net Book Value at 31 March 2023	538,578	491,189	11,323	175,869	19,740	955	18,598	1,256,251	1,275,664

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 2022/23 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 2023.

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.

Capital Commitments

At 31st March 2023, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2022/23 and future years.

There are no existing contractual commitments, as at 31st March 2023, in excess of £1 million.

Valuation Method/Date	Council Dwellings £000	Other Land & Buildings £000	Vehicle, Plant & Equipment £000	Infra-Structure £000	Community Assets £000	Surplus Assets £000	Assets Under Constr'n £000	Investment Properties £000	Intangible Assets £000	Heritage Assets £000	Total £000
Held at historic cost	0	21,530	11,323	173,105	9,247	92	14,522	0	0	0.00	229,819
Valued at current value:											
31 Mar 23	538,578	25,961	0	2,764	9,962	0	4,075	125,032	0	10,109	701,595
31 Mar 22	0	0	0	0	0	0	0	0	0	0	5,849
31 Mar 21	0	267,485	0	0	0	0	0	0	0	0	267,485
31 Mar 20	0	128,955	0	0	531	0	0	0	0	0	129,486
31 Mar 19	0	47,258	0	0	0	863	0	0	0	0	48,121
At 31 March 2023	538,578	491,189	11,323	175,869	19,740	955	18,597	125,032	-	10,109	1,391,392

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:

2021/22 Group £000	2021/22 Single £000		2022/23 Group £000	2022/23 Single £000
(11,039)	(10,626)	Rental income from investment property	(8,377)	(7,062)
16,751	4,464	Direct operating expenses arising from investment property	6,821	6,706
0	(1,389)	Net gains/losses from fair value adjustments	0	(1,765)
8,298	0	Charitable Donations	7,430	0
14,010	(7,551)	Net (gain)/loss on investment property	5,874	(2,121)

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:

31/03/2022 Group £000	31/03/2022 Single £000		31/03/2023 Group £000	31/03/2023 Single £000
1,727,682	117,704	Opening Balance	1,710,591	120,610
10,709	1,517	Additions – Purchases	47,686	2,657
(25,258)	0	Disposals	0	0
(3,192)	1,389	Total gains/losses in Surplus or Deficit on the Provision of Services resulting from changes in the fair value	20,630	1,765
650	0	Transfers (to/from Inventories or PPE)	0	0
1,710,591	120,610	Balance at end of the year	1,778,907	125,032

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.

2021/22 £000		2022/23 £000
2,226	Gross Carrying Amount	2,226
(1,937)	Accumulated Amortisation	(2,026)
289	Net Carrying Amount	199
0	Additions – Purchases	1,026
0	Reclassifications to/from PPE	0
(89)	Amortisation for the period	(136)
0	Disposals	0
2,226	Grossing Carrying Amount	3,252
(2,026)	Accumulated Amortisation	(2,162)
199	Balance at end of the year	1,089

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. The accounts have been updated according to current valuation reports. The figures have moved considerably between 2021/22 and 2022/23 because updated asset valuations have been reported.

31 Mar 22 £000	Heritage Assets Property Valuations	31 Mar 23 £000
5,707	Luton Borough Council - Museum Collection revaluation February 2022	9,809
11	Chief Exec - Items Insured	19
86	Civic Exp - Marketing PR - Items Insured	149
77	Town Hall Silver Room - Description - Items Insured	132
5,881	Total	10,109

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.

2021/22 £000		2022/23 £000
776,131	Opening Capital Financing Requirement	854,395
(1,802)	Opening Balance Adjustment*	0
	Capital investment	
75,621	Property, Plant and Equipment (Note 31)	57,122
1,517	Investment Properties (Note 32)	2,657
0	Intangibles (Note 33)	1,026
15,756	Capitalisation Directive	0
(20,980)	Revenue Expenditure Funded from Capital under Statute (Note 24)	1,829
58,321	London Luton Airport Limited Debenture Loan	85,650
0	Foxhall Homes Debenture Loan	2,630
800	Share Capital Expenditure (Foxhall Homes & LEP)	800
	Sources of finance	
(13,137)	Capital Receipts (Note 22b)	(14,721)
(10,258)	Government Grants and Other Contributions (Note 24)	(5,164)
(6,942)	Major Repairs Reserve (Note 24)	(10,846)
	Sums set aside from revenue:	
(10,706)	Direct revenue contributions (Note 24)	(3,441)
(9,925)	MRP/loans fund principal (Note 24)	(9,585)
854,395	Closing Capital Financing Requirement	962,353
78,264	Underlying increase to borrow	107,957

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 (i.e. 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 2022/23 the impairment has been deemed immaterial. Changes in loss allowances (including balances outstanding at the date of de-recognition 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, Connect2Luton Ltd and QED Challney Holdings Ltd. None of the aforementioned have quoted market price and are therefore 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

		2021/22				2022/23			
Current		Non-Current		Current		Non-Current			
Investments	Debtors	Investments	Debtors	Investments	Debtors	Investments	Debtors		
£000	£000	£000	£000	£000	£000	£000	£000		
									Amortised Cost
0	0	429,022	0	0	0	518,102	0	0	Subsidiary Loans
0	0	0	0	0	0	0	0	0	Fixed Term Deposit
0	128,304	0	359	0	72,532	0	344	0	Debtors
(16,512)	0	0	0	9,826	0	0	0	0	Cash & Cash Equivalents (Bank)
(16,512)	128,304	429,022	359	9,826	72,532	518,102	344		Amortised Cost Total
									Fair Value through Profit and Loss
0	0	47,499	0	0	0	47,499	0	0	Unquoted Equity Investments
53,076	0	0	0	74,729	0	0	0	0	Cash & Cash Equivalents (MMF)
53,076	0	47,499	0	74,729	0	47,499	344		Fair Value through Profit and Loss Total
36,564	128,304	476,521	359	84,555	0	565,600	344		Total Financial Assets
0	47,498	0	0	0	47,498	0	0		Non-Financial Instruments
36,564	175,802	476,521	359	84,555	120,030	565,600	344		Balance Sheet Total

Effect of reclassification and re-measurement as at 1st April 2023

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 re-measurements 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 venture.

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

2021/22				2022/23				
Current		Non-Current		Current		Non-Current		
Borrowings	Creditors	Borrowings	Creditors	Borrowings	Creditors	Borrowings	Creditors	
£000	£000	£000	£000	£000	£000	£000	£000	
								Amortised Cost
(19,566)	0	(662,659)	0	(43,691)		(717,931)	0	Loans
0	0	(20,434)	0			(19,756)	0	PFI Liabilities
0	0	(433)	0			(523)	0	Other Liabilities
0	(87,656)	0	(0)		(147,002)			Creditors
(19,566)	(87,656)	(683,526)	(0)	(43,691)	(147,002)	(738,210)	0	Amortised Cost Total
(19,566)	(87,656)	(683,526)	(0)	(43,691)	(147,002)	(738,210)	0	Total Financial Liabilities
0		0	47,498	0	0	0	46,296	Non-Financial Instruments
(19,566)	(87,656)	(683,526)	47,498	(43,691)	(147,002)	(738,210)	46,296	Balance Sheet Total

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:

2021/22 Surplus or Deficit on the Provision of Services £000		2022/23 Surplus or Deficit on the Provision of Services £000
	Interest income:	
(31,322)	Financial assets measured at amortised cost	(42,205)
0	Other financial assets measured at fair value through Profit and Loss	0
(31,322)	Total interest revenue (note 10)	(42,205)
0	Fee income	0
	Interest expenses:	
17,172	Financial liabilities measured at amortised cost	21,880
17,172	Total interest expenses (note 10)	21,880
181	Fee expense	68

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.

2021/22			2022/23	
Carrying Amount £000	Fair Value £000		Carrying Amount £000	Fair Value £000
		Financial assets measured at amortised cost:		
429,022	471,238	Subsidiary Loans	508,412	562,939
0	0	Fixed Term Deposits	0	0
128,663	128,633	Debtors	72,532	72,532
(16,512)	(16,512)	Cash & Cash Equivalents (Other)	9,826	9,826
		Other financial assets measured at fair value through profit and loss:		
47,499	47,499	Unquoted Equity Investments	46,296	46,296
53,076	53,076	Cash & Cash Equivalents (MMF)	74,729	74,729
582,443	625,516	Total Financial Assets	711,795	766,322
		Financial liabilities measured at amortised cost:		
682,225	426,772	Loans	(761,623)	(526,939)
(20,434)	(42,566)	PFI Liabilities	(19,756)	(27,748)
(433)	812	Other Liabilities	(523)	0
87,656	87,656	Creditors	(147,002)	(147,002)
749,014	472,673	Total Financial Liabilities	(928,904)	(701,689)

The valuation of the financial assets and liabilities for 2022/23 is a work in progress and will be updated as part of the final audit.

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 2023) 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	Combination scoring method - highest band (all at least AA+ with one agency)	£25.0 m	24 Months
B	Combination scoring method - second band (all at least AA- with one agency)	£22.5 m	364 Days
C	Combination scoring method - third band (all at least A with one agency)	£15.0 m	6 Months
D	Combination scoring method - fourth band (all at least A with one agency)	£11.5 m	3 Months
E	UK Local Authorities	£15.0 m	364 Days
F	AAA Rated Money Market Liquidity Funds	£50.0 m	On call
F1	Part owned or supported under guarantee scheme by UK Government	£30.0 m	2 years

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

31/03/2022	Debt past due date	31/03/2023
£000		£000
1,284	Less than one month	9,972
13,729	One to three months	3,211
2,028	Three months to one year	5,182
4,298	More than one year	4,506
21,339	Total	22,871

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 2023 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.

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.

In addition to sundry debts, the Council is owed considerable debt in the relation to housing tenants £10.853 million and housing benefit overpayments £11.083 million. Due to the nature of the debt the Council has impaired the debt on a very prudent basis, housing tenants by £6.783 million (62.5%) and housing benefit overpayments by £10.405 million (93.88%).

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	31/03/2023 £000
Less than 1 year	48,478
between 12 months & 24 months	20,000
between 24 months & 5 years	59,385
5 years and above	633,760
Total	761,623

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 2023, 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	31,833	
Decrease in fair value of fixed rate borrowings liabilities	62,855	
Decrease in fair value of fixed rate PFI and long term liabilities	1,584	

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 2023 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	31/03/2022 £000	31/03/2023 £000
(A)	Challney Girls PFI Scheme	(20,435)	(19,756)
(B)	Multi-Functional Devices	(152)	(152)
(C)	Highways Vehicles	(370)	(370)
	Total	(20,958)	(20,278)

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.

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 2023 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Payment profile	Payment for services	Capital Charge	Interest element	Total
	£000	£000	£000	£000
Payable in current year	1,198	679	2,196	4,073
Payable within 2 to 5 years	5,434	3,323	7,956	16,713
Payable within 6 to 10 years	6,740	7,835	7,350	21,925
Payable within 11 to 15 years	6,290	8,597	2,391	17,278
Payable within 16 to 20 years	0	0	0	0
Total	19,662	20,434	19,893	59,989

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	2021/22	2022/23
	£000	£000
Opening balance	21,336	20,694
Loan repayment	(2,935)	(2,875)
Interest incurred	2,293	2,196
Closing balance	20,694	20,015

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	0
MFDs (new contract)	376	0	(301)	75
Highways Vehicles	593	0	(371)	223
Total	969	0	(672)	298

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 2023 (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	80	9	198
Payable within 2 to 5 years	101	80	4	185
Total	211	160	13	383
Highways Vehicles				
Payable within 12 months	7,921	61	18	8,000
Payable within 2 to 5 years	29,705	260	35	30,000
Payable within 6 to 10 years	0	0	0	0
Total	37,626	321	53	38,000

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 2022/23, the Council paid £10.439 million (2021/22 £10.168 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 2022/23, the Council paid £0.011 million (2021/22 £0.011 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% (2.00% in 2021/22) 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
- unlisted 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 policies 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

2021/22 £000		2022/23 £000
	Comprehensive Income and Expenditure Statement	
	Cost of services:	
(57,630)	Current service cost	(52,752)
(785)	Past service cost	(24)
(797)	(Gain) / loss from settlements	(601)
4,957	Financing and Investment and Expenditure:	
(12,514)	Net Interest Expense	(13,705)
(66,769)	Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	(67,082)
	Re-measurement of the Net Defined Benefit Liability comprising:	
55,672	Return on plan assets (excluding the net interest expense)	(26,781)
0	Actuarial gains and (losses) arising on changes in demographic assumptions	21,802
60,191	Actuarial gains and (losses) arising on changes in financial assumptions	559,310
2,741	Other (if applicable)	(64,906)
118,604	Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement	489,425
	Movement in Reserves Statement	
66,769	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(67,082)
	Actual amount charged against the General Fund Balance for pensions in the year:	
32,833	Employers contributions payable to scheme	35,232
776	Contribution in respect of unfunded benefits	755
33,609	Total amount charged against the General Fund	35,987

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 2022 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 2022. 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:

31/03/2022		31/03/2023	
£000		£000	
(1,309,410)	Present value of the defined benefit obligation	(856,389)	
759,751	Fair value of plan assets	768,102	
(549,659)	Net liability arising from defined benefit obligation	(88,287)	
(1,565)	Group- Net liability in subsidiary (LLAL)	(1,565)	
0	Group- Net liability in subsidiary (Foxhall Homes)	0	
(551,224)	Group Net Liability from defined benefit obligation	(89,852)	

Reconciliation of the Movements in the Fair Value of Scheme Assets

2021/22 £000		2022/23 £000
684,575	Opening Balance	759,751
12,885	Interest income	20,042
	Re-measurement gain / (loss):	
55,672	The return on plan assets, excluding the net interest	(26,781)
32,833	Contributions from employer	35,232
7,887	Contributions from employees into the scheme	7,394
(29,790)	Benefits paid	(30,732)
(2,738)	Other (if applicable) Effect of Settlements	3,797
(797)	Administrative expenses	(601)
759,751	Closing Balance	768,102

2021/22 £000		2022/23 £000
(1,316,161)	Opening Balance	(1,309,410)
(57,630)	Current Service Cost	(52,752)
(19,373)	Interest cost	(33,747)
(7,886)	Contribution from scheme participants	(6,639)
	Re-measurement (gains) and losses:	
9,687	Actuarial (gains) and losses arising on changes in demographic assumptions	21,802
60,191	Actuarial (gains) and losses arising on changes in financial assumptions	559,310
9,936	Other (if applicable)	(64,779)
(567)	Past service cost	(24)
(24,649)	Effect of settlements	(127)
30,598	Benefits paid	29,977
(1,309,410)	Closing Balance	(856,389)

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 2021/22 Active Market £000	Quoted Prices 2021/22 Inactive Market £000	2021/22 Total £000		Quoted Prices 2022/23 Active Market £000	Quoted Prices 2022/23 Inactive Market £000	2022/23 Total £000
0	34,224	34,224	Cash and cash equivalents	0	34,565	34,565
			Debt Securities			
61,603	0	61,603	UK Government	62,216	0	62,219
			Private Equity:			
0	5,324	5,324	All	0	5,377	5,377
			Property:			
0	70,729	70,729	UK Property	0	71,433	71,433
0	0	0	Overseas Property	0	0	0
0	70,729	70,729	Sub-total Property	0	71,433	71,433
			Other Investment Funds:			
136,134	244,129	380,264	Equities	137,490	246,561	384,051
63,884	0	63,884	Bonds	64,521	0	64,521
142,219	2,282	144,500	Other	143,635	2,304	145,939
49,974	497,152	547,126	Sub-total Other investment funds	345,646	248,865	594,511
403,840	356,687	760,527	Total Assets	407,862	360,240	768,102

Basis for Estimating Assets and Liabilities

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

Mortality Assumptions:	31/03/2022	31/03/2023
Longevity at 65 for current pensioners:		
Men	22.2	21.4
Women	24.3	24.2
Longevity at 65 for future pensioners:		
Men	23.4	22.4
Women	26.1	25.8
Rate of increase in salaries	2.70%	3.85%
Rate of increase in pensions	1.70%	2.85%
Rate for discounting scheme liabilities	2.40%	4.80%

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 2023	Approximate % increase	Approximate amount (£000)
0.1% decrease in Real Discount Rate	2%	22,600
0.1% increase in the Salary Increase Rate	0%	21,878
0.1% increase in the Pension Increase Rate	1%	22,610

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.

Note 41) Leases

Council as a Lessee

Finance lease

The Council current has no lessee finance leases. The service concessions section of Note 38, explains the two agreements which contain embedded assets for 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.

31/03/2022		31/03/2023	
£000		£000	
281	Not later than one year	230	
453	Later than one year and not later than five years	370	
0	Later than five years	0	
734	Total	600	

The expenditure charged to service in the Comprehensive Income and Expenditure Statement during the year was £0.600 million (£0.734 million during 2021/22). 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.

31/03/2022 £000		31/03/2023 £000
23,740	Not later than one year	66,542
134,749	Later than one year and not later than five years	145,099
12,617	Later than five years	7,938
171,106	Total	219,579

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 £2.700 million (£2.170 million 2021/22).

There are no contingent rents for 2022/23 (nil in 2021/22).

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') to August 2028 and a lease over 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 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 LLAL.

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 COVID-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 valuation was undertaken as at 31st March 2023 and will be reviewed annually 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.

31/03/2022	Future Minimum Lease Payments	31/03/2023
£000		£000
3,000	Not later than one year	3,000
15,000	Later than one year and not later than five years	6,000
12,000	Later than five years	21,000
30,000	Total	30,000

Note 42) Debtors

The outstanding debtors at 31st March 2023 comprised the following:

Debtor Classification 2022/23	31 Mar 23 Group Debtor £000	31 Mar 23 Impairment of Asset £000	31 Mar 23 Net Debtor £000	31 Mar 23 Single Debtor £000	31 Mar 23 Impairment of Asset £000	31 Mar 23 Net Debtor £000
Other Local Authority	15,881	0	15,881	15,881	0	15,881
Central Government	70,134	0	70,134	70,134	0	70,134
NHS Bodies	1,386	0	1,386	1,386	0	1,386
Public Corporations & Trading*	1,066	0	1,066	1,066	0	1,066
Council Tax	43,695	(23,220)	20,475	43,695	(23,220)	20,475
NNDR	164	0	164	164	0	164
Housing Benefit Overpayments	11,083	(10,405)	678	11,083	(10,405)	678
Other bodies	46,800	(3,420)	43,380	17,737	(2,934)	14,803
Payments in advance	9,105	0	9,105	9,105	0	9,105
Total	199,314	(36,559)	162,269	170,252	(36,559)	133,692

2021/22 Comparator						
Other Local Authority	9,565	0	9,565	9,565	0	9,565
Central Government	70,199	0	70,199	67,090	0	67,090
NHS Bodies	1,386	0	1,386	1,386	0	1,386
Public Corporations & Trading*	1,066	0	1,066	1,066	0	1,066
Council Tax	38,456	(23,103)	15,352	38,456	(23,103)	15,352
NNDR	1,608	(509)	1,099	1,608	(509)	1,099
Housing Tenants	13,779	(13,527)	253	13,779	(13,527)	253
Housing Benefit Overpayments	11,911	(11,427)	484	11,911	(11,427)	484
Other bodies	45,877	(3,891)	46,597	44,571	(3,891)	40,179
Payments in advance	20,948	0	20,948	20,948	0	20,948
Total	214,795	(52,457)	166,949	210,380	(52,457)	157,423

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.

2021/22 Group £000	2021/22 Single £000		2022/23 Group £000	2022/23 Single £000
0	0	Short term deposits with banks	0	0
0	53,076	Money Market funds	0	74,729
42,568	(11,210)	Bank Current Accounts	80,457	4,472
0	56	Cash held by the Authority	0	8
42,568	41,922	Total	80,457	79,209

Note 44) Creditors

The outstanding creditors at 31st March 2023 comprised the following:

2021/22 Group £000	2021/22 Single £000		2022/23 Group £000	2022/23 Single £000
(24,834)	(24,834)	Other Local Authorities	(33,758)	(33,758)
(32,956)	(32,956)	Central Government Bodies	(35,761)	(35,761)
(3,397)	(3,397)	NHS Bodies	(3,476)	(3,476)
(186)	(186)	Wholly Owned Subsidiaries	(2,138)	(2,138)
(6,676)	(6,676)	Council Tax	(11,100)	(11,100)
(1,909)	(1,909)	NNDR	(10,777)	(10,777)
(3,051)	(3,051)	Housing Tenants	(3,482)	(3,482)
(101,907)	(66,214)	Other Bodies	(74,445)	(60,957)
(174,915)	(139,222)	Total Short Term Creditors	(174,937)	(161,449)
(428,682)	(0)	Long-Term Creditor – Other Bodies	(92,734)	0
(603,597)	(139,222)	Total All Creditors	(267,671)	(161,449)

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

	31/03/2021				31/03/2022				31/03/2023	
	Opening £000	Additions £000	Utilised £000	Released £000	Closing £000	Additions £000	Utilised £000	Released £000	Closing £000	
Employee related	(3)	0	0	0	(3)	0	0	0	(3)	
Insurance related	(2,287)	(855)	697	444	(2,001)	(1,562)	359	452	(2,752)	
Business Rates Appeals	(4,463)	(1,314)	501	0	(5,276)	(1,360)	118	0	(6,518)	
Other	(1,154)	(75)	(13)	54	(1,188)	(52)	10	61	(1,169)	
Total	(7,907)	(2,244)	1,185	498	(8,468)	(2,974)	487	513	(10,442)	

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	Between 1 and 5 years	Over 5 years	Long-term total	Total
	£000	£000	£000	£000	£000
Employee related	(3)	(3)	0	0	(3)
Insurance related	(2,752)	0	(2,752)	0	(2,752)
Business Rates Appeals	(6,518)	(6,518)	0	0	(6,518)
Other	(1,169)	(1,169)	0	0	(1,169)
Total	(10,442)	(7,690)	(2,752)	0	(10,442)

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.

31/03/2022		31/03/2023
£000		£000
(10,940)	Single entity Other LT liabilities	(3,939)
(203,832)	Subsidiary deferred tax liability (LLAL)	(210,293)
(214,772)	Total	(214,232)

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.

31/03/2022 £000		31/03/2023 £000
(28,560)	Basic Needs Grant	(26,792)
(1,135)	Special Provision (SEND) Capital Grant	(360)
(392)	Weekly Collection	(235)
-	Levelling Up Fund	(1,292)
	DFT Bus Service Improvement Scheme	(2,159)
(1,056)	Other Govt Grants (<£1m)	(2,566)
(2,989)	s106 Developer Contributions	(4,670)
(858)	Other Non-govt Grants (<£1m)	(1,021)
(34,990)	Total	(39,095)

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.

31/03/2022 £000		31/03/2023 £000
(3,851)	Weekly Collection Support Grant	(11,966)
(315)	Other Govt Grants <£1m (Troubled Families / Stronger Families)	0
(5,896)	Other Grants and Contributions (<£1m)	0
(10,062)	Total	(11,966)

Cash Flow Statement Supporting Notes

Note 48) Cash Flow Statement – Operating Activities

2021/22 Group £000	2021/22 Single £000		2022/23 Group £000	2022/23 Single £000
(62,010)	(26,250)	Net surplus or deficit on the provision of services	(42,064)	(33,414)
		Adjustments for non-cash items		
36,495	39,495	Depreciation and amortisation	37,948	37,948
(10,465)	(10,465)	Impairment and downward valuations	(3,842)	(3,842)
(14,099)	(1,389)	Movements in the market value of investment properties	(14,475)	(1,765)
56,142	26,283	Increase/(decrease) in creditors	53,990	24,131
(22,387)	(23,837)	(Increase)/decrease in debtors	25,194	23,744
(5,128)	(5,128)	Increase/(decrease) in provisions	5,959	5,959
(5,474)	440	(Increase)/decrease in inventories	(5,904)	10
(143)	(82)	Movement in pension liability	(522)	(461)
7,359	7,359	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	16,299	16,299
(61)	0	Other non-cash items charged to the net surplus/deficit on provision of services	(61)	0
42,239	29,676		114,586	102,023
		Adjustments for investing and financing activity items		
(31,382)	(31,302)	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	(114,857)	(94,777)
(1,814)	(1,814)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,681)	(5,681)
36,213	36,213	Any other items for which the cash effects are investing or financing cash flows	4,095	4,095
(3,017)	3,097		(116,444)	(96,364)
(16,754)	6,523	Net cash flows from operating activities	(80,837)	(27,754)

2021/22 Group £000	2021/22 Single £000		2022/23 Group £000	2022/23 Single £000
(528)	149,213	Interest Paid	153,744	150,503
(5,332)	(131,230)	Interest Received	(141,872)	(141,800)
0	0	Dividends	0	0

Note 49) Cash Flow Statement – Investing Activities

2021/22 Group £000	2021/22 Single £000		2022/23 Group £000	2022/23 Single £000
(143,186)	(77,138)	Purchase of property, plant & equipment & intangible assets	(32,940)	(60,806)
48,768	(59,121)	Purchase of short and long term investments	(89,080)	(89,080)
9,894	9,894	Proceeds from the sale of property, plant & equipment	4,535	4,535
(14,999)	(14,999)	Other receipts from investing activities	4,095	4,095
(99,523)	(141,364)		(113,390)	(141,256)

Note 50) Cash Flow Statement – Financing Activities

2021/22 Group £000	2021/22 Single £000		2022/23 Group £000	2022/23 Single £000
212,430	212,430	Cash receipts of short and long term borrowing	153,000	153,000
(5,332)	(5,332)	Other receipts from financing activities	0	0
(528)	(528)	Cash payments for the reduction of outstanding liabilities (finance leases)	(680)	(680)
(99,128)	(99,128)	Repayment of Short and Long Term Borrowing	79,728	59,728
698	19,295	Other payments for financing activities	68	68
108,140	126,737		232,116	212,116

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 2023, the Council had a contingent asset in the form of a Performance Bond and Parent Company Guarantee, which were taken out as part of the Contracts for Taylor Street and Strangers Way Developments.

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 are 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 2022/23 are shown in Note 14. During 2022/23 the council did not have any transactions with organisations that Members had a pecuniary interest in.

Officers

During 2022/23 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.

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 £487 million at 31st March 2023.

At the year ended 31st March 2023, the company had net assets of £1,669 million (£1,071 million at 31st March 2022). The 2022/23 profit before tax was £12.056 million and after tax was a profit of £13.460 million (loss before and after tax was £24.999 million for 2021/22).

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 £25.089 million at 31st March 2023.

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)	Significant unobservable inputs (Level 3)	Fair Value as at 31/03/2023 (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair Value as at 31/03/2023 (Level 1)
	£000	£000	£000	£000	£000	£000
Retail	41,169	0	41,169	41,169	0	41,169
Leisure	3,310	0	3,310	3,310	0	3,310
Office Units	46,275	0	46,275	46,275	0	46,275
Industrial	11,405	1,695	13,100	11,405	1,695	13,100
Freehold Interest in London Luton Airport	0	0	0	0	1,358,599	0
Other	0	16,656	16,656	0	16,656	16,656
Total	102,159	18,351	120,510	102,159	1,379,950	120,510

The following table does not include £11.424 million of LALL investment properties assets under construction that relate to Bartlett Square, Century Park and Morton House. These costs are held at historical cost. The single entity assets valuation is work in progress and will be reflected in the final accounts. Bartlett square 'strategy' is under review with the shareholder with various options under consideration pending market dynamics. Morton House is an asset under construction. It too has various options under review and Scrutiny within LLAL and shareholder.

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 valuers 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 (2032) 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 £1,358.599 million reflects a Net Initial Yield of 0.5% based on current income. This is considered a prudent level recognising the nature of the interest. This valuation is subject to final agreement and taxation issues so is draft at time of reporting.

The two of the assets categorised as "Others" have been placed 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 over ground 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 £0.55 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. The use of the land at Century Park is earmarked for future development of the 'Green Horizons' project. This site and potential future use as 'Green Horizons' is at present undergoing early stage review at project conceptual / feasibility stage. An outline business case is under consideration.

04

Contents

Page

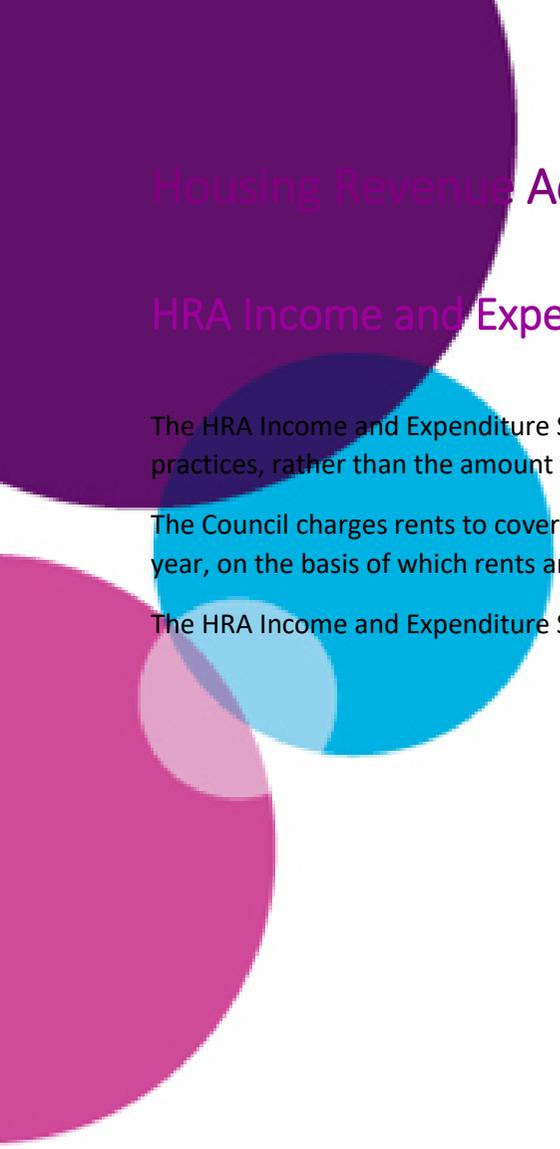
Supplementary Statements and Supporting Notes

Housing Revenue Account (HRA) and Supporting
Notes

142

Collection Fund Statements and Supporting
Notes

148



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 March 2022			31 March 2023	
£000	£000		£000	£000
		EXPENDITURE		
11,565		Repairs and Maintenance	13,220	
7,018		Supervision and Management	7,595	
2,652		Rents, Rates, Taxes and Other Charges	4,143	
417		HRA share of Democratic Core	466	
10,696		Depreciation and impairment of non-current assets	14,694	
10		Movement in FV of Investment Properties	1	
81		Debt Management Costs	16	
196		Movement in the allowance for Bad Debts	474	
	32,635	Total Expenditure		40,610
		INCOME		
(34,748)		Dwelling Rents	(35,303)	
(787)		Non-dwelling Rents	(893)	
(4,575)		Tenant Services and Facilities Charges	(5,849)	
(256)		Leaseholders services and facilities charges	(933)	
(117)		Contributions towards expenditure	(158)	
	(40,483)	Total Income		(43,137)
	(7,848)	Net cost of HRA Services		(2,527)
		HRA share of the operating income and expenditure		
(301)		(Gain)/Loss on sale of HRA non-current assets	(4,535)	
0		Movement in FV of Investment Properties	0	
4,568		Interest Payable and similar charges	4,909	
(78)		Interest and Investment Income	(848)	
286		Net interest cost on the net defined benefit liability	314	
	4,475	Total		(160)
	(3,373)	Deficit/(surplus) for the year on HRA services		(2,686)

31 March 2022			31 March 2023	
£000	£000		£000	£000
	(15,087)	HRA balance brought forward		(9,573)
(3,373)		(Surplus)/Deficit for the year on the HRA services	(2,686)	
		Adjustments between accounting basis and funding basis under statute		
(10,696)		Charges for depreciation and impairment of non-current assets	(10,845)	
0		Revaluation losses on Property, Plant and Equipment	(3,842)	
10,465		Movements in the market value of Investment Properties	0	
(4,276)		Non-current assets written off on disposal or sale as part of the gain/loss on disposal	4,535	
4,115		Transfer of cash sale proceeds credited as part of the gain/loss on disposal	(1,146)	
(301)		Contribution from the Capital Receipts Reserve towards administrative costs of disposals	0	
0		Capital expenditure charged against HRA balances	0	
10,395		Reversal of Major Repairs Allowance credited to the HRA	10,845	
(815)		Reversal of items relating to retirement benefits debited or credited to the statement	(673)	
	5,514	Net (inc)/dec before transfers to/from res.		(1,521)
	0	Transfer to/(from) earmarked reserves		0
	5,514	(Inc)/dec in the HRA balance for the year		(1,521)
	(9,573)	HRA balance carried forward		(11,094)

HRA Statement Supporting Notes

Movements in Asset Values

The below table does not include any Assets Under Construction.

	Dwellings £000	Land & Buildings £000	VPFE £000	Surplus £000	Investment Property £000	2022/23 Total £000	2021/22 £000
Opening	532,898	6,304	144	4,162	5,259	548,765	488,431
Additions/Transfer	13,049	7,484	0	0	0	20,5335	27,711
Depreciation	(10,496)	(342)	(5)	0	0	(10,844)	(10,696)
Revaluations	6,515	0	0	0	0	6,515	47,613
Disposals	(7,431)	0	0	0	0	(7,431)	(4,276)
Closing	534,545	13,446	139	4,162	5,259	557,541	548,765

Housing Stock

	Houses & bungalows				Flats			Total
	1 bed	2 bed	3 bed	>3 bed	1 bed	2 bed	3 bed	
31 March 2022	127	761	2,479	138	2,381	1,630	218	7,734
31 March 2023	128	743	2,440	146	2,373	1,613	215	7,658
(Reduction)/Increase	1	(14)	(39)	8	(8)	(17)	(3)	(76)

The average dwelling value is £0.070 million (£0.063 million in 2021/22).

Vacant Possession Values

The vacant possession value of dwellings as at 31st March 2022 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

31/03/2022 £000		31/03/2023 £000
	Prudential Borrowing	
	Capital Grants	34
73	Direct Revenue Financing	830
10,724	Major Repairs Reserve	10,846
756	Capital Receipts	3,507
20,789	HRA Capital Reserves	7,809
32,343	Total Capital Expenditure	23,026

Capital Receipts Reconciliation

31/03/2022 £000		31/03/2023 £000	
(7,293)	Sale of Council Houses	(11,764)	
0	Mortgage receipts	0	
(7,293)	HRA receipts in year	(11,764)	
651	less: Statutory pooling	0	
(6,642)	Total Capital Receipts	(11,764)	

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.

Type	Number of Bedrooms	Lowest £	Highest £	Typical £
Houses & Bungalows	1	57.24	133.65	88.08
	2	74.93	188.02	96.09
	3	80.20	235.11	103.16
	4 or more	96.89	277.39	125.45
Flats	1	48.84	250.00	80.50
	2	59.79	185.49	90.61
	3	89.30	224.38	99.70

Rent arrears at 31st March 2023 were £4.312 million (£3.854 million at 31st March 2022), against which a provision for bad debt of £4.137 million (£3.689 million at 31st March 2022) 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.

2021/22 NNDR £000	2021/22 Council Tax £000		2022/23 NNDR £000	2022/23 Council Tax £000
0	(108,877)	Income from Council Tax	0	(114,005)
(54,103)	0	Income collectable from business rates	(59,066)	0
(54,103)	(108,877)	Total Income	(59,066)	(114,005)
(13,898)	0	Central Government	(11,939)	0
(13,620)	1,576	Luton Borough Council	(12,183)	3,614
0	217	Bedfordshire Police Authority	0	523
(278)	103	Beds and Luton Combined Fire Authority	(244)	218
(27,795)	1,896	Total Prior years surplus / (deficit)	(24,365)	4,354
32,644	0	Central Government	28,804	0
31,991	82,449	Luton Borough Council	28,228	87,707
0	11,601	Bedfordshire Police Authority	0	12,681
653	5,232	Beds & Luton Combined Fire Authority	576	5,284
65,287	99,282	Total Precepts and Demands	57,609	105,671
236	0	Costs of Collection	236	0
0	339	Write-offs charged to Collection Fund	0	27
594	5,231	Change in allowance for impairment	263	3,542
1,023	0	Appeals charged to Collection Fund	0	0
2,682	0	Change in provision for appeals	2,776	0
678	0	Transitional Protection payments	(145)	0
5,212	5,570	Total Charges to Collection Fund	3,130	3,569
70,499	104,852	Total Expenditure	60,739	109,240
16,396	(4,025)	Deficit/(Surplus) for year	1,673	(4,765)

Collection Fund Movement in Reserves

The surplus generated in 2022/23 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.

2021/22 NNDR £000	2021/22 Council Tax £000		2022/23 NNDR £000	2022/23 Council Tax £000
16,396	(4,025)	Deficit/(Surplus) for year	1,673	(4,765)
7,969	1,194	Total Prior years surplus / (deficit)	24,365	(2,831)
24,365	(2,831)	Deficit/(Surplus) for year	26,038	(7,596)

Collection Fund Supporting Notes

Split of the Collection Fund Balances Share by Major Preceptor

2021/22 NNDR £000	2021/22 Council Tax £000		2022/23 NNDR £000	2022/23 Council Tax £000
12,183	0	Central Government	13,019	0
11,939	(2,350)	Luton Borough Council	12,759	(6,304)
0	(340)	Bedfordshire Police Authority	0	(911)
244	(142)	Beds & Luton Combined Fire Authority	260	(380)
24,365	(2,831)	Total Reserve Balance	26,038	(7,596)

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 as at 31st March 2023 was £168.1 million (£169.7 million at 31st March 2022) The 2022/23 rating multiplier set by central government was 51.2p per £ (51.2p per £ in 2021/22) and the 2022/23 small business multiplier was 49.9p per £ (49.9p in 2021/22).

Income from Council Tax

The Council's tax base for 2022/23 was 52,738 (51,086 in 2021/22). 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	24	5/9	1,113.17
A	Under 40,000	20,388	6/9	1,335.80
B	40,000 – 52,000	27,359	7/9	1,558.44
C	52,000 – 68,000	22,583	8/9	1,781.08
D	68,000 – 88,000	7,800	9/9	2,003.71
E	88,000 – 120,000	3,243	11/9	2,448.98
F	120,000 – 160,000	1,085	13/9	2,894.24
G	160,000 – 320,000	272	15/9	3,339.51
H	Over 320,000	31	18/9	4,007.42

Glossary

Accounting Policies

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.

Curtailement

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 two 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.