

Luton Borough Council

**statement of
accounts**

2009 - 2010



Customer and Corporate Services



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INTRODUCTION TO THE STATEMENT OF ACCOUNTS

Luton Borough Council's Statement of Accounts for the year ended 31 March 2010 is set out within this document. The Statement of Accounts demonstrates the Council's stewardship of public money and is an important element in the Council's accountability to the people of Luton. This introduction gives some context.

Format of the Accounts

The format of local government accounts is currently evolving. Over the last few years changes have been made to bring local government accounts in line with UK Generally Accepted Accounting Principles (UK GAAP). Local Government will prepare their 2010/11 accounts in line with International Financial Reporting Standards, a year behind the rest of Government. This will mean that UK public sector accounts are prepared on the same basis as the private sector and the public sector in other countries.

The focus of the accounts is now primarily on balance sheet valuations and how changes in those valuations impact on the income and expenditure accounts. Local Government budgets are not prepared in the same way; they focus on the ongoing cost of providing services to local taxpayers according to statutory requirements. As a result, the income and expenditure account can show a substantial deficit in the statement of accounts, whilst monitoring against the Council's budget shows a surplus for the year. This is the case in 2009-10, as the deficit on the income and expenditure account is nearly £44 million, due mainly to significant capital expenditure which is required to be charged to the income and expenditure account as it does not add value to existing assets or create new assets.

The statement that follows the income and expenditure account, the Statement of Movement on the General Fund Balance, adjusts the deficit for amounts which have to be accounted for in a local authority's general fund balance according to statute and proper practice. This brings the figures back to the Council's budget and shows the surplus or deficit. For 2009-10 this shows a surplus of £1.2 million, a decrease in the General Fund balance of £0.44 million and an increase in balances held by schools under local management schemes (LMS) of £1.64 million. The decrease in the General Fund balance is because of its use to fund one off projects during the year, the in year surplus on the planned budget being appropriated to specific reserves.

Where the money comes from

In 2009-10, the Council's total revenue income was £559 million. The main source of funding was the Government, who provided: formula and area based grants (£98 million, or 18% of the total), which in principle can be used on any service; dedicated schools grant (£136 million, or 24% of the total), which can only be spent on schools; and other specific and targeted grants from Government, many of which have to be spent in accordance with grant conditions, comprising 23% of the Council's funding. Council Tax contributed

INTRODUCTION TO THE STATEMENT OF ACCOUNTS

only 11%. Further explanation of the Council's funding is set out in the foreword and detail is shown in the accounting statements which follow.

How the money was spent

The Council set the 2009-10 budget with no contribution from the general reserve. The dedicated schools grant represented an increase of 4.4% per pupil, a major increase in school spend. The non-schools budget had additional investment in key demand-driven areas, particularly providing residential, nursing and home care for older people, placements and care packages for adults with physical and learning disabilities and a number of short term projects including support for Housing services and for advisory services for the local community during the recession. The financial outturn overall was close to budget monitoring predictions, with no unexpected overspends, which is in line with good practice.

During 2009-10 the Council underwent a number of external assessments of the effectiveness of its services, referred to in the Annual Governance Statement. This included an organisational assessment (part of the Comprehensive Area Assessment) of the Council's performance management and Use of Resources; both were judged to be adequate.

David Kempson
Head of Corporate Finance

Statement of Accounts – Alternative Formats

This document can be made available in a range of languages, large print, Braille, electronic and other accessible formats.

For further information please contact Jean Stevenson, Customer and Corporate Services Department, telephone 01582 546127, fax 01582 546850, e-mail jean.stevenson@luton.gov.uk

EXPLANATORY FORWARD BY THE HEAD OF CORPORATE FINANCE

General Fund Revenue Expenditure

An overview of the revenue outturn for the year compared with the original budget approved by the Council in February 2009 is shown below.

	Budget £m	Actual £m	Variation £m
Amount to be met from Government Grant and Local Taxpayers	160.1	203.0	42.9
Amount met by Local Taxpayers	(61.9)	(60.5)	1.4
Payments from Government – general grants	(97.9)	(98.8)	(0.9)
Deficit for the year on the Income & Expenditure Account	0.3	43.7	43.4
Additional credits require by statute	-	(44.9)	(44.9)
(Increase)/Decrease in General Fund balance for the year	0.3	(1.2)	(1.5)

The reasons for the major variations are set out below:

	£m
Pressures on fee income from the economic downturn	0.6
Investment in the revenues and benefits service	0.4
Managed savings on waste disposal costs	(0.8)
Net reduced demand on Adult Social Care	(0.8)
Managed savings on home to school transport costs	(0.5)
Improved interest returns from investments	(0.5)
Grant Income – Local Authority Business Growth Incentive	(0.2)
Schools – increase in balances	(1.6)
Contribution to the Recession reserve (gf underspend)	1.9

Net Variation

(1.5)

A comparison of 2009-10 change in budgeted General Fund balances with actual out-turn is show below:

	Budget £m	Actual £m	Variation £m
General Reserve un-earmarked balance	0.3	0.4	0.1
Schools Reserves held under LMS	-	(1.6)	(1.6)
Net variation shown above	0.3	(1.2)	(1.5)

EXPLANATORY FORWARD BY THE HEAD OF CORPORATE FINANCE

Movement on earmarked general reserves

	Budget £m	Actual £m	Variation £m
Invest to Save	-	(0.2)	(0.2)
Cremator – Mercury Emissions	(0.1)	(0.1)	-
Reorganisation	-	1.0	1.0
Service Provision	2.5	2.2	(0.3)
Swimming Pool Development	-	0.2	0.2
Recession	-	(1.9)	(1.9)
Butterfield Profit Share	-	(0.2)	(0.2)
Local Partnership	-	(0.5)	(0.5)
Pension Reserve	-	(0.1)	(0.1)
Insurance Fund	(0.1)	-	0.1
Net Change in earmarked reserves	2.3	0.4	(1.9)

Each year the Council sets a minimum reserve balance that has to be kept in the un-earmarked General Reserve, and the specific risk management reserve, combined. This position leaves the Council at 31 March with £2.3m more in those reserves than that minimum balance. The underspend has mainly been allocated to the Recession reserve to help the Council deal with the ongoing impact of the recent economic downturn. The reorganisation reserve addresses potential costs that may arise. The Swimming Pool reserve is being used to cover some of the costs of developing a new pool in the town. The pension reserve is held because of the pension deficit (£348.5million at 31.3.10) and the risk of increased contribution requirements. The insurance fund is required to enable the Council to continue self-funding specific insurable risks.

Housing Revenue Account

The Housing Revenue Account expenditure and income for the year resulted in a decrease in revenue reserves of £1.2 million leaving £1.2 million at the year-end. The original estimate was for the Housing Revenue Account to break even and the following table sets out variations that are significant:

Reason for variation	£m
Additional Revenue Contribution to Capital for lifts	0.2
Additional capital financing charges	0.3
Additional expenditure on one off contractual liabilities	0.4
Reduction in subsidy payments	(0.9)
Additional expenditure in management	0.5
Additional expenditure on responsive repairs	0.5
Additional expenditure on sheltered accommodation	0.2
	1.2

Collection Fund

The Collection Fund deficit at the year-end was £2.3 million. This deficit will be taken into account when setting the level of Council Tax in future years.

Pensions Liability and Reserve

Financial Reporting Standards require Councils to include their pensions liability, as estimated by the pension fund's actuary, on the balance sheet. The actuary estimates that as at 31 March 2010, the Bedfordshire Pension Fund is in deficit, and Luton's share of that deficit is £348.5 million. This means that the estimated cost of providing the pension benefits earned to date by both past and present employees is £348.5 million more than the value of the fund's assets, when assets and liabilities are valued in accordance with generally accepted accounting practice. This is a major long-term liability that needs to be addressed in the Council's medium term financial strategy. The council's contributions are likely to continue at a very high level until the costs are fully funded in the long-term. It should be noted that the level of the deficit is heavily dependent on stock market values (approximately 58% of the fund's assets are in equities), and the approach to valuation adopted by the actuary. The deficit for 2008-09 was £164.6 million.

The accounting entries required to show the extent of the pensions liability does not affect the surplus or deficit for the year, or the demand on the Council Tax. The surplus or deficit reflects the actual amounts paid by the Council to the Bedfordshire Pension Fund.

Group Income and Expenditure Account and Balance Sheet

These aggregate the accounts for the Council and London Luton Airport Ltd. After appropriating the Airport retained profit of £0.3 million to the Airport reserves, the amount to be met from Government grants and local taxpayers was at £202.8 million. The Airport company's profit and loss account showed a £5.8 million profit at the year end before dividend payments.

Capital and Revenue Expenditure treated as Capital under Statute

Expenditure in the year totalled £117.2 million and the method of financing is shown within the attached notes.

Funds Available for Capital and Capital Expenditure Plans

The total cost of resource required for projects scheduled to start by 2012 is £470.2million, with projected expenditure to 31 March 2012 being £374.4million, plus £95.7million in subsequent years to finalise the projects. The anticipated resources to fund the programme are shown in the following table:

Resource	£m
Government Grants	322.8
Major Repairs Allowance	12.4
Usable Capital Receipts	8.9
Third Party Contributions	12.5
Revenue Contributions to Capital Outlay	13.0
Supported Borrowing	58.4
Prudential Borrowing	42.5
Total	470.5

EXPLANATORY FORWARD BY THE HEAD OF CORPORATE FINANCE

The programme to 31 March 2012 based on current estimated funding is summarised in the following table :

Programme Area	£m
Housing Public Sector	16.5
Housing Private Sector	10.1
Investment in Schools	268.2
Investment in Public Buildings	9.6
Highways	118.8
Cultural and related services	29.6
Social Services	5.4
Environment and Regeneration	2.6
Vehicles, Plant and Equipment	9.5
Other	0.0
Total	470.3

Borrowing & Investments

It is the Council's policy to consider borrowing externally for new capital expenditure, replacing external borrowing repaid, and to cover temporary revenue shortfalls. The requirement to borrow is reduced by utilising usable capital receipts, capital grants, other capital resources held pending their application and where appropriate existing investments and repayment of borrowing. In 2009-10 long-term loans raised totalled £41.8 million and loans repaid were £33.4 million. External borrowing increased from £162.8 million to £171.2 million at the year-end. The long-term loans raised related to the restructuring of loans to take advantage of low long term interest rates. At the year end the Council had investments totalling £75 million. This is currently managed internally.

Certification

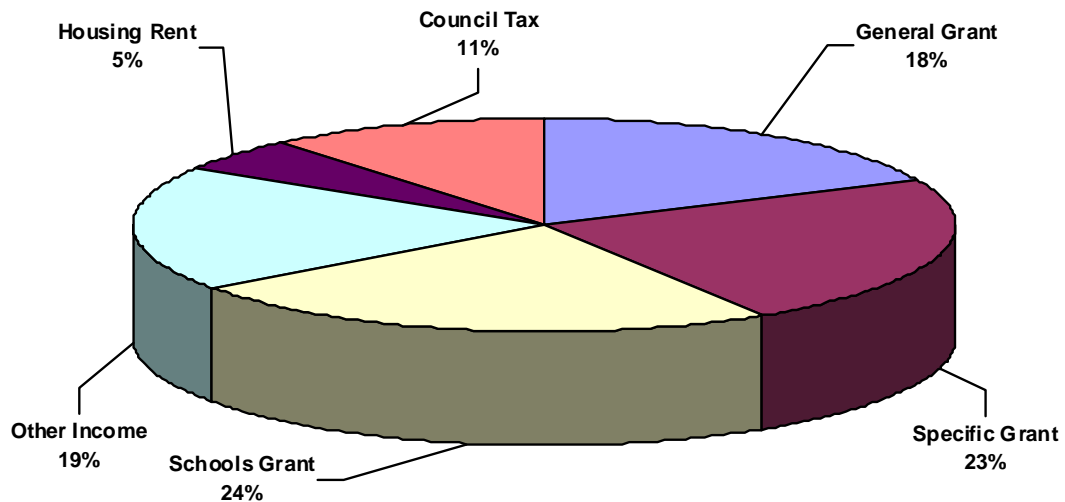
I certify that the statement of accounts presents a true and fair view of the financial position as at 31 March 2010 and its income and expenditure for the year then ended.

David Kempson MA (Oxon), CPFA
Head of Corporate Finance
September 2010

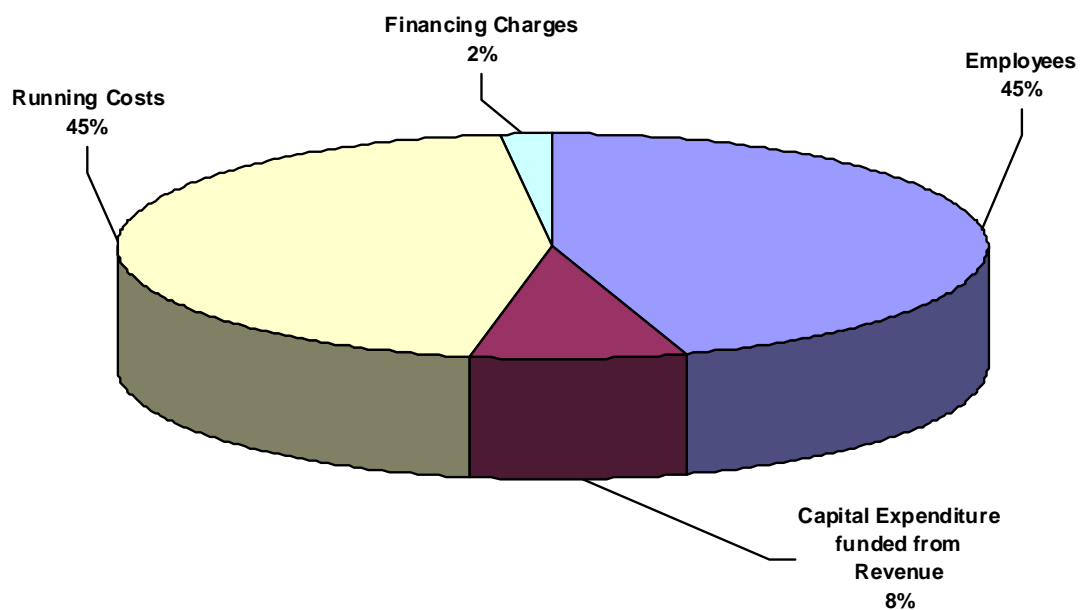
Revenue Expenditure and Financing 2009-10

The Council's total income for 2009-10 was £559 million and the charts below show where the money came from and how it was spent.

Where the money comes from



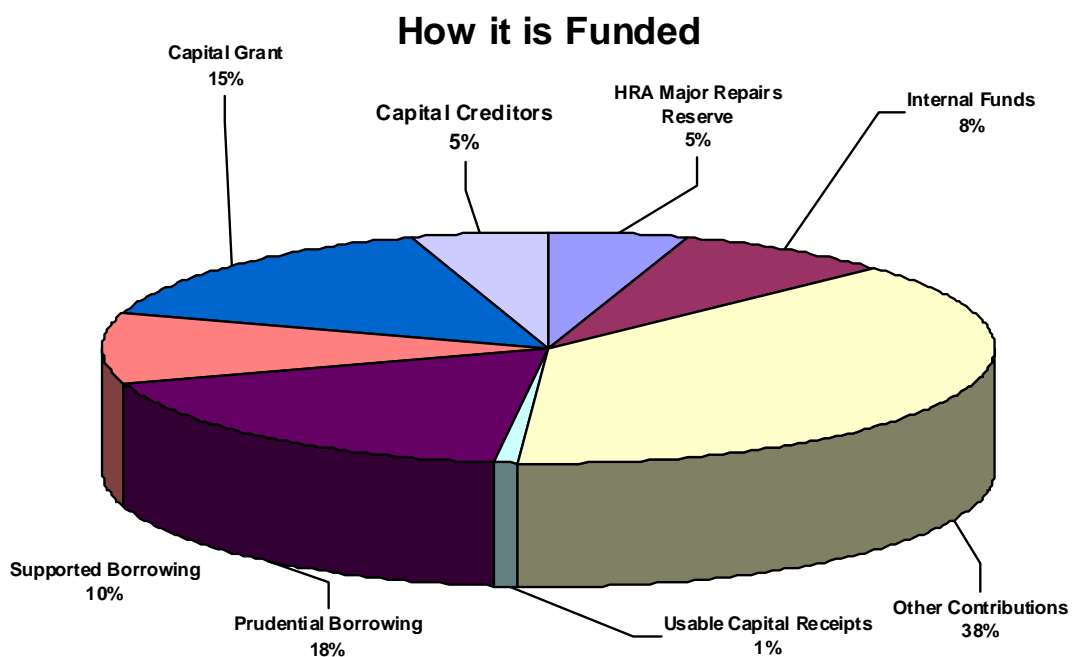
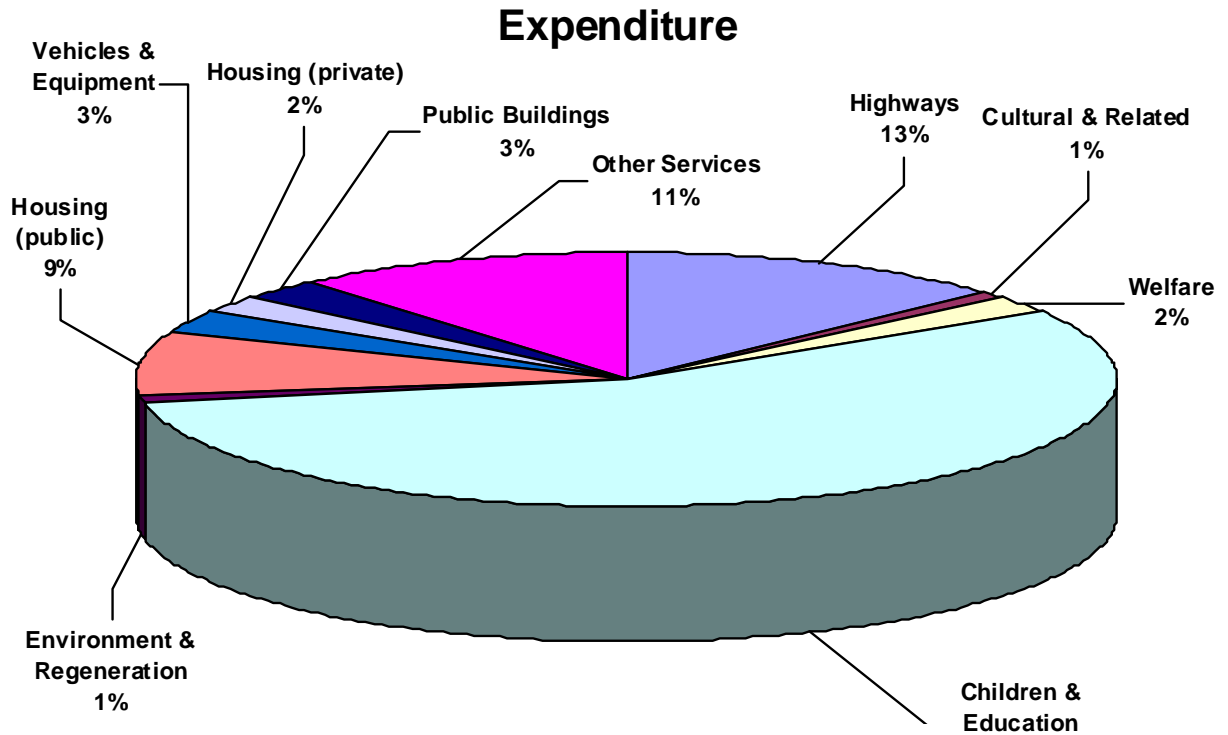
How the money is spent



EXPLANATORY FORWARD BY THE HEAD OF CORPORATE FINANCE

Capital Expenditure and Financing 2009-10

The Council spent £117.2 million on the provision or refurbishment of its assets during 2009-10. This investment covers all the Council's services including schools, social services, public buildings, housing stock (both private and public sector) and highways. The total spent on services and the way, which it was financed, is shown on these charts.



STATEMENT OF ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the council's financial transactions for the 2009/10 year and its position at the year-end of 31 March 2010. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice* [the SORP]. The general principles adopted in compiling the accounts are those recommended by the Chartered Institute of Public Finance and Accountancy and meet the requirements of proper accounting practice for local authorities, including the requirements of the Accounts and Audit Regulations 2003, as amended.

2. Accounting Policy

The Council has reviewed its accounting policies in accordance with the requirements of FRS 18 (Accounting Policies), which sets out the principles to be adopted and disclosures that are required with the Statement of Accounts. An assessment has also been made in accordance with FRS 18 as to the relevance, comparability and appropriateness of the Statement of Accounts.

The main change to the accounting policy for 2009/10 is in connection with the Collection Fund, where the amount now included in the Income and Expenditure Account is the accrued income for the year, sooner than the amount required to be transferred under regulation. An adjustment is then made in the Statement of Movement in General Fund Balances. The share of debtor and creditor balances attributable to the major preceptors are now included in a balance for the preceptor, not within the Council's debtors and creditors.

In addition the SORP now requires the Council as a billing authority to show its National Non-Domestic Rates transactions as an agency arrangement.

The 2009 SORP requires authorities to account for assets constructed under the Public Finance Initiative (PFI) in accordance with International Financial Reporting Standards. The Council does not have any completed PFI schemes and hence this statement does not cover an accounting policy for assets constructed this way.

3. Accruals of Income and Expenditure

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

- Income due to be collected from customers for fees, charges and rents is accounted for in the year that the relevant goods or services are supplied.
- Goods and services procured by the council are accounted for when consumed, which is normally when they are delivered, where there is a

STATEMENT OF ACCOUNTING POLICIES

- gap between delivery of goods and consumption, the value of the goods is carried on the balance sheet as stock.
- Works undertaken are charged as expenditure when they are complete and are carried as work in progress on the balance sheet until completion.
 - Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate, rather than the actual cash flow.
 - Where income and expenditure have been recognised in the accounts, but the cash transaction has not yet happened, a debtor or creditor will be recorded in the Balance Sheet for the relevant amount. For debtors where it is doubtful that the amount due will be received, the balance is reduced and a charge is made to revenue for the income that may not be collected.

4. Provisions

Provisions are raised and recognised in the accounts where there is an obligation at the balance sheet date, but actual cost and timing of the payment are uncertain. They are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation and are based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Provisions held are reviewed every year and where it becomes likely that they will not be required, the provision is reversed and credited back to the relevant service account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

5. Reserves

The Council has set aside specific amounts as reserves. These are for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance (SMGFB). When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year, so that it is included in the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the SMGFB, so that there is no net charge against council tax for the expenditure in that year.

Some reserves are kept for accounting purposes and are not available resources to the Council. These reserves are explained further in the policies below and include the Capital Adjustment Account, the Financial Instruments Adjustment Account, the Revaluation Reserve and the Pensions Reserve.

6. Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income on the date that the Council satisfies the conditions of entitlement to the grant or contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

7. Retirement Benefits

Employees of the council are members of two separate pension schemes:

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

Both 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 to the council. The scheme is therefore accounted for as if it were a defined contributions scheme - no liability for future payments of benefits is recognised in the Balance Sheet and the Children's Services service revenue account 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 benefits 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 earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bonds).
- The assets of Bedfordshire Pension Fund attributable to the council are included in the Balance Sheet at their fair value:
 - quoted securities - bid value
 - unquoted securities - professional estimate
 - unitised securities - bid value
 - property - market value.

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- The change in the net pensions liability is analysed into seven components:
- current service cost - the increase in liabilities as a result of years of service earned in this year - allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
 - past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
 - interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to Net Operating Expenditure in the Income and Expenditure Account
 - expected return on assets - the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return credited to Net Operating Expenditure in the Income and Expenditure Account
 - gains/losses on settlements and curtailments - the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
 - 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 - debited to the Statement of Total Recognised Gains and Losses
 - contributions paid to the Bedfordshire Pension Fund - cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the Pension Fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

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.

STATEMENT OF ACCOUNTING POLICIES

8. Value Added Tax (VAT)

All VAT collected is payable to HM Revenue and Customs (HMRC) and is not included in the accounts. The Council is able to recover VAT paid from HMRC on nearly all its expenditure, so the only VAT included in the accounts is that which is irrecoverable.

9. Overheads and Support Services

In accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice, 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 area 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, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

10. Intangible Fixed Assets

Expenditure on assets that do not have physical substance, but are identifiable and controlled by the Council is capitalised when it will bring benefits to the council for more than one financial year. The Council does not currently have any such assets.

11. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition

All expenditure on the acquisition of, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the authority and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets that is charged direct to service revenue accounts. Capital Expenditure on existing assets that does not add value to the asset is written out to revenue in the year it is incurred.

STATEMENT OF ACCOUNTING POLICIES

Measurement

Fixed assets are capitalised if they are capable of being used for more than one year and individually have a cost of at least £5,000. They are also capitalised if collectively they have a cost of at least £5,000, where the assets are functionally interdependent, they had broadly simultaneous purchase dates and expected disposal dates and are under single managerial control. Fixed assets are initially valued at cost and then valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS) and in accordance with guidance from the Department of Communities and Local Government (DCLG) when appropriate. Fixed assets are classified into the groupings required by the Code of Practice on Local Authority Accounting.

- For operational properties the valuation has been arrived at by reference to one of the following bases:
 - *open market value for existing use*,
 - *existing use for social housing* for council dwellings on the basis laid down by the DCLG, i.e. open market value less a specified notified percentage known as the social housing discount.
 - *depreciated replacement cost* i.e. the cost of reconstructing the building on a replica basis less accumulated depreciation, where the asset is of a specialised nature or where there is no evidence of market value of suitably comparable properties having regard to the prospect and viability of continuing occupation.
- Non-operational properties have been valued on an *open market value* basis.
- Infrastructure assets are included in the balance sheet at *historical cost net of depreciation*.
- Community assets are included in the balance sheet at *historic cost* and are not depreciated.

Surpluses from the revaluation of fixed assets are recorded in the Revaluation Reserve. Revaluations are planned on a rolling five yearly interval, although material changes to asset valuations will be adjusted in the interim period as they are identified. 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

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise this is accounted for depending on the nature of the impairment. Where the impairment is attributable to the clear consumption of economic benefits, the loss is charged to the relevant service revenue account. All other impairments are written off against any revaluation gains attributable to

STATEMENT OF ACCOUNTING POLICIES

the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure account as clear consumption of economic benefit, any accumulated revaluation gains in the Revaluation Reserve for that asset, up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

Income from the disposal of fixed assets is accounted for on an accruals basis. When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

A proportion of receipts relating to housing disposals is payable to the Government under the Local Authorities (Capital Finance and Accounting (England) Regulations 2003.

The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

Depreciation

Depreciation is charged to the Income and Expenditure Account on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:

- In accordance with FRS15 (Tangible Fixed Assets), all tangible fixed assets are depreciated on a straight-line basis over their estimated useful lives except for land, which is not depreciated, and the exceptions outlined below. Assets are depreciated over forty years, unless a different period is advised by the Council's Valuer.
- In accordance with CIPFA guidelines the Housing Revenue Account is charged an amount equivalent to the depreciation on Council dwellings, by way of the Major Repairs Allowance. Other Housing properties are depreciated in the normal manner
- Infrastructure is depreciated on the straight-line method using asset lives of up to forty years.

STATEMENT OF ACCOUNTING POLICIES

- Vehicles and Equipment are depreciated on a 25% reducing balance method.
- newly acquired assets are depreciated from the mid point of the year, although assets in the course of construction are not depreciated until the year in which they are brought into use.

The Income and Expenditure Account, therefore fully reflects the use of assets and the consumption of their economic benefits in the provision of services.

Foundation and Voluntary Schools are not included in the Council's fixed assets as the Governing body is in the main responsible for the asset. Therefore there are depreciation charges in respect of these buildings.

Grants and Contributions

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to balance depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

12. Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.

The Council is not required to raise council tax to cover depreciation and impairment losses. However, it is required to make an annual provision from revenue to contribute towards the repayment of debt. Depreciation and impairment losses are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two. The Council calculates the minimum revenue provision in accordance with regulations and statutory guidelines. This includes guidelines issued in March 2008 requiring authorities to prepare a statement of policy on making a prudent minimum revenue provision. In this regard, the Council is using the Regulatory method, a charge of 4% per annum of the amount outstanding for all new supported borrowing and for capital expenditure prior to 31 March 2007, except where an additional voluntary revenue provision was made previously. In those cases, the voluntary provision will be continued for the expected life of the asset. For existing and new borrowing after 31 March 2007 not supported by government, the Council makes an estimate of the life of the asset and writes off the debit in

STATEMENT OF ACCOUNTING POLICIES

equal instalments over each year of the asset's life. In the case of major new assets with an extended construction period, the Council will only make a minimum revenue provision in the year following the asset being brought into use.

13. Revenue Expenditure Funded from Capital under Statute

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

14. Leases

There are no finance leases and the Council's policy is not to enter into any new leases, regardless of type. Schools are only allowed to enter in to operating leases.

Rentals payable under operating leases are charged to revenue on an accruals basis. Where the Council acts as a lessor, annual rentals are included as revenue income within the accounts of the relevant service.

15. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account 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 Income and Expenditure Account 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 Income and Expenditure Account, regulations allow the impact on the General Fund Balance

STATEMENT OF ACCOUNTING POLICIES

to be spread over future years. The council has a policy of spreading the gain/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 Income and Expenditure Account 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 Statement of Movement on the General Fund Balance.

16. Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

The Council has not made any soft loans.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account. Any gains and losses that arise on de-recognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g., dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

STATEMENT OF ACCOUNTING POLICIES

- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on de-recognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

17. Stocks and Work in Progress

Stocks and stores held at the year-end are included in the accounts on the basis of the lower of cost or net realisable value. Work in Progress is valued at cost including an allocation of overhead expenses.

18. Interests in Companies and Other Entities

The Council has a material interest in a company that has the nature of a subsidiary. In the council's own single-entity accounts, the interest in that company is recorded as an investment, held at historic cost. The Council also has interests in a number of other companies which have the nature of a simple investment.

19. Group Accounts

Basis of Consolidation

The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Council and London Luton Airport Limited.

Accounting Policies

The financial statements in the Group accounts are prepared in accordance with the policies set out in the rest of the Statement of Accounting Policies above, except in areas where different statutory rules cause different accounts polices to be applied, which particularly effects accounting for capital transactions. There are no transactions between the Group Income and Expenditure Account and the Capital Adjustment Account in relation to charges for fixed assets held by London Luton Airport Limited.

ACCOUNTING STATEMENTS

Income and Expenditure Account

This account summarises the resources that have been generated and consumed in providing services and managing the council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

2008-09 Net Expenditure £000s		Gross Expenditure £000s	2009-10 Gross Income £000s	Net Expenditure £000s	Note
2,068	Central Services to the public	3,153	(1,584)	1,569	
214	Court Services	218	-	218	
31,920	Cultural, environmental, regulatory and planning services	52,084	(14,328)	37,756	
57,353	Education and children's services	255,740	(188,584)	67,156	
15,734	Highways and transport services	19,541	(4,702)	14,839	
47,926	Local authority housing (HRA)	38,039	(34,321)	3,718	
5,646	Other housing services	102,517	(96,403)	6,114	
48,186	Adult Social Care	78,501	(25,224)	53,277	
9,664	Other corporate costs	34,433	(26,959)	7,474	
218,711	Net Cost of Services	584,226	(392,105)	192,121	
(775)	(Gain)/Loss on disposal of fixed assets	-	(638)	(638)	
(5,300)	Dividend from subsidiary	-	(5,500)	(5,500)	13
8,924	Interest payable and similar charges	6,068	-	6,068	
934	Contribution of housing capital receipts to government pool	1,155	-	1,155	
(7,928)	Interest and investment income	-	(3,894)	(3,894)	
9,312	Pension interest cost and expected return on pensions assets	13,678	-	13,678	
-	Prior year adjustment	-	-	-	
223,878	Net Operating Expenditure	605,127	(402,137)	202,990	
(59,777)	Demand on the Collection Fund			(61,964)	
1,094	Transfers to/(from) the Collection Fund			1,436	
(20,878)	General Government Grants			(28,323)	
(73,201)	Non-domestic rates redistributed			(70,501)	
71,116	Deficit for the year			43,638	

ACCOUNTING STATEMENTS

Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Accounts and the General Fund Balance.

2008-09 £000s		2009-10 £000s
71,116	Deficit for the year on the Income and Expenditure Account	43,638
(66,829)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(44,844)
4,287	(Increase)/Decrease in General Fund Balance for the year	(1,206)
(18,761)	General Fund Balance brought forward	(14,474)
(14,474)	General Fund Balance carried forward	(15,680)
(7,235)	Amount of General Fund Balance held by governors under schemes to finance schools (in-year increase of £1,641,508)	(8,877)
(7,239)	Amount of General Fund Balance generally available	(6,803)
(14,474)		(15,680)

ACCOUNTING STATEMENTS

Reconciling Items for the Statement of Movement on the General Fund Balance

2008-09 £000s		2009-10 £000s	£000s
	Amounts included in the Income and Expenditure Accounts but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
(67,059)	Depreciation and impairment of fixed assets	(30,503)	
15,433	Government Grants Deferred amortisation	23,627	
(30,326)	Revenue Expenditure Funded from Capital under Statute	(43,221)	
775	Net gain/(loss) on sale of fixed assets	638	
(280)	Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt	(88)	
(608)	Transfer to Collection Fund Adjustment Account	(812)	
(18,170)	Net charges made for retirement benefits in accordance with FRS17	(20,770)	
(100,235)			(71,129)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year		
5,615	Minimum revenue provision for capital financing	6,874	
2,035	Capital expenditure charged in-year to the General Fund Balance/HRA Balance	8,828	
(973)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(1,223)	
15,843	Employer's contributions payable to the Bedfordshire Pension Fund	16,135	
22,520			30,614
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
(1,842)	Housing Revenue Account balance	(1,230)	
12,728	Net transfer to or (from) earmarked reserves	(3,099)	
10,886			(4,329)
(66,829)	Net additional amount required to be credited to the General Fund Balance for the year		(44,844)

ACCOUNTING STATEMENTS

Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2008-09 £000s		2009-10 £000s
71,116	Deficit for the year on the Income and Expenditure Account	43,638
(15,750)	Surplus arising on revaluation of fixed assets	(7,766)
39,565	Actuarial (gains)/losses on pension fund assets and liabilities	179,193
(575)	Other (gains)/losses for the year	(224)
94,356	Total recognised (gains)/losses for the year	214,841

ACCOUNTING STATEMENTS

Balance Sheet – as at 31 March 2010

This shows the financial position of the Council as at 31 March 2010

2009 £000s		£000s	2010 £000s	Note
	Fixed Assets			
	Tangible Fixed Assets			
	Operational assets:			
377,074	Council dwellings	378,339		
310,400	Other land and buildings	309,813		
18,491	Vehicles, plant, furniture and equipment	18,467		
35,987	Infrastructure assets	62,503		
6,105	Community assets	6,201		
	Non-operational assets:			
70,968	Investment properties	58,547		
31,463	Assets under construction	57,205		
5,836	Surplus assets held for disposal	5,220		
856,324	Total fixed assets		896,295	15
77,241	Long-term investments		67,573	
1,608	Long-term debtors		1,289	
935,173	Total long-term assets		965,157	
	Current assets			
236	Stocks and work in progress	282		16
37,607	Debtors	50,219		17
50,479	Investments	48,063		
608	Cash and bank	1,295		
			99,859	
1,024,103	Total assets		1,065,016	
	Current liabilities			
(1,401)	Short-term borrowing	(1,639)		22
(49,653)	Creditors	(72,656)		18
(8,279)	Bank overdraft	(5,098)		
			(79,393)	
964,770	Total assets less current liabilities		985,623	
	Long-term liabilities			
(162,679)	Long-term borrowing		(171,255)	22
(4,036)	Provisions		(4,103)	21
(126,892)	Government grants deferred		(170,327)	20

ACCOUNTING STATEMENTS

2009 £000s		2010 £000s	Note
(1,166)	Deferred liabilities	(954)	
(164,639)	Liability related to defined benefit pension scheme	(348,467)	23
505,358	Total assets less liabilities	290,517	
	Financed by:		
19,951	Revaluation Reserve	27,497	
587,701	Capital Adjustment Account	554,042	
(1,560)	Financial Instruments Adjustment Account	(1,522)	22
(164,639)	Pensions Reserve	(348,467)	
7,900	Capital Receipts Reserve	4,355	
17,361	Deferred Capital Receipts	17,265	
14,474	General Fund Balance	15,680	
2,654	Housing Revenue Account Balance	1,423	
(1,121)	Collection Fund Adjustment Account	(1,933)	
22,637	Earmarked Reserves	22,177	
505,358	Total net worth	290,517	25

David Kempson MA (Oxon), CPFA
 Head of Corporate Finance
 September 2010

ACCOUNTING STATEMENTS

Cash Flow Statement

2008-09			2009-10	
£000s	£000s		£000s	£000s
	18,542	Net cash inflow/(outflow) from operating activities		14,327
		Returns from joint ventures and associates		
		Cash Inflows		
8,143		Dividends received	3,650	
		Returns on investment and servicing of finance		
		Cash Outflows		
(5,914)		Interest paid	(6,145)	
		Cash Inflows		
5,855		Interest received	4,209	
	8,084	Net cash outflow from returns on investments and servicing of finance		1,714
		Capital Activities		
		Cash Outflows		
(46,485)		Purchase of fixed assets	(69,601)	
(13,185)		Purchase of long term investments	(5,000)	
(30,326)		Other capital cash payments	(43,221)	
		Cash Inflows		
5,692		Sale of fixed assets	1,836	
-		Proceeds from long term investments matured in year	14,668	
12,309		Other capital cash receipts	3,388	
35,883		Capital grants received	72,240	
	(36,112)	Net cash outflow from capital activities		(25,690)
	(9,486)	Net cash inflow/(outflow) before financing		(9,649)
		Management of liquid resources		
(22,682)		Net increase/(decrease) in short term deposits	2,416	
-		Net increase/(decrease) in other liquid resources	2,737	
	(22,682)			5,153
		Financing		
		Cash Outflows		
(22,000)		Repayment of amounts borrowed	(33,436)	
		Cash Inflows		
57,179		New loans raised	41,800	
	35,179	Net cash inflow from financing		8,364
	3,011	Increase/(decrease) in cash		3,868

NOTES TO THE ACCOUNTS

1. Dedicated Schools Grant

The Council's expenditure on schools is funded by the Dedicated Schools Grant (DSG) from the Department for Education and Schools. The grant can only be applied to meet net expenditure properly included within the ring-fenced schools budget. The schools budget includes the Individual Schools Budget, which is divided into a budget for each school, and a budget for a range of services provided on an authority wide basis. The two elements are required to be accounted for on a separate basis.

Details of the use of the DSG paid to the Council in 2009-10 are as follows:

2008-09		Central	Individual	Total
£000s		Expenditure	Schools	£000s
		£000s	Budgets	£000s
		£000s	£000s	£000s
129,867	Original Grant Allocated to School Budget for the current year in Council Budget	13,382	122,888	136,270
251	Adjustment to finalised grant allocation	36	-	36
130,118	DSG receivable for year	13,418	122,888	136,306
(129,962)	Actual expenditure for year	(12,784)	(122,888)	(135,672)
156	(Over)/Underspend for the year	634	-	634
140	(Over)/Underspend for prior year	296	-	296
296	DSG (Over)/Underspend carried forward to 2010-11	930	-	930

2. Area Based Grant

In 2008-09, the Local Area Agreement (LAA) grant was replaced by the Area Based Grant (ABG). ABG extended the pooling of former specific, ring-fenced grants within a single block grant total. Luton's ABG for 2009/10 is £11.306 million.

Unlike the LAA grant, ABG is a general grant that is not ring-fenced for specific use; it is available to support total Local Authority expenditure. This gives the Authority and its local partners greater flexibility to decide how best to use the grant in support of local, regional and national service priorities, including those specified in the 3 year Local Area Agreement in place from the start of 2008/09.

NOTES TO THE ACCOUNTS

3. Trading Operations

The Council operates a number of trading operations, details of their performance in 2009-10 are as follows:

2008-09		2009-10		
Net (Surplus)/ Deficit		Gross Expenditure	Income	Net (Surplus) / Deficit
£000s		£000s	£000s	£000s
(299)	Building & Technical Services	14,028	(13,069)	959
3,073	Investment Properties	1,161	(4,096)	(2,935)
(8)	Insurance Services	2,209	(2,228)	(19)
328	Printing	456	(266)	190
(206)	School Meals Service	6,717	(6,891)	(174)
213	Other services	212	(17)	195
3,101		24,783	(26,567)	(1,784)

4. Special Parking Area Account

The Council was designated a Special Parking Area from 1st January 1999 and is required under the Road Traffic Act 1984 and the Traffic Management Act 2004 to keep an account of income and expenditure relating to these responsibilities.

The aims of the scheme are to:

- Ensure that the local road network is safe and free from congestion through the introduction of appropriate restrictions and enforcement
- Reduce pollution and road congestion by encouraging commuters, through appropriate pricing, to switch from the use of private motor cars to walking, cycling and using public transport.
- Improve the environment for residents by removing commuters from residential streets and by helping residents to park close to where they live.
- Enhancing the commercial viability of the town centre by ensuring that shoppers are able to find a convenient place to park and by providing the maximum amount of space on street for car drivers making short term shopping trips.
- Providing adequate convenient parking spaces for disabled drivers.

NOTES TO THE ACCOUNTS

The Special Parking Area Account is summarised as:

2008-09	2009-10		
Net Expenditure £000s	Gross Expenditure £000s	Income £000s	Net (Surplus)/ Deficit £000s
(290)	1,544	(1,752)	(208)

The surplus of £208,000 has been fully spent during the year to support the provision and maintenance of off-street car parking and concessionary fares

5. Publicity Expenditure

Per the requirements of section 5(1) of the Local Government Act 1986, the council's spending on publicity was:

2008-09		2009-10
£000s		£000s
922	Recruitment advertising	649
298	Other advertising	255
705	Marketing and Public Relations Service	824
538	Promotional activities	545
32	Other publicity expenditure	10
2,495		2,283

NOTES TO THE ACCOUNTS

6. Building Control

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. The council sets charges for work carried out in relation to building regulations, with the aim of covering all costs incurred. However, certain activities performed by the Building Control Service cannot be charged for, such as providing general advice and liaising with other statutory authorities. The authority is required to fully recover its costs on chargeable activity over a three-year rolling period. Over the last three years, there is a cumulative surplus of £100,851, compared with a surplus of £114,563 for the three year period to 31 March 2009. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

2008-09 Total Building Control £000s		Chargeable £000s	2009-10 Non- Chargeable £000s	Total Building Control £000s
	Expenditure			
400	Employee expenses	237	181	418
6	Transport	4	2	6
29	Supplies & Services	15	17	32
167	Central & Support Service Charges	92	60	152
1	Capital Financing	-	1	1
603	Total Expenditure	348	261	609
	Income			
(468)	Building regulation charges	(363)	-	(363)
(8)	Miscellaneous income	-	(8)	(8)
(476)	Total Income	(363)	(8)	(371)
127	(Surplus)/Deficit for year	(15)	253	238

7. Agency Income and Expenditure

The council does not act as an agent on behalf of any other local authority or public body.

NOTES TO THE ACCOUNTS

8. Officers Remuneration

The number of council employees (excluding Senior Officers shown below) whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

Remuneration Band	Total	Number of Employees	
		2009-10 Retirements & Redundancies	2008-09 Total
£50,000 to £54,999	62	-	65
£55,000 to £59,999	24	1	20
£60,000 to £64,999	18	2	12
£65,000 to £69,999	8	2	5
£70,000 to £74,999	4	1	2
£75,000 to £79,999	8	1	9
£80,000 to £84,999	7	-	11
£85,000 to £89,999	4	-	2
£90,000 to £94,999	-	-	-
£95,000 to £99,999	2	1	1
£100,000 to £104,999	1	-	3
	138	8	130

The number of employees in the Council's Community Schools whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

Remuneration Band	Total	Number of Employees	
		2009-10 Retirements & Redundancies	2008-09 Total
£50,000 to £54,999	23	-	29
£55,000 to £59,999	26	-	23
£60,000 to £64,999	11	-	9
£65,000 to £69,999	8	-	7
£70,000 to £74,999	5	-	4
£75,000 to £79,999	3	-	6
£80,000 to £84,999	5	1	2
£85,000 to £89,999	1	-	-
£90,000 to £94,999	-	-	-
£95,000 to £99,999	1	-	-
	83	1	80

NOTES TO THE ACCOUNTS

The following table sets out the remuneration disclosures for Senior Officers whose salary is £150,000 or more per year.

Post Holder information	Salary (Including fees & allowances) £	2009-10 Employers Pension Contributions £	Total Remuneration inc. Pension £	2008-09 Total Remuneration inc. Pension £
Chief Executive – K Crompton	141,766	15,818	157,584	165,451
Chief Executive – M Robinson	14,725	-	14,725	-

- Mr K Crompton left the authority on 28 February 2010 and Mr M Robinson joined the authority on 22 February 2010 as the interim Chief Executive pending the appointment of a new Chief Executive.

The following table sets out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year.

Post Holder information	Salary (Including fees & allowances) £	2009-10 Employers Pension Contributions £	Total Remuneration inc. Pension £	2008-09 Total Remuneration inc. Pension £
Corporate Director Housing & Community Living	127,122	15,448	142,570	140,998
Corporate Director Children & Learning	127,122	15,448	142,570	141,480
Corporate Director Environment & Regeneration	127,122	15,448	142,570	142,570
Corporate Director Customer & Corporate Services	127,098	15,446	142,544	139,400
Director of Scrutiny	64,869	7,909	72,778	96,337
Head of Service Corporate Finance	82,350	9,582	91,932	92,047
Head of Service Local Democracy	70,042	8,557	78,599	78,522
Head of Service Planning, Policy & Performance	52,610	5,921	58,531	-

- The Director of Scrutiny retired on 31 December 2009 and will not be replaced; a part year salary is shown for 2009-10.
- The Head of Service for Planning, Policy & Performance joined the Council on 20 July 2009, the post was unfilled up to that point and a part year salary is shown.

NOTES TO THE ACCOUNTS

Details of employees in the Councils Foundation and Voluntary Aided Schools are not included in the tables above, as the employees are employed by the School Governors, not by the Council.

Employees pay contributions to the pension scheme in addition to the employer contributions. Employee contributions are based on salary levels with the Senior Officers detailed in the last two tables above paying contributions of between 7.2% and 7.5% of their salary.

9. Members Allowances

Details of the amounts paid to each Member of the Council are published on the Council's website and annually in the local newspaper, normally in April. The total amount paid to Members was £0.445 million (£0.349 million in 2008/09).

10. Related Party Transactions

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. housing benefits). Details of transactions with government departments are set out in a note relating to the Cash Flow Statement.

Members

Members of the council have direct control over the council's financial and operating policies. During 2009-10 the council did not have any transactions with organisations that Members had a pecuniary interest in.

Officers

During 2009-10 the council did not have any transactions with organisations that Officers had a pecuniary interest in.

Pension Fund

Details of payments made to the Bedfordshire Pension Fund for employer's superannuation contributions are disclosed in Note 23 of these notes.

NOTES TO THE ACCOUNTS

Other Organisations

The Council paid £1.653m to 3 other organisations on which it has Member or Officer representation and which share educational, economic development, social and cultural objectives.

Companies

Details of the council's shareholdings or investments in London Luton Airport Limited, Luton Gateway Limited, Luton Learning & Community Partnership Limited and QED Luton (Challney) Holdings Limited are disclosed in Note 15 of these notes.

11. Health Act 1999 – Pooled Funds and similar arrangements

Section 31 of the Health Act 1999 and the NHS Bodies and Local Authorities Partnership Arrangements Regulations 2000 enable establishment of joint working arrangements between NHS bodies and Local Authorities. Pooled funds enable health bodies and local authorities to work collaboratively to address specific local health issues.

In 2009-10 the council hosted three pooled budgets with NHS Luton; for the provision of equipment and adaptations for people with a disability, for the provision of children's respite services and for the provision of learning disabilities services. The council also hosted a pooled budget with Bedfordshire and Luton Mental Health and Social Care Partnership NHS Trust for the provision of learning disability services.

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

2008-09		2009-10
£000s		£000s
	Community equipment service	
	Gross Funding – Income	
(526)	Luton Borough Council	(479)
(526)	NHS Luton	(479)
(1,052)	Total Gross Funding	(958)
1,052	Expenditure	(958)
-	Over/(Under) spend	-
	Children's respite services	
	Gross Funding – Income	
(679)	Luton Borough Council	(1,062)
(364)	NHS Luton	(397)
(1,043)	Total Gross Funding	(1,459)
1,043	Expenditure	1,674
-	Over/(Under) spend	215

NOTES TO THE ACCOUNTS

2008-09		2009-10
£000s		£000s
	Learning disability services	
	Gross Funding – Income	
(1,555)	Luton Borough Council	(2,159)
(2,983)	NHS Luton	(2,771)
(4,538)	Total Gross Funding	(4,930)
4,538	Expenditure	(4,930)
-	Over/(Under) spend	-
	Learning disability services	
	Gross Funding – Income	
(376)	Luton Borough Council	(330)
(202)	Beds and Luton Partnership NHS Trust	(175)
(578)	Total Gross Funding	(505)
559	Expenditure	505
(19)	Over/(Under) spend	-

In addition there is a pooled budget, hosted by Bedfordshire and Luton Mental Health and Social Care Partnership NHS Trust, for mental health services. The council's contribution to this budget in 2009-10 was £1.68m (£1.61m in 2008-09).

12. Audit Costs

The Audit Commission have appointed Grant Thornton as the auditors of the council. In 2009-10 the council incurred the following fees relating to external audit and inspection:

2008-09		2009-10
£000s		£000s
232	Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	287
50	Fees payable to Grant Thornton for the certification of grant claims and returns	58
282		345
56	Fees payable to the Audit Commission in respect of statutory inspection	18
338	Total	363

13. Interests in Companies

The Council is involved with a number of companies whose assets and liabilities are not included in the Council's single entity accounts. Relevant details of the companies are summarised below.

London Luton Airport Limited

This company is included in the group accounts as a subsidiary. The principal activity of the company is the ownership of airport facilities. In 1998-99 the company entered into a thirty-year concession with London Luton Airport Operations Limited to operate the airport.

The council holds 44,836,999 ordinary £1 shares, equivalent to 100% of the company's share capital and also held debentures totalling £16,921,095 at 31 March 2010. At the year ended 31 March 2010, the company had net assets of £315.928 million (£315.990 at 31 March 2009). The profit before tax was £7.718 million and after tax was £5.776 million (profit before tax £8.457 million and after tax £6.410 million for 2008-09). A dividend of £5.5 million has been declared in 2009-10 and is due to be paid in 2010-11. Debenture interest of £1.291m was payable by the company to the Council during 2009-10.

A copy of the accounts of this company can be obtained from the Corporate Finance Service, Town Hall, Luton, LU1 2BQ.

Luton Gateway Limited

The principal activity of the company is to facilitate the delivery of homes, jobs, economic, social and environmental infrastructure projects to enable sustainable growth across Luton and the Southern Area of Central Bedfordshire. The company was formed as a private limited company without share capital during 2009-10 and has not yet produced a set of accounts. The company is operating on a 'not for profit' basis.

The council is a member of the company, along with Central Bedfordshire Council, the East of England Development Agency and the Homes and Communities Agency.

The company is classed as a simple investment and is not included in the Council's Group Accounts.

NOTES TO THE ACCOUNTS

Luton Learning & Community Partnership Limited

The principal activity of the company is the delivery of school and community facilities within the Borough of Luton. The company was formed during 2009-10 and has not yet produced a set of annual accounts.

The council holds 10 ordinary £1 shares, equivalent to 10% of the company's share capital. The principal shareholder is Wates Construction, with Partnerships for Schools through its Building Schools for the Future mechanism also holding 10% of the shares.

The company is classed as a simple investment and is not included in the Council's Group Accounts.

QED Luton (Challney) Holdings Limited

This is a special purpose vehicle company (SPV) set up to deliver a new Challney Girls School via the Public Finance Initiative (PFI) route. The company was formed during 2009-10 and has not yet produced a set of annual accounts.

The council holds 10 ordinary £1 shares, equivalent to 10% of the company's share capital. The council has also made an initial investment in the company of £286,982 representing 10% of the total investment by the shareholders. The principal shareholder is Wates Construction, with Partnerships for Schools through its Building Schools for the Future mechanism also holding 10% of the shares and equivalent investment.

The company is classed as a simple investment and is not included in the Council's Group Accounts.

14. Intangible Assets

The council does not have any intangible assets. All items previously shown as intangible assets were reclassified in 2007-08.

NOTES TO THE ACCOUNTS

15. Tangible Fixed Assets

(a) Movement of Tangible Fixed Assets

	Operational Assets				Community Assets	Non-Operational Assets	Total
	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Infra-structure Assets			
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Net Book Value at 1 April 2009	377,074	310,400	18,490	35,986	6,105	108,268	856,323
Assets:							
Additions	6,126	733	3,221	13,204	96	49,767	73,147
Disposals	(930)	-	(168)	-	-	-	(1,098)
Revaluations	2,213	1,260	-	-	-	4,319	7,792
Transfers	-	612	-	20,396	-	(21,008)	-
Impairment losses	-	(1,044)	-	-	-	(17,383)	(18,427)
Write-offs	-	-	-	-	-	(2,991)	(2,991)
	384,483	311,961	21,543	69,586	6,201	120,972	914,746
Depreciation:							
Depreciation in the year	(6,144)	(2,148)	(3,076)	(7,083)	-	-	(18,451)
Net Book Value at 31 March 2010	378,339	309,813	18,467	62,503	6,201	120,972	896,295

(b) Tangible Fixed Asset Valuation

Qualified surveyors from the Council's Capital and Asset Management Service (Head of Service – Adrian Piper BSc FRICS IRRV MCMI) have valued properties within the fixed asset portfolio. The valuations have been made in accordance with guidance issued by the Royal Institution of Chartered Surveyors (RICS), which sets out mandatory professional standards in the Appraisal and Valuation Manual. The revaluation of property is scheduled over a five-year rolling programme with approximately 20% of the total portfolio being valued in any one year; in 2009/10 this consisted of 78% of investment properties (by value) and 15% of other land and buildings (by value). In addition all of the housing stock is reviewed annually. The basis for valuation is set out in the statement of accounting policies.

(c) Depreciation Policy

Details of the depreciation policy and any changes can be found in the statement of accounting policies.

NOTES TO THE ACCOUNTS

(d) Analysis of Fixed Assets

	Number as at	
	2009	2010
Council Dwellings	8,217	8,197
Operational Buildings		
Town Hall	1	1
Office Accommodation Buildings	3	3
Depots and Workshops	1	1
Surface Car Parks	10	11
Cemeteries	2	2
Crematorium	1	1
Public Conveniences	11	11
Schools -		
Nursery	6	6
Primary	46	44
Secondary	3	3
Special	3	3
Community Homes for Children	3	3
Youth Justice Centre	1	1
Family Centres	5	5
Community Centres	11	11
Homes for Elderly People	5	4
Homes for People with Learning/Physical Disabilities	2	-
Day Centres for Elderly People	6	6
Day Centres for People with Learning/Physical Disabilities	2	2
Leisure Centres and Pools	6	6
Golf Course with Driving Range	1	1
Athletics Complex	1	1
Museums and Art Galleries (including Admin offices)	3	3
Libraries	6	6
Theatres & Art Centres	2	2
Operational Equipment		
Vehicles	227	252
Moveable Plant	82	104
Other Equipment	228	245
Infrastructure Assets (roads in kilometres)		
Principal 'A' Roads	33	35
B Roads	8	10
C Roads	10	11
Unclassified Roads	436	420
Community Assets		
Parks and Recreation Grounds	20	20
Leisure Gardens	13	13
Field Centre	1	1
Works of Art (items)	103	112
Civic Regalia (items)	3	3
Non Operational Assets – Investment Properties		
Commercial Properties	93	90
Markets	1	1
Non Operational Assets – Surplus Assets		
Strategic Land Holdings (Acres)	7	6

NOTES TO THE ACCOUNTS

16. Stocks and Work in Progress

Stocks and Work in Progress comprise:

2008-09		2009-10
£000s		£000s
	Stocks	
81	Building Works	110
60	Transport Stores	88
40	School Meals	42
31	Other Stocks	23
212		263
	Work in Progress	
24	Other Rechargeable Works	19
236	Total	282
236		282

17. Debtors

The outstanding debtors at 31 March 2010 comprised the following:

2009		2010	
£000s		£000s	£000s
	Collection Fund		
866	Preceptors	1,228	
16,599	Council Tax Payers	16,263	
(11,066)	Provision for Doubtful Debts	(11,742)	5,749
1,920	Housing Revenue Account	2,164	
(1,565)	Provision for Doubtful Debts	(1,651)	513
3,983	Housing Benefits Overpayments	4,595	
(3,010)	Provision for Doubtful Debts	(3,981)	614
-	Temporary Accommodation	5,239	
-	Provision for Doubtful Debts	(4,975)	264
1,375	Other Local Authorities		1,868
16,423	Central Government		26,534
3,904	Associated Company		5,764
6,903	Other Debtors	6,502	
(1,057)	Provision for Doubtful Debts	(835)	5,667
2,332	Payments in Advance		3,246
37,607			50,219

NOTES TO THE ACCOUNTS

The provisions for doubtful debt are analysed as follows:

	Brought Forward	Provision Raised	Written Off	Carried Forward
	£000s	£000s	£000s	£000s
Council Tax Payers	(11,066)	(2,563)	1,887	(11,742)
Housing Tenants	(1,565)	(86)	-	(1,651)
Housing Benefit Overpayments	(3,010)	(971)	-	(3,981)
Temporary Accommodation	-	(4,975)	-	(4,975)
Other Debtors	(1,057)	(86)	308	(835)
	(16,698)	(8,681)	2,195	(23,184)

Prior to 2009-10, the rent due from Temporary Accommodation tenants was only accounted for when received. During 2009-10 a new computer system has enabled the debt to be raised in the accounts and bad debt provision has now been established.

18. Creditors

The outstanding creditors at 31 March 2010 comprised the following:

2009		2010
£000s		£000s
	Receipts in Advance	
(2,282)	Council Taxpayers	(2,347)
(9,066)	Central Government	(18,565)
(440)	Housing Tenants	(544)
(1,923)	Developers	(2,272)
(1,400)	Other	(1,971)
(4,986)	Other Local Authorities	(4,265)
(12,171)	Central Government	(8,241)
(1)	Housing Tenants	(2)
(17,384)	Other Creditors	(34,449)
(49,653)		(72,656)

19. Long Term Contracts

Detailed below are the long-term contracts currently in place within the Council.

Waste Management Facilities

The Council has entered in to a twelve-year contract with Waste Recycling Ltd for waste management facilities. The contract is currently valued at over £6 million per annum and runs from April 2004 to April 2016.

NOTES TO THE ACCOUNTS

Highways Maintenance

The Council has entered in to a ten-year contract with John Crowley (Maidstone) Ltd for highways maintenance services. The contract is currently valued at over £7 million per annum and runs from July 2006 to July 2016.

Temporary Accommodation Services

The Council has entered into a four-year contract with a number of suppliers, for the provision of temporary accommodation. The contracts combined are currently valued at over £3 million per annum and run from November 2008 to October 2012.

Temporary Staff

The Council has entered into a seven-year contract with the Carlisle Group for the managed supply of temporary staff and some elements of permanent recruitment. The contract is currently valued at over £6 million per annum and runs from September 2009 to August 2016.

20. Capital Grants Deferred

These are the contributions received to fund capital expenditure.

The grants and contributions will be written off to revenue on the same basis as the assets they funded are depreciated.

21. Provisions

	Balance at 1 April 2009 £000s	Increases to/New Provisions £000s	Amounts Used/Paid/ Transferred £000s	Balance at 31 March 2010 £000s
Insurance – Uninsured Losses	(1,906)	(714)	1,078	(1,542)
Lancashire Council for baby MB	(788)	-	-	(788)
Other	(1,342)	(1,174)	743	(1,773)
TOTAL	(4,036)	(1,888)	1,821	(4,103)

Insurance – Uninsured Losses

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.

Lancashire Council for baby MB

This provision is in respect of a long running dispute with Lancashire County Council over which authority should bear the placement costs of child M.B. At

NOTES TO THE ACCOUNTS

present Lancashire have paid the costs and are trying to recover them from LBC. In April 2009, the Secretary of State unfortunately found that M.B. does 'belong' to Luton but the legal fight goes on.

Other

These provisions relate to revenue costs for previous years which are expected to be settled in future years, but where the timing and value of the economic transfer is uncertain.

22. Use of Financial Instruments

The balance on the Council's Financial Instruments Adjustment Account consists of the following:

2009 £000s		2010 £000s
(1,348)	Discounts on previous debt restructuring	(1,324)
2,908	Premiums on previous debt restructuring	2,846
<hr/> 1,560 <hr/>		<hr/> 1,522 <hr/>

These values, relating to debt restructuring, have resulted in a movement with the balance sheet from long-term debtors and long-term liabilities to a reserve account. These balances are being written down per statutory requirements, with the General Fund element amortised over the life of the replacement external borrowing and the Housing Revenue Account element amortised over the life of the external borrowing replaced up to a maximum of ten years.

Types of Financial Instruments

The table below shows an analysis of the Council's Financial Instruments as shown on the balance sheet. The table classifies the instruments as either financial liabilities or financial assets.

NOTES TO THE ACCOUNTS

	Long-Term		Current	
	31 March 2010 £000s	31 March 2009 £000s	31 March 2010 £000s	31 March 2009 £000s
Financial liabilities at amortised cost	(171,255)	(162,679)	(53,694)	(44,222)
Total Financial Liabilities	(171,255)	(162,679)	(53,694)	(44,222)
Loans and receivables	31,596	41,583	96,331	86,362
Unquoted equity at cost	37,266	37,266	-	-
Total Financial Assets	68,862	78,849	96,331	86,362

Gains and Losses on Financial Instruments

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

	Financial Liabilities Measured at amortised cost £000s	Financial Assets Loans and receivables £000s	Total £000s
Interest payable and similar charges	5,850	-	5,850
Interest and investment income	-	(3,889)	(3,889)
Write off of premiums and discounts in year	223	-	223
Net loss(gain) for the year on Income and Expenditure Account	6,073	(3,889)	2,184
Amounts by which finance costs calculated in accordance with the SORP are different from the amount calculated in accordance with statutory requirements	(92)	-	(92)
Net loss/(gain) for the year	5,981	(3,889)	2,092

Soft Loans

The Council has no soft loans - that is any loans that it has given to individuals or organisations at zero or lower than the market rate.

NOTES TO THE ACCOUNTS

Fair Value of Assets and Liabilities carried at amortised cost

The fair value of each class of financial assets and liabilities, which are carried in the balance sheet at amortised cost, is disclosed below. The fair value represents what the total amount of repayment on debt should be if the Council had to repay it in 2009-10.

Methods and assumptions in valuation techniques

The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in today's terms. The discount rate used in the NPR calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin, which represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

The Council's treasury management advisers obtained from the market the rates quoted in this valuation on 31 March, using bid prices where applicable. The calculations are made with the following assumptions:

- For PWLB debt, the discount rate is used is the rate for new borrowing
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- The interpolation techniques between available rates have been used where the exact maturity period was not available.
- No early repayment or impairment is recognised
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

Fair value of Liabilities carried at amortised cost

31 March 2009			31 March 2010	
Carrying amount	Fair Value		Carrying amount	Fair Value
£000s	£000s		£000s	£000s
(114,819)	(111,254)	PWLB – maturity loans	(111,628)	(106,558)
(49,261)	(49,319)	LOBO's (Lender Option/Buyer Option Loans)	(61,266)	(67,889)
(34,542)	(34,542)	Trade Creditors	(46,957)	(46,957)
(8,279)	(8,279)	Bank Overdraft	(5,098)	(5,098)
(206,901)	(203,394)	Total Financial Liabilities	(224,949)	(226,502)

Fair value is less than the carrying amount because the Council's portfolio of loans includes a majority of fixed rate loans where the interest payable is lower

NOTES TO THE ACCOUNTS

than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest below current market rates reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

Fair value of Assets carried at amortised cost

31 March 2009			31 March 2010	
Carrying amount	Fair Value		Carrying amount	Fair Value
£000s	£000s		£000s	£000s
608	608	Cash	1,295	1,295
		Deposits with banks and building societies		
		Long-term	29,962	31,854
39,975	42,783	Short-term	48,063	48,221
50,479	50,144	Short-term debtors	46,973	46,976
35,275	35,275	Long-term debtors	1,289	1,289
1,608	1,608			
127,945	130,418	Loans and receivables	127,582	129,635

Unquoted equity investment valued at cost

31 March 2009			31 March 2010	
Carrying amount	Fair Value		Carrying amount	Fair Value
£000s	£000s		£000s	£000s
37,266	37,266	London Luton Airport Limited	37,266	37,266

The Council's investment in London Luton Airport Limited cannot be classified as either a loan or receivable to be carried at amortised cost, or an available for sale to be carried at fair value. The reasons being that the dividends and debentures are not fixed or determinable and it is not the intention of the Council to sell the Airport. In accordance with the SORP, as the Council cannot reliably estimate a fair value, the financial asset has been included at cost.

Nature and extent of risks arising from Financial Instruments

The Council has fully adopted CIPFA's Code of Treasury Management Practices and working with information from treasury management advisers, manages treasury risks actively to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services.

Credit Risk

NOTES TO THE ACCOUNTS

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury management advisers and to restrict lending to a prudent maximum amount for each institution. The Council also has a policy of limiting deposits with institutions to a maximum of £20 million. The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties. The Council makes suitable provisions for non-payment against the estimated maximum exposure to default as set out below.

	Amount outstanding at 31 March 2010	Market Experience of default	Historical Experience of Default of total debt raised	Estimated maximum exposure to default
	£000s	%	%	£000s
Deposits with banks and financial institutions				
AAA rated counterparties	774	0.000		-
AA rated counterparties	49,210	0.000		-
A rated counterparties	-	0.007		-
Govt. backed counterparties	25,000	0.000		-
Trade debtors	6,502		0.5	835
Housing Benefit Overpayments	4,595		75.0	3,981
Council Tax debtors	16,263		2.5	11,742
Housing Tenant debtors	2,164		2.0	1,651
Temporary Accommodation	5,239		2.0	4,975

The Council generally allows thirty days credit for its trade debtors, such that £4.5 million of the £6.5 million outstanding debt is past its due date for payment. The past due amount can be analysed by age as follows:

	£000s
Less than three months	1,862
Three months to one year	1,229
More than one year	1,436
	<u>4,527</u>

Tenant debtors are payable on a fortnightly basis, Council Tax and Non-Domestic Rates are payable on a month-by-month basis and Housing Benefit Overpayments are immediately payable. At 31 March 2010 the past due amounts can be analysed by age as follows:

NOTES TO THE ACCOUNTS

	Council Tax	Housing Benefit Overpayment	Housing Tenants	Temporary Accommodation
	£000s	£000s	£000s	£000s
Less than one year	3,661	1,010	1,172	2,838
More than one year	12,602	3,585	992	2,401
	16,263	4,595	2,164	5,239

The splits for Housing Tenants and for Temporary Accommodation have been estimated.

Debtors

The total Council debtors at 31 March 2010 was £74.7 million. Of this £35.4 million is debt outstanding with other public bodies, such as Government departments, other Local Authorities and the Airport Company and is therefore deemed to have no credit risk and have been excluded from the maximum exposure risk as calculated above. The total non-public sector debt is £39.3 million, of which the Council has set aside a total bad debt provision of £23.2 million against non-payment of this debt. This bad debt provision has been set against each category of debt and not against any individual debtor as no single debtor to the Council is of significant value in its own right. This bad debt provision is made after taking into account the type and aged debt profile of each category of debt, for example, non-domestic ratepayers, council tax and rents. The age profile of these debts have been analysed as above.

Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. Borrowing is taken within the treasury management adviser's guidelines and is phased to ensure that all borrowing does not mature in any financial year. There is a maximum 20% of borrowing maturing in any year. All borrowing is undertaken within the Prudential Code and limits set annually by the Council. Where it is economical to do so rescheduling of borrowing is undertaken.

The maturity structure of financial liabilities is as follows (at nominal value)

NOTES TO THE ACCOUNTS

31 March 2009 £000s	Borrowing Outstanding	31 March 2010 £000s
(114,819)	Public Works Loans Board	(111,628)
(49,261)	Market Debt	(61,266)
(164,080)	Total	(172,894)
(1,401)	Less than 1 year	(1,639)
(10,000)	Between 1 and 10 years	(27,800)
(13,382)	Between 10 and 20 years	(13,382)
(11,297)	Between 20 and 30 years	(997)
-	Between 30 and 40 years	-
(84,400)	Between 40 and 50 years	(85,476)
(10,000)	Between 50 and 60 years	(10,000)
(33,600)	Over 60 years	(33,600)
(164,080)		(172,894)

There are a number of Lender Option Borrower Option Loans with maturities over 40 years, some of which have call dates in the next twelve months.

Interest rate risk

The Council is exposed to interest rate risk in a number of different ways; the uncertainty of interest paid/received on variable rate instruments, the timing of when to enter into fixed financial instruments, the uncertainty of interest rates on debentures owned by the Airport company and the effect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the authority is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Income and Expenditure Account.
- The timing of when to enter in to fixed financial instruments is important to ensure that there is a beneficial effect on the Income and expenditure Account.
- In 1987 the freehold ownership of London Luton Airport was transferred to London Luton Airport Limited, a company wholly owned by the Council. In the initial years the Council made investments, by way of debentures, and a number are linked to variable interest rates. A reduction in interest rates will result in an increased net charge to the Income and Expenditure Account.

NOTES TO THE ACCOUNTS

- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for any assets held at fair value in the Balance Sheet.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. The Council has set an upper limit for variable interest rate exposure of 30% of total borrowing. 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 authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The Corporate Finance service assesses interest rate exposure and that feeds into the setting of the annual budget. This is reviewed throughout the year and is reflecting in the medium term financial plan. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is at fixed or variable rates.

According to this assessment strategy, at 31 March 2010, if interest rates had been 1% higher throughout 2009-10 with all other variables held constant, the financial effect would have been:

Interest Rate Risk	£000s
Increase in interest payable on variable rate borrowing	356
Increase in interest receivable on variable rate investments	(316)
Increase in interest receivable on Airport debentures	(107)
Impact on Income and Expenditure Account	(67)
Share of overall impact debited to HRA	24
Total impact on the General Fund	(43)

Fair Value impact	£000s
Decrease in fair value of fixed rate investment assets	(8,042)
Increase in fair value of fixed rate borrowing liabilities	13,543

(no impact on Income and Expenditure Account or Statement of Recognised Gains and Losses for either)

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

23. Pensions Liability and Reserve

Local Government Pension Scheme

The authority provides retirement benefits as part of its terms and conditions of employment. Whilst these benefits are not payable until the employees retire, the FRS17 accounting standard requires that the commitment to make future pensions payments be recognised.

The Council participates in the Local Government Pension Scheme for employees, which is administered by Bedford Borough Council (Bedfordshire County Council up to 31 March 2009) and is a defined benefit scheme. In addition the Authority has made arrangements for the payment of added years to certain retired employees outside the provisions of the schemes.

Liabilities have been derived by suitable approximate methods from the interim actuarial valuation of the fund carried out by Hymans Robertson at 31 March 2010. The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period. The main assumptions used in the calculation for the Bedfordshire Pension Fund are:

31 March 2009		31 March 2010	
3.1%	Rate of inflation	3.8%	
4.65%	Rate of increase in salaries	5.3%	
3.1% per annum	Rate of increase in pensions	3.8% per annum	
6.9%	Rate for discounting scheme liabilities	5.5%	

In accordance with Financial Reporting Standard No. 17 - Retirement Benefits (FRS17) the Council includes the liability and reserve, as estimated by the Bedfordshire Pension Fund's actuary, on the balance sheet. Information concerning assets, liabilities, income and expenditure related to the fund for its employees is shown below.

NOTES TO THE ACCOUNTS

The Authority's assets and liabilities for the current and previous four accounting periods are:

	31 Mar 10 £m	31 Mar 09 £m	31 Mar 08 £m	31 Mar 07 £m	31 Mar 06 £m
Present value of scheme liabilities	(658.5)	(399.2)	(405.3)	(505.0)	(496.6)
Fair value of scheme assets	310.0	234.6	282.6	330.5	301.0
Surplus/(deficit)	(348.5)	(164.6)	(122.7)	(174.5)	(195.6)
Experience gains/(losses) on liabilities as % of liabilities at balance sheet date	(0.1%)	0.1%	14.2%	(1.1%)	(1.8%)
Experience gains/(losses) on assets as % of assets at balance sheet date	17.6%	(31.8%)	(26.9%)	0.7%	11.2%

Reconciliation of present value of scheme liabilities:

31 March 2009			31 March 2010	
£m	£m		£m	£m
	(405.3)	Scheme liabilities at beginning of year		(399.2)
		Movement in year:		
(10.3)		Current service cost	(8.7)	
(28.1)		Interest cost	(27.5)	
(5.6)		Contributions by scheme participants	(5.5)	
38.7		Actuarial gains and losses	(233.7)	
14.0		Benefits paid	15.0	
1.1		Unfunded benefits paid	1.1	
(3.6)		Past service costs	-	
0.0		Settlements	-	
(0.1)		Curtailments	(0.0)	
	6.1			(259.3)
	(399.2)	Scheme liabilities at end of year		(658.5)

NOTES TO THE ACCOUNTS

Reconciliation of fair value of scheme assets:

31 March 2009			31 March 2010	
£m	£m		£m	£m
	282.6	Scheme assets at beginning of year		234.6
		Movement in year:		
19.2		Expected return on scheme assets	14.2	
(74.6)		Actuarial gains and losses	54.6	
15.9		Contributions by the employer	16.1	
1.1		Contributions in respect of Unfunded Benefits	1.1	
5.5		Contributions by scheme participants	5.5	
(14.0)		Benefits paid	(15.0)	
(1.1)		Unfunded Benefits paid	(1.1)	
0.0		Settlements	0.0	
	(48.0)			75.4
	234.6	Scheme assets at end of year		310.0

Assets in the Bedfordshire Pension Fund are valued at fair value, principally market value for investments, and Luton Borough Council's proportion of the fund consists of:

31 March 2009			31 March 2010	
£m	Long term return		£m	Long term return
126.7	7.0%	Equity Investments	179.8	7.8%
49.2	5.6%	Bonds	68.2	5.0%
18.8	4.9%	Properties	18.6	5.8%
39.9	4.0%	Cash	43.4	4.8%
234.6			310.0	

The extent of the change in financial assumptions does highlight the volatility associated with the valuation of all large pension schemes, in particular the costs of future pension liabilities and the net worth of assets.

Average future life expectancies at age 65 years:

	Males	Females
Current Pensioners	20.8 years	24.1 years
Future Pensioners	22.3 years	25.7 years

Further information can be found in the Bedfordshire Pension Fund's Annual Report, which is available upon request from Pensions Administration, Bedford Borough Council, Borough Hall, Cauldwell Street, Bedford, MK42 9AP.

The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the Bedfordshire Pension Fund administered by Bedford Borough Council for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis and these costs are apportioned to cost centres based on pension costs to current employees. These costs have been determined on the basis of contribution rates that are set to meet 100% of the liabilities of the fund.

In 2009-10 the Council paid an employer's contribution of £16.81 million (£17.12 million 2008-09) representing 13.54% (14.51% 2008-09) of employee's pensionable pay into the Bedfordshire Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the fund's actuary based on triennial actuarial valuations. A formal valuation was made at 31 March 2010. The valuation at 31 March 2010 shows that the assets held were sufficient to cover 47% (59% 2008-09) of the accrued liabilities assessed on an on-going basis. The next formal valuation will be carried out at 31 March 2013.

The estimated Employer's Contributions for the year to 31st March 2011 will be approximately £17.173m.

Teachers Pension Scheme

Pensions for teachers are dealt with under this scheme, which is a national unfunded scheme. The Council is responsible for an employer's contribution towards pension payments, contributions relating to added years as awarded, together with related increases and for a proportion of those granted by the County Council prior to Local Government Reorganisation. Contributions by teachers to the fund are at 6% of pensionable pay.

In 2009-10 the Council paid £8.31 million (£8.03 million 2008-09) to the Teachers Pensions Scheme, which represents 12.85% (12.95% 2008-09) of teachers' pensionable pay. In addition the contribution to added years amounted to £0.74 million (£0.71 million 2008-09), which represents 1.14% (1.15% 2008-09) of pensionable pay.

There is no requirement to calculate or disclose information under FRS17 for the Teachers Pension Scheme.

24. Insurance Reserve

From April 1992, the Council decided to reduce the cost of its external insurance by self-insurance of certain risks. Both external and internal transactions are dealt with through the Insurance Reserve account. For each external policy the level of self-insurance risk varies up to a maximum of £0.1 million for each and

NOTES TO THE ACCOUNTS

every claim. A continued good risk management performance has resulted in charges to policyholders for internal insurance being reduced. A prudent provision is made for possible future costs arising from occurrences during 2009-10, together with finalising transactions for previous years. The Insurance Reserve represents contributions from the General Fund since April 1992 and is held against claims, which may be received in future years.

At 31 March 2009, the reserve stood at £4,301,658. During the year, the balance was increased by £19,344 following the annual review of outstanding insurance risk.

25. Reserves

The Council has a number of reserves on its balance sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practices and others have been set up to earmark resource for future spending plans.

The reserves are summarised below:

	Amount at 31 March 2009 £000s	Movement in Year £000s	Transfers between Reserves £000s	Amount at 31 March 2010 £000s
Capital Adjustment Account	587,701	(35,470)	1,811	554,042
Financial Instruments Adjustment Account	(1,560)	38	-	(1,522)
Revaluation Reserve	19,951	7,766	(220)	27,497
Pensions Reserve	(164,639)	(183,828)	-	(348,467)
Deferred Capital Receipts	17,361	-	(96)	17,265
General Reserve	7,239	(436)	-	6,803
Earmarked General Reserves				
Cremator Mercury	248	123	-	371
Invest to Save	1,974	177	-	2,151
Planning	186	-	-	186
Reorganisation	3,088	(984)	-	2,104
Service Provision	5,987	(2,249)	-	3,738
Specific Risk Management	2,775	-	-	2,775
Swimming Pool	569	(188)	-	381
Recession	772	1,924	-	2,696
Local Partnership	-	460	-	460
Butterfield Profit Share	-	203	-	203
Capital Reserve	6,280	(2,264)	-	4,016
Housing Revenue Account				
Capital Reserve	1,620	214	(1,495)	339
Revenue Reserve	2,444	(1,231)	-	1,213
Major Repairs Reserve	210	-	-	210
Insurance Reserve	4,302	19	-	4,321
Pension Fund Reserve	2,736	55	-	2,791
Schools Reserves	7,235	1,642	-	8,877
Collection Fund Adjustment Account	(1,121)	(812)	-	(1,933)
	505,358	(214,841)	-	290,517

NOTES TO THE ACCOUNTS

Capital Adjustment Account

This reserve is a non-usable reserve. It includes the amount of capital expenditure financed from revenue, capital receipts and grants, and the difference between amounts provided for depreciation and the Minimum Revenue Provision to repay the principal element of external borrowing. Capital outlay, which has been incurred, but does not increase the value of fixed assets reduces the value of the reserve. Where assets are disposed that have a balance in the Revaluation Reserve, a transfer is made to this account.

Financial Instruments Adjustment Account

This account reflects the balance outstanding on premiums and discounts on the early repayment of debt. More details can be found in Note 24.

Revaluation Reserve

This reserve represents the increased valuation of assets since 1 April 2007. Where assets are disposed of which have contributed to the reserve then the balance is transferred to the Capital Adjustment Account.

Pensions Reserve

Information on this reserve is shown in Note 25

Deferred Capital Receipts Account

This account represents capital income still to be received, where deferred payments have been agreed. The balance on the account consists of the following:

2009 £000s		2010 £000s
228	House Purchase Advances	195
155	Sale of Council Dwellings	97
16,921	London Luton Airport Limited – Debentures	16,921
57	Other	52
17,361		17,265

General Reserve

This reserve may be used to finance any General Fund activity or service of the Council. A minimum balance for the reserve is determined each year as part of the budget process and the account should not fall below that figure.

Cremator Mercury

This reserve results for a levy on each cremation to provide for a replacement cremator in 2011, to reduce the level of mercury emissions.

Invest to Save

This specific reserve is to be utilised for initiatives, which will reduce future revenue costs.

Planning

This reserve is required to deal with the uncertainties associated with fluctuating planning income that is affected by economic cycles and the cost of planning enquires.

Reorganisation

This 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 is to enable the Council to pay for such costs, if and when they arise.

Service Provision

This reserve is earmarked for specific budget carry forward requests from 2009-10 to 2010-11, the funding identified for specific short-term growth items as part of the 2009-10 budget process and funds due to be repaid to the operator of the Business Innovation Centre.

Specific Risk Management

Active risk management is increasingly important for all local authorities. 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.

Swimming Pool

This reserve is to be used to fund the initial development costs associated with the construction of a fifty-metre swimming pool.

Butterfield Profit Share

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 activities.

Local Partnership

This reserve holds the unused Local Area Agreement Reward Grant for 2009-10. The funds are earmarked for use by the Local Strategic Partnership for a mixture of revenue and capital projects.

Recession

This reserve is earmarked to help the Council deal with the impact on the local community and potentially on its own budgets of the global downturn currently being experienced.

NOTES TO THE ACCOUNTS

Capital Reserve

The General Fund capital reserve holds contributions from the Income and Expenditure Account to fund capital expenditure. The balance at year-end represents those amounts unapplied during 2009/10. These will be carried forward to fund capital expenditure in 2010/11 and future years.

Housing Revenue Account

The capital reserve, major repairs reserve and the revenue reserve can only be utilised for capital or revenue purposes respectively on the Housing Revenue Account.

Insurance Reserve

This reserve is explained in Note 26 above.

Pension Fund Reserve

This reserve is earmarked for reducing future pension liabilities and will be paid to the Bedfordshire Pension Fund.

Schools Reserves

Schools operating under Local Management Arrangements hold reserves, which are specifically for future use by each individual school and therefore are not available to the Council for general use.

31 March 2009		31 March 2010		
Net £000s		Surplus £000s	Deficit £000s	Net £000s
513	Nursery	539	-	539
4,206	Primary	4,962	(73)	4,889
507	Secondary	531	(265)	266
279	Special	309	-	309
5,505		6,341	(338)	6,003
1,437	Foundation	1,944	-	1,944
293	Central	930	-	930
7,235	Total	9,215	(338)	8,877

Collection Fund Adjustment Account

This represents the deficit on the Collection Fund; more details can be seen in the separate section below.

NOTES TO THE ACCOUNTS

26. Cash Flow Statement

The following notes are provided to give further details of the Council's cash flow.

Reconciliation of Revenue Activities Net Cash Flow

2008-09 £000s		2009-10 £000s	2009-10 £000s
(71,115)	Surplus/(deficit) for year		(43,639)
	Non Cash Transactions		
66,985	Depreciation and Impairment	36,672	
(18,074)	Deferred grants amortised in year	(23,627)	
2,327	Pension fund adjustments	4,635	
608	Transfer to/from Collection Fund adjustment account	812	
1050	Contributions to provisions	67	18,559
	Adjustment for items reported separately on cash flow		
(7,928)	Interest and investment income		(3,894)
(5,300)	Dividends from companies		(5,500)
8,924	Interest payable and similar charges		6,068
30,326	Revenue expenditure funded by capital under statute		43,221
(775)	Gain on the disposal of fixed assets		(638)
3,289	Increase/(decrease) in creditors		21,669
51	(Increase)/decrease in stock and work in progress		(46)
8,174	(Increase)/decrease in debtors		(21,473)
18,542	Revenue Activities Net Cash Flow		14,327

Movement in Liquid Resources

2008-09 Movement £000s		As at 31 Mar 10 £000s	As at 31 Mar 09 £000s	Movement £000s
(3,244)	Short Term Investments	48,063	50,479	(2,416)
(517)	Cash	1,295	608	687
3,528	Bank Overdraft	(5,098)	(8,279)	3,181
(233)	Net Movement	44,260	42,808	1,452

Reconciliation of movement in cash to movement in net debt

2008-09 £000s		2009-10 £000s
(108,987)	Net debt at 1 April	(118,473)
(8,279)	Cash flows	(7,150)
(118,473)	Net debt at 31 March	(125,623)

NOTES TO THE ACCOUNTS

2008-09		2009-10
£000s		£000s
3,011	Increase/(decrease) in cash in the period	3,868
22,682	Cash inflow/(outflow) from management of liquid resources	(2,416)
(57,179)	Cash inflow from new loans raised	(41,800)
22,000	Cash outflow from loans repaid	33,198
(9,486)	Change in net debt	(7,150)
(108,987)	Net debt brought forward	(118,473)
(118,473)	Net debt at 31 March	(125,623)

Analysis of Government Grants

2008-09		2009-10	
£000s		£000s	£000s
(10,190)	Revenue Support Grant		(16,273)
(10,259)	Area Based Grant		(11,306)
(130,118)	Dedicated Schools Grant		(136,306)
(68,786)	Dept. for Work and Pensions - Benefits	(83,668)	
(6,586)	Dept. for Communities and Local Government	(6,380)	
(141)	Dept. for Work and Pensions - Other	(689)	
(31,654)	Dept. for Children, Schools and Families	(36,838)	
(15)	Dept. for Environment, Food and Rural Affairs	(14)	
0	Dept. for Transport	(109)	
(1,333)	Home Office	(647)	
(1,249)	Dept. of Health	(1,145)	
(10)	Office for National Statistics	(3)	
0	Housing and Communities Agency	(419)	(129,912)
(260,341)			(293,797)

NOTES TO THE ACCOUNTS

27. Capital Expenditure

2008-09		2009-10
£000s		£000s
58,534	Capital Expenditure and Revenue Expenditure funded from Capital under Statute	117,235
Financed by:		
28,681	Capital Grant	17,195
1,802	General Fund Capital Reserve	8,614
-	HRA Capital Reserve	1,495
5,725	HRA Major Repairs Reserve	6,126
4,808	Other Contributions	44,476
1,496	Prudential Borrowing	20,631
11,304	Supported Borrowing	11,479
4,718	Usable Capital Receipts	682
-	Capital Creditors	6,537
58,534		117,235

28. Significant Commitments under Capital Contracts

At the 31 March 2010 the Council was committed to a number of capital contracts, which will lead to payments after that date of approximately £45.9 million (2008-09 £3.6 million), provision for which has been made in the Council's capital and revenue budgets. The figure is significantly greater than the previous year as a number of major contracts commenced during the year.

29. Leases

The Council operates a number of capital items, mainly vehicles and plant, financed under the terms of operating leases. The Council also has a small number of property operating leases, principally for office accommodation in the Town Centre. In 2009-10 the Council did not enter into any new operating leases. Operating lease payments to lessors in the year totalled £1.10 million (£1.17 million in 2008-09).

The estimated outstanding un-discharged obligations at the end of the year were £3.7 million (£4.8 million at 31 March 2009) in respect of operating leases. In 2010-11 the payment to lessors is estimated to be £3.7 million, £0.34 million for leases expiring in 2010-11 and £3.36 million for leases expiring in later years.

30. Events after the Balance Sheet date

There are no significant events that require reporting.

31. Contingent Liabilities and Gains

The Council is and has been involved in a number of schemes either directly or indirectly where grants are received from external funding agencies, primarily the European Commission, Single Regeneration Budget (SRB) and Lottery. Under the conditions of the grant offered there is a potential for these organisations to claw-back grants in the future if the conditions on which they were offered are not met.

The Council has received a number of claims, which have been lodged with the Employment Tribunal in respect of some specific historic pay arrangements. The Council is in the process of clarifying these matters with the Trade Unions and their solicitors. It is difficult to determine the Council's potential liability and no provision has been made as a reliable estimate cannot be made of the obligation.

32. Prior Period Adjustments

There is a minor restatement of the prior year balances to reflect the changes in accounting for the Collection Fund and for Non-Domestic Rates. There are no other adjustments.

NOTES TO THE ACCOUNTS

33. Net Assets Employed

The following is an analysis of the net assets employed over the various funds of the Council:

2008-09		2009-10
£000s		£000s
167,623	General Fund	(37,511)
305,349	Housing Revenue Account	293,307
28,269	Trading Operations	31,319
4,117	Collection Fund	3,402
505,358		290,517

34. Balance Sheet authorised for issue

The Statement of Accounts was authorised for issue in draft by the Audit and Governance Committee on 22 June 2010 and in a final version on 22 September 2010.

HOUSING REVENUE ACCOUNT

Income and Expenditure Account

There is a statutory duty to account separately for local authority housing provision. This account is incorporated in the Council's income and expenditure account.

2008-09 £000s		2009-10 £000s	£000s	Note
	Income			
(26,107)	Dwelling rents	(27,325)		
(940)	Non-dwelling rents	(918)	(28,243)	
	Charges for services and facilities:			
(3,093)	Tenants	(3,009)		
(544)	Leaseholders	(534)		
(372)	Contributions towards expenditure <i>(re items shared by the whole community)</i>	(382)	(3,925)	
(31,056)	Total Income		(32,168)	
	Expenditure			
9,613	Repairs and maintenance	9,702		
7,083	Supervision and management	7,229		
3,359	Rents, rates, taxes and other charges	3,529		
5,594	Negative Housing Revenue Account subsidy payable	5,291		9
52,705	Depreciation and impairment of fixed assets	9,642		7-8
42	Debt Management Costs	33		
312	Increase in bad debt provision	169		
-	Sums directed by the Secretary of State that are expenditure in accordance with UK GAAP	-		
78,708	Total Expenditure		35,595	
47,652	Net Cost of HRA Services as included in the whole authority Income and Expenditure Account		3,427	
274	HRA services share of Corporate and Democratic Core		291	
47,926	Net Cost of HRA Services		3,718	
(407)	Gain on disposal of HRA fixed assets		(591)	
617	Interest payable and similar charges		733	
117	Amortised Premiums and Discounts		130	
(291)	Interest and investment income		(152)	
-	Pensions interest cost and expected return on pension assets		-	
47,962	(Surplus)/Deficit for the year on HRA Services		3,838	

HOUSING REVENUE ACCOUNT

Statement of Movement on the HRA Balance

2008-09 £000s		2009-10 £000s
47,962	(Surplus) or deficit for the year on the HRA Income and Expenditure Account	3,838
(46,121)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(2,607)
1,841	(Increase) or decrease in the Housing Revenue Account Balance	1,231
(4,285)	Housing Revenue Account surplus brought forward	(2,444)
(2,444)	Housing Revenue Account surplus carried forward	(1,213)

Note to the Statement of Movement on the HRA Balance

2008-09 £000s		2009-10 £000s	2009-10 £000s
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
(44,757)	Adjustment for impairment of Council Dwellings	(90)	
(1,795)	Other differences between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	(3,242)	
407	Gain or loss on sale of HRA fixed assets	591	
47	Net charges made for retirement benefits in accordance with FRS17	170	
(46,098)			(2,571)
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
(256)	Transfer to/(from) Major Repairs Reserve	(250)	
233	Capital expenditure funded by the HRA	214	
(23)			(36)
(46,121)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year		(2,607)

HOUSING REVENUE ACCOUNT

Notes to the Housing Revenue Account

1. Housing Stock

Number of Dwellings 31 March 09	Type of Dwelling	Number of Dwellings 31 March 10
	Purpose Build Dwellings	
	Houses and Bungalows	
125	1 Bedroom	125
747	2 Bedrooms	744
2,759	3 Bedrooms	2,747
131	4 or more Bedrooms	131
	Flats	
2,453	1 Bedroom	2,448
1,639	2 Bedrooms	1,637
243	3 Bedrooms	245
120	Acquired Dwellings	120
8,217	Total	8,197

2. Asset Values

31 March 09 £000s	Type of Asset	31 March 10 £000s
377,074	Dwellings	378,339
5,708	Other Land and buildings	5,651
228	Equipment	238
4,221	Non-Operational Assets	4,222
387,231	Total	388,450
45.8	Average value of dwellings	46.2

3. Vacant Possession Values

The vacant possession value of dwellings as at 1 April 2009 is £819.7 million (£919.3 million as at 1 April 2008). 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.

HOUSING REVENUE ACCOUNT

4. 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.

An analysis of the movement on the Major Repairs Reserve is as follows:

2008-09 £000s		2009-10 £000s
-	Balance as at 1 April	210
	Transfer to MRR during the financial year	
5,935	Depreciation on HRA dwellings	6,126
256	Depreciation on other HRA assets	250
	Transfer to HRA during the financial year	
(256)	Depreciation on other HRA assets	(250)
(5,725)	Transfer from MRR during the financial year in respect of capital expenditure on	(6,126)
210	Balance as at 31 March	210

5. Capital Expenditure

Total capital expenditure within the Housing Revenue Account and its funding is shown in the table below.

2008-09 £000s		2009-10 £000s
7,481	Capital Expenditure	9,377
	Funded from:	
-	Capital Reserve	1,495
5,725	Major Repairs Reserve	6,126
1,756	Supported Borrowing	1,756
7,481		9,377

HOUSING REVENUE ACCOUNT

6. Capital Receipts

The following capital receipts were received:

2008-09 £000s		2009-10 £000s
1,147	Sale of Council Houses <i>(receipts less administrative expenses)</i>	1,471
80	Shared Ownership – sale of additional shares	50
32	Recovered Discount	11
70	Mortgage Receipts	58
-	Disposal of other interest in land	4
1,329	HRA Receipts in Year	1,594
(934)	Less: Statutory Pooling	(1,155)
395	Total usable HRA receipts in the year	439

7. Depreciation

The total charges for depreciation for the land, houses and other property within the HRA were as follows:

2008-09 £000s		2009-10 £000s
	Operational Assets	
5,954	Dwellings	6,143
161	Other Land and Buildings	165
76	Vehicles, Plant and Equipment	67
6,191		6,377

8. Impairment

Following significant impairment charged to the HRA in the 2008-09 financial year, reflecting the significant drop in property values throughout the economy, a further small impairment is recorded for 2009-10 for other land and buildings. No asset has been impaired due to economic consumption. In addition, capital expenditure, which did not add value to the housing stock, is also recorded as impairment. Details are as follows:

HOUSING REVENUE ACCOUNT

2008-09		2009-10
£000s		£000s
	Operational Assets - Impairment	
44,758	Dwellings	-
-	Other Land and Buildings	90
	Operational Assets – Non-enhancing capital expenditure	
1,756	Dwellings	3,175
46,514		3,265

9. Government Subsidy

The HRA Subsidy system is designed by government to capture housing surpluses from those authorities that have assumed revenues from their council housing that exceed their assumed costs (surplus authorities) and provide housing subsidy to those authorities that are assumed to need it to run their council housing. The council falls into the first category and pays “negative subsidy” to central government, the payment was calculated as follows:

2008-09		2009-10
£000s		£000s
(4,859)	Management	(4,938)
(9,045)	Maintenance	(9,508)
(5,935)	Major Repairs	(6,126)
(1,667)	Charges for Capital	(1,670)
27,204	Rent Receivable	27,518
19	Interest on Receipts	15
(123)	Prior period adjustment	-
5,594		5,291

10. Pensions Reserve

The transfer to the Pensions Reserve in respect of the Housing Revenue Account is £170,014. Details of the background to and reasons for this adjustment may be found in note 25 to the Core Financial Statements.

11. Rent and Arrears

With effect from April 2003, Rents of dwellings were calculated in accordance with Government guidelines on Rent Restructuring. “Formula Rents” are based partly on the relative capital value of the property, partly on average manual earnings in the surrounding area and partly on the number of bedrooms. In 2009-10 charges increased by an average of £1.96 per week.

HOUSING REVENUE ACCOUNT

Type of Dwelling	Weekly Rents (50 week year)		
	Lowest £	Highest £	Typical £
Purpose Build Dwellings			
Houses and Bungalows			
1 Bedroom	40.66	72.99	59.64
2 Bedrooms	56.55	88.84	69.67
3 Bedrooms	60.37	91.83	77.41
4 or more Bedrooms	74.92	99.94	88.18
Flats			
1 Bedroom	31.23	69.34	51.48
2 Bedrooms	42.35	78.20	64.38
3 Bedrooms	69.95	74.14	81.40

Rent arrears at 31 March 2010 were £2.164 million (£1.912 million at 31 March 2009), against which a provision for bad debt of £1.651 million (£1.565 million at 31 March 2009) has been made.

COLLECTION FUND

Income and Expenditure Account

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to non-domestic rates and the council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

2008-09 £000s		2009-10 £000s	£000s	Note
	Income			
(60,006)	Income from council tax		(61,716)	2
	Transfers from the General Fund			
(12,238)	Council Tax benefits		(14,282)	
(67,429)	Income collectable from business ratepayers		(65,942)	1
	Contributions towards previous year's Collection Fund deficit			
(486)	Luton Borough Council	(623)		
(58)	Bedfordshire Police Authority	(78)		
(36)	Bedfordshire and Luton Combined Fire Authority	(46)		
			<u>(747)</u>	
(140,253)	Total Income		(142,687)	
	Expenditure			
	Precepts and Demands			
59,777	Luton Borough Council	61,963		
7,493	Bedfordshire Police Authority	7,762		
4,367	Bedfordshire and Luton Combined Fire Authority	4,508		
			<u>74,233</u>	3
	Business Rate			
67,166	Payment to national pool	65,677		
263	Costs of collection	265		
			<u>65,942</u>	
	Bad and doubtful debts			
444	Write-offs	1,361		
1,475	Provisions	2,124		
			<u>3,485</u>	
140,985			143,660	
	Movement on fund balance			
732	Deficit for year		973	
612	Deficit brought forward		1,344	
1,344	Deficit carried forward		2,317	

COLLECTION FUND

1. Income from Business Rates

There is a national system for Business rates, also known as Non-domestic 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.

The money due to be collected is paid into a national pool, after certain allowable deductions are taken into account including the provision for non-payment and the granting of reductions for the relief of charities. In return the Council receives a contribution from the pool based on its assessed need.

The total non-domestic rateable value at 31 March 2010 was £157.6 million (£159.4 million at 31 March 2009). The rating multiplier set by central government was 48.5p per £ (46.2p per £ in 2008-09).

2. Income from Council Tax

The Council's tax base for 2009-10 was 55,220. 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.

Full details are as follows:

Band	Value at April 1991 £	Number of dwellings October 2008	Proportion of Tax 9ths	Band D equivalent	Council Tax £
A	Under 40,000 <i>(entitled to disabled relief)</i>	15	5	7.1	746.84
A	Under 40,000	14,762	6	8,382.0	896.21
B	40,000 – 52,000	25,066	7	17,760.9	1,045.57
C	52,000 – 68,000	21,179	8	17,495.1	1,194.94
D	68,000 – 88,000	7,365	9	6,941.5	1,344.31
E	88,000 – 120,000	3,322	11	3,896.8	1,643.05
F	120,000 – 160,000	1,028	13	1,430.4	1,941.78
G	160,000 – 320,000	248	15	391.3	2,240.52
H	Over 320,000	20	18	31.0	2,688.62

Tax base for Revenue Support Grant purposes

56,336.1

Tax base for setting Council Tax

55,220

(assumes 97.5% collection rate and an increase of 300 properties in year)

COLLECTION FUND

3. Precepts and Demands on the Collection Fund

The following precepts and demands were made on the Collection Fund:

2008-09 £000s		2009-10 £000s
59,777	Luton Borough Council	61,963
7,493	Bedfordshire Police Authority	7,762
4,367	Bedfordshire and Luton Combined Fire Authority	4,508
71,637		74,233

4. Collection Fund Deficit

At the time of setting the 2010-11 budget, there was an estimated deficit of £1,705,000 (2009-10 deficit of £747,000 and 2008-09 deficit of £580,000) on the Collection Fund. This was apportioned between those making precepts and demands on the Collection Fund as follows:

2008-09 £000s		2009-10 £000s	2010-11 £000s
486	Luton Borough Council	623	1,423
58	Bedfordshire Police Authority	78	178
36	Bedfordshire and Luton Combined Fire Authority	46	104
580		747	1,705

The actual deficit at the 31st March 2010 has been apportioned between those making precepts and demands on the Collection Fund as follows:

2009 £000s		2010 £000s
1,122	Luton Borough Council	1,934
141	Bedfordshire Police Authority	243
81	Bedfordshire and Luton Combined Fire Authority	140
1,344		2,317

GROUP ACCOUNTS

Group Income and Expenditure Account

This shows the consolidated income and expenditure for the Council and its subsidiary company, London Luton Airport Limited.

2008-09 Net Expenditure £000s		Gross Expenditure £000s	2009-10 Gross Income £000s	Net Expenditure £000s
170,785	Continuing Operations – General Fund	546,186	(357,784)	188,402
47,926	Housing Revenue Account	38,039	(34,321)	3,718
(10,036)	Gross Profit before tax – London Luton Airport Limited	12,809	(21,803)	(8,994)
208,675	Net Cost of Services	597,034	(413,908)	183,126
(775)	(Gain)/Loss on disposal of fixed assets	-	(638)	(638)
8,924	Interest payable and similar charges	6,068	-	6,068
934	Contribution of housing capital receipts to government pool	1,155	-	1,155
(6,349)	Interest and investment income	-	(2,618)	(2,618)
9,312	Pension interest cost and expected return on pensions assets	13,679	-	13,679
2,047	Taxation of group entities	1,952	-	1,952
222,768	Net Expenditure	619,888	(417,164)	202,724
(59,777)	Demand on the Collection Fund			(61,964)
1,094	Transfers to/(from) the Collection Fund			1,436
(20,878)	General Government Grants			(28,323)
(73,201)	Non-domestic rates redistributed			(70,501)
70,006	Deficit for the year			43,372

GROUP ACCOUNTS

Reconciliation of the Single Entity Deficit to the Group Deficit

2008-09		2009-10
Net		Net
Expenditure		Expenditure
£000s		£000s
71,116	Deficit for the year on the Income and Expenditure Account	43,638
	Less:	
5,300	Subsidiary dividend income and any other distributions from subsidiary included in the single entity deficit	5,500
	Add:	
(6,410)	Surplus arising from subsidiary included in group accounts	(5,766)
70,006	Group deficit for the year	43,372

Statement of Total Recognised Gains and Losses

2008-09		2009-10
£000s		£000s
70,006	Deficit for the year on the Income and Expenditure Account	43,372
(115,750)	Surplus arising on revaluation of fixed assets	(7,766)
39,442	Actuarial (gain)/loss on pension fund assets and liabilities	179,649
(540)	Any other gains and losses for the year	(352)
(6,842)	Total recognised (gains)/losses for the year	214,903

GROUP ACCOUNTS

Balance Sheet

This shows the consolidated assets and liabilities for the Council and its subsidiary company, London Luton Airport Limited as at 31 March 2010.

2009		2010
£000s		£000s
1,191,324	Tangible Fixed Assets	1,231,295
39,975	Long Term Investments	30,307
1,608	Long Term Debtors	1,289
1,232,907	Total Long Term Assets	1,262,891
90,106	Current Assets	101,198
(65,032)	Current Liabilities	(85,071)
1,257,981	Total Assets less Current Liabilities	1,279,018
(162,679)	Borrowing repayable within a period in excess of 12 months	(171,255)
(2,768)	Deferred Liabilities	(2,869)
(126,892)	Capital Grants Deferred	(170,327)
(164,639)	Pensions Liability	(348,467)
801,003	Net Assets	586,100
	Financed by:	
791,110	Capital Adjustment Account	757,451
(1,560)	Financial Instruments Adjustment Account	(1,522)
119,951	Revaluation Reserve	127,497
440	Deferred Capital Receipts	344
(164,639)	Pensions Reserve	(348,467)
55,701	Fund Balances and Reserves	50,797
801,003	Total Net Worth	586,100

GROUP ACCOUNTS

Cash Flow Statement

2008-09			2009-10	
£000s	£000s		£000s	£000s
	27,961	Net cash inflow/(outflow) from operating activities		23,302
		Returns on investment and servicing of finance		
		Cash Outflows		
(5,914)		Interest paid	(6,145)	
		Cash Inflows		
3,587		Interest received	2,933	
	(2,327)	Net cash outflow from returns on investments and servicing of finance		(3,212)
	(2,047)	Taxation		(1,952)
		Capital Activities		
		Cash Outflows		
(46,485)		Purchase of fixed assets	(69,601)	
(13,185)		Purchase of long term investments	(5,000)	
(30,326)		Other capital cash payments	(43,221)	
		Cash Inflows		
5,692		Sale of fixed assets	1,836	
-		Proceeds from long term investments matured in year	14,668	
12,309		Other capital cash receipts	3,388	
35,883		Capital grants received	72,240	
	(36,112)	Net cash outflow from capital activities		(25,690)
	(12,525)	Net cash inflow/(outflow) before financing		(7,552)
		Management of liquid resources		
(21,682)		Net increase/(decrease) in short term deposits	(84)	
-		Net increase/(decrease) in other liquid resources	2,737	
	(21,682)		2,653	
		Financing		
		Cash Outflows		
(22,000)		Repayment of amounts borrowed	(33,436)	
		Cash Inflows		
57,179		New loans raised	41,800	
	35,179	Net cash inflow from financing		8,364
	972	Increase/(decrease) in cash		3,465

Notes to the Group Accounts

1. Group Income and Expenditure Account

Under the Local Authorities (Companies) Order 1995 there is a requirement to show the effect that Regulated Companies have on the Council's accounts.

London Luton Airport Limited is no longer a controlled company within the Public Airport Companies (Capital Finance) Order 1996, but the accounts are aggregated with the Council's accounts to form the group accounts as the Council effectively owns 100% of the company. The Airport accounts are the only accounts that are aggregated to form the group accounts.

The net deficit before accounting for recognised gains and losses is £43.5 million (£70.0 million net deficit for 2008-09) and this includes the profit of £5.77 million (£6.41 million 2008-09) less the dividend payable of £5.50 million (£5.30 million 2008-09) in relation to the Airport. This results in a net transfer to the profit & loss reserve account on the Airport Accounts of £0.27 million (£1.11 million 2008-09).

2. Group Balance Sheet

The accounts of London Luton Airport Limited are aggregated in the balance sheet and shown on the next page is the balance sheet of the Airport Company. Published Accounts for the Airport Company can be obtained from the Corporate Finance Service (contact details on back page of this document).

The Council's accounts are prepared under the SORP and Statutory requirements, whilst the Airport Accounts are prepared under UK GAAP. As the SORP is based on UK GAAP there are no significant differences in accounting policies.

GROUP ACCOUNTS

London Luton Airport Limited – Balance Sheet

2009			2010	
£000s	£000s		£000s	£000s
		Fixed Assets		
	335,000	Investment Assets		335,000
		Current Assets		
4,365		Debtors	4,291	
-		Investments	2,500	
715		Cash at Bank and in hand	312	
5,080			7,103	
		Current Liabilities		
		Creditors		
(5,567)		Amounts falling due within one year	(7,339)	
	(487)	Net Current Liabilities		(236)
	334,513	Total Assets Less Current Liabilities		334,764
		Creditors		
(16,921)		Amounts falling due after more than one year	(16,921)	
(1,602)		Provisions for liabilities and charges	(1,915)	
315,990		Net Assets	315,928	
		Capital and Reserves		
	44,837	Called up share capital		44,837
	261,996	Revaluation Reserve		261,996
	9,157	Profit and Loss account		9,095
315,990		Total Equity Shareholders Funds		315,928

GROUP ACCOUNTS

3. Reconciliation of revenue/operating activities net cash flow

2008-09 £000s		2009-10 £000s	2009-10 £000s
(70,006)	Surplus/(deficit) for year		(43,372)
	Non Cash Transactions		
66,985	Depreciation and Impairment	36,672	
(18,074)	Deferred grants amortised in year	(23,627)	
2,315	Pension fund adjustments	4,614	
608	Transfer to/from Collection Fund adjustment account	812	
1,050	Contributions to provisions	67	18,538
	Adjustment for items reported separately on cash flow		
(6,348)	Interest and investment income		(2,619)
8,924	Interest payable and similar charges		6,068
30,326	Revenue expenditure funded by capital under statute		43,221
2,047	Taxation		1,952
(775)	Gain on the disposal of fixed assets		(638)
2,954	Increase/(decrease) in creditors		21,605
51	(Increase)/decrease in stock and work in progress		(46)
7,904	(Increase)/decrease in debtors		(21,407)
27,961	Revenue/Operating Activities Net Cash Flow		23,302

STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The Authority 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 this authority, that officer is the Head of Corporate Finance.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Council's constitution states that the Audit and Governance Committee has the duty to approve the Council's statement of accounts. The Accounts and Audit Regulations 2003 introduced a requirement for the member chairing 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 on behalf of the Authority

Councillor M Farooq

Dated: September 2010

The Head of Corporate Finance's Responsibilities

The Head of Corporate Finance is responsible for the preparation of the authority's statement of accounts, in accordance with proper practice as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the SORP').

In preparing this statement of accounts, the Head of Corporate Finance has:

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

The Head of Corporate Finance has also:

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

Signed

David Kempson MA (Oxon), CPFA
Head of Corporate Finance

Dated: September 2010

ANNUAL GOVERNANCE STATEMENT FOR 2009- 10

1. SCOPE OF RESPONSIBILITIES

- 1.1 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 and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 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 is available on our website at:

<http://agendas.luton.gov.uk/cmiswebpublic/Binary.ashx?Document=12773>

or can be obtained from the Council's offices at the following address:
Town Hall, Luton, LU1 2BQ.

- 1.3 This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2003 (as amended) in relation to the publication of a statement on internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 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.
- 2.2 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.

- 2.3 The governance framework has been in place at the Council for the year ended 31 March 2010 and up to the date of approval of the annual report and statement of accounts.

3 THE GOVERNANCE FRAMEWORK – OUTLINE

- 3.1 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.

A. Creating and Communicating the Council's vision

- 3.2 This section describes how the Council's vision for its purpose and the intended outcomes for citizens and service users are identified and communicated.
- 3.3 The Council's vision is set out in our Sustainable Community Strategy (SCS). The Luton Forum, made up of a partnership between the statutory and mainstream agencies, the voluntary and community sector and business representatives, formulated this strategy. The strategy is a long term one and paints a picture of what Luton should be like when someone born in 2008 reaches adulthood (2026).
- 3.4 The Sustainable Community Strategy belongs to residents, partners and providers. It will give us a direction of travel and is an accompanying document to the Local Area Agreement (LAA). The LAA itself focuses on improving the outcomes for local people with four overarching themes against which the public and local communities can test success and see the added value from the LAA.
- 3.5 The LAA is an agreement between the Government and a range of local partners: Luton Borough Council and the PCT, Fire & Rescue, Police, Learning & Skills Council, Voluntary Action Luton, Luton Assembly, the Chamber.
- 3.6 The LAA runs from 2008-09 to 2010-11 and sets out the priorities for a local area and the targets for improvement against those priorities agreed between Central Government – represented by the regional Government Office – and the local partners. The primary objective of an LAA is to deliver better outcomes for local people.

- 3.7 The Council's own corporate plan (CP) for the years 2009-10 to 2011-12 is derived from the Sustainable Community Strategy and sets out what the Council will do to deliver the improvements agreed in the LAA and how it will remain a financially sound and efficient council while doing so.
- 3.8 The vision is communicated through the Council's newsletter, Lutonline, through its plans, management briefings, posters and information on the Internet. There is also communication to staff via newsletters and the intranet.

B. Reviewing the Council's vision

- 3.9 This section explains how the Council's vision is reviewed. The SCS, LAA and CP are monitored through quarterly performance and finance reports to Theme Boards, by a performance management sub-group (PMSG) of the Local Public Service Board (LPSB), the Council's corporate directors and the Executive. Each of the four LAA themes has a performance manager responsible for monitoring LAA, local priority and business critical indicators against agreed annual targets. All responsible officers and partner organisations are responsible for producing robust action plans, which are monitored; performance risk assessments are produced where required and data quality checks undertaken.

C. Ensuring Delivery of Services and the Best Use of Resources

- 3.10 This section explains how the quality of services is measured and how the Council ensures that they are delivered in accordance with its objectives. Further it explains how it is ensured that the services represent the best use of resources.
- 3.11 Service delivery, and the measurement of quality of services, is linked to the Council's objectives through its planning processes. The Corporate Plan objectives are derived from the Sustainable Community Strategy, the Council's medium term planning framework. Departmental Plans are produced setting out how each department will contribute, and work with others, to achieve those objectives. Specific service targets are set in those plans in line with the objectives. Service plans and project plans are also prepared to align with this framework, as are team plans. Objectives for individuals are then linked with those team plans, to ensure consistency of service aims and delivery in line with objectives.
- 3.12 The measurement of quality of services is linked through the same process, with team and service performance indicators and targets being set to reflect their expected contributions to meeting corporate targets. The most important performance measures corporately are determined by the Council's

Corporate Improvement Board, and reported to Executive on a quarterly basis. In addition, there are a series of national performance indicators chosen by the Government for national assessment of the quality and delivery of key local government services, and these are measured and the assessment externally verified as part of the audit process.

- 3.13 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.
- 3.14 The organisational assessment of the Council that was part of the 2009 Comprehensive Area Assessment gave the Council a score of 2 out of 4, which means 'performing adequately'.
- 3.15 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 on the Council's objectives and corporate plan, and prioritized accordingly.
- 3.16 The Council's use of resources has also been externally assessed each year, by the Council's external auditors, in line with national criteria set by the Audit Commission. For 2008-09 in the so-called 'harder test' the Council received a score of 2, or performing adequately. However, the Annual Audit Letter from the external auditors stated that the level 2 covers a wide range of achievement, and that the Council should be regarded as a 'strong 2'. It has recently been announced that the use of resources assessment will not continue, although the work done to date for 2009-10 will feed into the value for money assessment. The emerging conclusions from this work will also be provided to the Council to inform its on-going improvement programme.

D. Roles and Responsibilities

- 3.17 This Section explains the definition and documentation of the roles and responsibilities of members and officers of the Council. Further it sets out the nature of the delegation arrangements and protocols for effective communication and arrangements for challenging and scrutinising the Council's activities.
- 3.18 The Council's Constitution sets out the Council's key functions and who is responsible for them. Part 3 of the Constitution – 'Responsibility for Functions' sets out the responsibilities for each Council committee.

- 3.19 The scheme of delegation to officers is set out in Parts 6 and 7 of the Constitution.
- 3.20 The Council refashioned its Scrutiny process during 2009-10, with the formation of an Overview and Scrutiny Board to ensure proper scrutiny, and the creation of Task and Finish Groups to take an evidence-based approach to particular topics, such as the Budget Process. All parties agreed with the 2008-09 review of the previous process, which pointed out its weaknesses, and approved the new system.
- 3.21 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 Head of Legal Services) and the Chief Finance Officer (the Head of Corporate Finance).
- 3.22 The Constitution also includes Standing Orders and Financial Regulations, which define how the Council conducts its business in a consistent and appropriate manner.

E. Standards of Conduct

- 3.23 The Council's Constitution includes codes of conduct for both members and officers. The member code contains the mandatory provisions of the model code of conduct issued by the Secretary of State. It contains no additional local provisions but this is in line with the recommendation of Standards for England.
- 3.24 The Council has a Standards Committee, half of the members of which are independent members, i.e. persons who are not elected members but who are co-opted to serve on the Committee and who have the right to vote. The Chair of the Standards Committee is an independent member (this is now a legal requirement) as is the Vice Chair. The Standards Committee is responsible for the promotion of high standards of conduct amongst members. Members are subject to a statutory complaints process arising from the Local Government Act 2000 (as amended) and Regulations made under that Act. From May 2008 this process changed so that complaints against members are initially dealt with locally by a Local Assessment Panel (a sub-committee of the Standards Committee) with only the more serious complaints being referred to Standards for England for investigation. During the year no cases were considered by Local Assessment Panels involving complaints against members.
- 3.25 At each formal meeting of the Council, the Executive and the Council's Committees, members are reminded to declare any 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.
- 3.26 The Council has a Register of Member Interests, maintained by the Monitoring Officer, in which all registrable interests must be entered. Members are reminded on a regular basis (at least annually) of the need to register their interests. Registrable interests include gifts and hospitality received by members.
- 3.27 Senior staff have participated in the creation of, and been trained in the importance of, the Council's values. The focus on a values-led organization, rather than simply an organization with values, emphasizes the importance of conduct in line with those values. Managers are required to emphasise the importance of this to their staff.
- 3.28 Each member of staff receives an induction pack, which includes the Code of Conduct for Officers, Financial Regulations, and Standing Orders, and the importance of adhering to these standards is emphasised.
- 3.29 In addition professional staff are subject to the codes of conduct of their particular professions.

F. Standing Orders, Financial Instructions, Delegations, Contract Regulations and their Update

- 3.30 This Section explains the arrangements that apply for Standing Orders, Financial Instructions, Contract Regulations and supporting documentation. It further explains the arrangements for their review and how decisions are taken.
- 3.31 The Council's Standing Orders, including regulations regarding contracts, and Financial Regulations are part of the Council's Constitution.
- 3.32 The Council has a Constitution Committee, which meets as necessary to consider changes to the Constitution and make recommendations to the full Council, which can also make changes to the Constitution on the recommendation of any of the three statutory officers.
- 3.33 Updates to Standing Orders are undertaken when it is considered appropriate. Updates to Financial Regulations are generally considered annually as part of the Council's budget process, and approved at Budget Council.

- 3.34 Financial Regulations include a section on risk management, and the importance of managing risk within every aspect of management. This is also emphasized in the Risk Management Strategy, which is reviewed annually.

G. Financial Management Arrangements

- 3.35 The Chartered Institute of Public Finance and Accountancy (CIPFA) published a statement on the role of the Chief Financial Officer in 2010. This statement includes a significant number of governance requirements in relation to financial management in general and the role and responsibilities of the Chief Financial Officer (CFO) in particular. These include the requirement that the CFO 'should report directly to the Chief Executive and be a member of the Leadership Team, with a status at least equivalent to the other members.' This is not the case in Luton, and the statement requires the reasons for this to be explained, together with how the arrangements adopted deliver the same impact.
- 3.36 In Luton, along with a number of other Councils, the role of Chief Financial Officer is at Head of Service level, rather than at Corporate Director level. This does ensure that the CFO's role is focussed on the core financial and strategic responsibilities rather than being diluted by taking on a wider remit. The CFO reports to the Director of Customer and Corporate Services. However, the CFO has access to all meetings of the Corporate Leadership Management Team (CLMT), and to all corporate officer meetings with elected members, as well as being able to go directly to the Chief Executive whenever necessary. The CFO regularly attends CLMT, and makes a full contribution to strategy planning, development and implementation alongside providing financial advice.
- 3.37 Luton's financial management arrangements are not out of line with the other key governance requirements in the CIPFA statement.

H. The Role and Functioning of the Audit and Governance Committee

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

I. Compliance with Law and Internal Policy and Procedure.

- 3.39 This section addresses the arrangements that are in place to ensure that relevant law and regulation is complied with by the Council and to ensure that internal policy and procedure is observed. In particular the arrangements to ensure that all expenditure by the Council is lawful as described.
- 3.40 The Chief Executive is responsible for the effective and efficient administration of the Council. The Head of Legal Services as Monitoring Officer is required to ensure that agreed procedures are followed and that the Council conducts its business lawfully and in accordance with all applicable statutes and regulations. If the Monitoring Officer becomes aware that the Council or any Committee or officer on its behalf has or is about to embark upon an unlawful course, then 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).
- 3.41 The Head of Corporate Finance 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.
- 3.42 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.
- 3.43 Heads of Service 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.
- 3.44 Each Head of Service and Corporate Director is responsible for the effective use of the human, financial, and information technology resources allocated to their services, and there are also professional Heads of Service for each of those areas. The assurance statements referred to above also relate to the effective use of resources to deliver services.

J. Whistleblowing and Complaints

- 3.45 This section describes the processes for whistleblowing and the arrangements for handling complaints.

- 3.46 The Council has sought to ensure that officers are not inhibited in whistleblowing by employing the services of an external company to take any whistleblowing allegations on a confidential basis. This has been advertised to staff in a number of ways including the issuing of a card to each employee sent out with payslips, explaining the service. Staff can also, if they wish, make whistleblowing allegations direct to the Council's Monitoring Officer.
- 3.47 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.

K. Development of Members and Senior Officers

- 3.48 The Council has a member development programme, and a senior officer development programme, Gold, designed to provide training in key corporate requirements. All officers have an annual appraisal, which for senior officers includes an assessment of management competencies, as well as a personal training development plan for the year ahead, which must be agreed with their manager, to ensure that areas are identified where skills, knowledge or attitudes require development or refreshing.
- 3.49 The interim Chief Executive has asked for a review of the appraisal process, as he has identified that it does not sufficiently address an individual's performance in order to drive improvement. This is expected to be addressed during 2010-11.

L. Engagement with Communities and other stakeholders

- 3.50 This section describes how the Council establishes clear channels of communication with all parts of the community and other stakeholders, how it ensures accountability and encourages open consultation.
- 3.51 The Council places a high value on listening to its citizens and service users. It is keen to know what local people want so that it can plan to provide services in line with that people need and want.
- 3.52 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.
- 3.53 The Council has developed a planned and coordinated approach to our consultation and engagement activities. This has been facilitated by:
- *a corporate team of consultation and communication practitioners*
 - *a collaborative approach to partner consultation and engagement*

- *the use of a consultation and research procedure which incorporates research governance and quality assurance principles*
- *the setting up and on-going development of the consultation and research portal (a databank of planned, current and completed consultations)*
- *increased use of mixed methodologies to enhance response rates (especially amongst seldom heard communities) and greater use of on-line activities*
- *community governance pilots*
- *establishing a range of corporate and service specific consultation and user engagement mechanisms such as the Luton Citizens' Panel (a panel of 1000 residents which is broadly representative of the adult population), service or issue specific surveys including a bespoke approach for dealing with road safety and traffic management problems, and range of interest forums such as the Luton Older People's Forum, the Sounding Board (for Council tenants) and the Children's Panel (for looked after children and care leavers) to name a few.*

3.54 The Council encourages local communities to be involved in action planning and decision-making, and this is exemplified in its Area Committees and Ward Forums.

3.55 The Council has a good track record of working with its partners in the statutory and third sector on joint consultation initiatives. Key areas of joint working have included the Joint Strategic Needs Assessment, Sustainable Community Strategy and the Joint Planning and Transportation Committee.

3.56 With regard to communications, the Council uses a range of approaches to inform and feed back to citizens including its monthly newspaper, Lutonline, the website – including podcasts, local media, direct mailings, member surgeries and exhibitions.

M. Partnerships

3.57 The Council has a large number of collaborative/partnership arrangements with other organisations, of which the key one is the local strategic partnership (Luton Forum) that is responsible for the Local Area Agreement, in accordance with the requirements of the Local Government and Public Involvement in Health Act 2008.

3.58 Partnership working is an essential part of modern local government, and the Council's partnership register shows just how many collaborative partnerships, of varying sizes, the Council is involved in. The register has been reviewed and updated during the course of the year and now clearly identifies the Council's key strategic partnerships.

- 3.59 Officers have produced partnership guidance to ensure that key issues of risk are taken into account prior to the setting up of partnerships, and to ensure that they set up in line with the Council's key objectives.

N. Group Governance

- 3.60 The Council has a wholly-owned company, London Luton Airport Limited, that owns the land on which London Luton Airport is operated by London Luton Airport (Operations) Limited, under the terms of a 30 year lease. The Council provides secretarial and professional advice to London Luton Airport Limited, which has its own Board, Constitution, and Memorandum and Articles. The accounts of London Luton Airport Limited are incorporated into the group accounts of Luton Borough Council. The assessment of governance and controls by the Head of Corporate Finance included an assessment of the governance and controls of London Luton Airport Limited.

4 Review of Effectiveness.

- 4.1 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 Heads of Service who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by the reviews of the external auditors, the Audit Commission, and other review agencies and inspectorates.
- 4.2 The Risk and Internal Control Group with responsibility for drafting this Annual Governance Statement have considered the governance framework and the system of internal controls. This group comprises the Risk Champions for each department, and have involvement in and oversight of the processes necessary to maintain and reviewing the effectiveness of the governance framework. In producing this statement full regard has been made to the Council's Risk Registers, corporate and departmental, plus those maintained for major projects and those of partners.
- 4.3 The Council itself maintains overall control of its governance framework and has approved, for example, updates of Financial Regulations.
- 4.4 The Executive is responsible for all Council functions except as specifically provided otherwise by law (and this is reflected in the Constitution). The Executive has received regular reports on the Council's corporate risk register, and has updated the Council's Risk Management Strategy and Policy.

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- 4.5 The Audit and Governance Committee considered external assessments and internal audit reports throughout the year.
- 4.6 Overview and Scrutiny Board (and prior to its formation the Scrutiny committees) have reviewed and challenged Executive decisions during the year. As noted in 3.20 above, the change to the new board due to the weakness of the previous system (reported as a significant governance issue in the 2008-09 statement). The new Board first met in September 2009 and has focussed on an evidence-based approach and the use of Task and Finish groups for particular projects. The detailed report and recommendations from the Budget Task and Finish group, for example, contrasted with the outcome of the 2008-09 overview of the budget by the former Performance Resources and Assets Scrutiny Committee, who simply resolved that the budget report be noted.
- 4.7 Overview and Scrutiny Board has indicated that it wishes a Finance Review Group, reporting to the Board, to take responsibility for scrutiny of treasury management. However, the membership of that group was not established until June 2010, and hence the allocation of the formal responsibility for treasury management in accordance with the 2009 CIPFA code of practice has not yet been made.
- 4.8 The Standards Committee reviews the effectiveness of the Code of Conduct for Members on annual basis.
- 4.9 Internal Audit have undertaken audits throughout the year using risk-based audit assessments. The service has reported to management on control issues, and produces an annual report to Audit and Governance Committee. The service has reviewed itself against the self-assessment checklist in the Cipfa Code of Practice for Internal Audit . The Council's external auditor also carries out an annual review of the work of internal audit.
- 4.10 The Council's Monitoring Officer and Chief Finance Officer have provided assurances that no major issues have arisen during 2009-10. A prudential indicator for treasury management was breached relating to the proportion of new debt taken out during the year of between 2 and 5 years duration. The prudential limit was exceeded on the basis of the rates available at those maturities. The issue was reported to Executive in the Annual Review of Treasury Management and Investment. The prudential indicator relating to the amount of capital expenditure in the year was exceeded, primarily as a result of Academies' spend now being included within the definition of the Council's capital expenditure.
- 4.11 The Council has had a number of major external inspections during 2009-10, and in addition there was a Comprehensive Area Assessment (CAA) of the town as a whole. (It should be noted that the Government have announced

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that the CAA process has ceased with immediate effect.) The narrative assessment of the area is available on

<http://oneplace.direct.gov.uk/infobyarea/region/area/areaassessment/pages/default.aspx?region=50&area=379> .

- 4.12 The CAA gave Luton a red flag for its housing, on grounds that included the speed of paying housing benefit, overcrowding and a lack of good-quality affordable housing given the needs of the local population. The Council contested the red flag on the grounds that progress was being made through work with the Luton Learning and Community Partnership, and the new housing partnership, to develop opportunities for good-quality new housing within the densely-populated urban environment. However, the Council recognised some of the messages and is ambitious to make further progress. Subsequent discussions with the Audit Commission have centred on the significant improvements with paying benefits, innovative ways of meeting housing needs and proactive work around empty homes and other issues related to overcrowding.
- 4.13 Overall the organisational assessment for Luton under the CAA was that it was performing adequately, with the scores as follows:

Assessment area	Score
Managing Performance	2
Use of Resources	
Managing Finances	2
Governing the Business	2
Managing Resources	2
Overall	2

- 4.14 A score of 2 means a Council is performing adequately. A 3 means performing well.
- 4.15 The Corporate Assessment in 2007-08 assessed how well the Council achieved against a different set of criteria relating to corporate governance and service inspections. The Council's overall score was 3 out of 4.
- 4.16 The Care Quality Commission's assessment of Luton's 2008-09 outcomes for Adult Social Services are as follows:

Area	Score
Improved Health and Well Being	Performing Well
Improved Quality of Life	Performing Well
Making a Positive Contribution	Performing Well
Increased Choice and Control	Adequate
Freedom from Discrimination and Harassment	Performing Well
Economic Well-Being	Performing Well

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Maintaining Personal Dignity and Respect	Adequate
Overall	Performing Well

Ofsted's December 2009 announcement stated that Luton's Children's Services were performing well, and their assessment of schools showed that none are in special measures. The annual unannounced inspection of 'Contact, Referral and Assessment arrangements of Children's Services' in January 2010 identified 9 areas as satisfactory, 3 as areas of strength, 7 areas for development and one priority area for action. The priority area for action related to 'Significant delays in completing some initial assessments and ineffective risk assessment and monitoring of the progress of this work result in potential risk to children and young people.' It is important to note that this talked of potential risk rather than actual risk. The areas for development related to casework files and assessments and the audit of unallocated cases. An action plan was swiftly put into place covering all these issues. Progress on this and performance on all key safeguarding indicators has been scrutinised by the Children and Learning Department's management team regularly and frequently. There has already been very significant progress on all aspects of the action plan. On 28 May 2010, we were informed by Ofsted that our identified priority area for action had subsequently been reviewed as to whether it was 'an area of serious weakness that is placing children at risk of inadequate protection and of significant harm' and was deemed not to fit this criteria. Ofsted has advised that it will therefore not be used to limit the 2010 children's services assessment rating.

- 4.17 There has been a significant overspend in relation to one capital project, the East Luton Corridor. The funding available for this project was limited due to the desire to build the road wholly from Government Grants. In the event, a substantial contribution from the Council was required, which had to be funded from borrowing. A review of lessons learnt has taken place to minimise the risk of this happening to other projects in the future.
- 4.18 The annual audit letter did not raise any major concerns. The external auditors issued an unqualified opinion on the accounts for the year-ended 31 March 2008 and concluded that there are adequate arrangements in place for ensuring value for money. The auditor noted that some accounting arrangements should be improved in line with best practice, that the valuation certificate and fixed asset register should be reconciled, and that work on implementation of international financial reporting standards needs to be progressed. This is all part of the 2010-11 work programme. There were also recommendations relating to the use of resources assessment. In particular, the auditors referred to the Council's average levels of sickness being high.
- 4.19 The 2009-10 accounts audit showed that the depreciation process needs review to ensure depreciation is accounted for in line with policy, that the

valuer should produce a valuation report alongside the valuation certificate, and that year end capital expenditure needs more detailed review to assess accruals. This will be part of the planning process for the 2010-11 accounts.

- 4.20 Outcomes are improving in some areas that matter most to residents. In particular, the speed of processing of housing benefits has been significantly improved and the Adult Social Care inspection demonstrates a clear improvement in services for older people. Steady improvement in outcomes for children is being achieved. Crime levels are reducing, and in 2008-09 serious acquisitive crime was reduced by 15%, the fifth best performance in England. The Council is working effectively in partnership to deliver regeneration, improve the local skills base and reduce health inequalities.
- 4.21 Good progress is being made to implement improvement plans. Key strategic plans are in place and there is alignment between Council and community plans and Local Area Agreement targets. Robust plans are being delivered to improve identified poor services.

Review of Progress in relation to Significant Governance and Internal Control Issues in the 2008-09 Statement

- 4.22 It was noted that overall indicators of performance were below average levels of improvement. Ofsted's August 2009 performance profile showed Luton's inspected services generally above the national average, and the 'Every Child Matters' indicator set to be about average. While attainment in schools at key stages 2 and 3 remains below the national average, the gap has reduced. Local people's overall satisfaction with Luton stood at 61% in 2006-07, and improved to 72% by 2008-09.
- 4.23 The inspection of adult social services showed significant improvements in improving outcomes and services for the elderly and vulnerable, as noted above. A serious case review into the death of a vulnerable adult in Luton has recently begun, and recommendations from that are awaited. The speed of processing of housing benefits forms was greatly improved during the year.
- 4.24 The publication of the corporate plan reflected the improvements in strategic planning, Scrutiny was improved with the new arrangements, performance management reporting has been streamlined, customer services has significantly improved with a major reduction in queues at the customer service centre, and a strategy for older people was developed. Work on the co-ordination of business continuity planning has continued and is ongoing.

Conclusion

- 4.25 In view of these assurances the overall framework of governance appears to be working reasonably effectively. Significant governance issues are

addressed in the following section. These do need to be seen in the overall context of an effective governance system.

5. SIGNIFICANT GOVERNANCE AND INTERNAL CONTROL ISSUES

- 5.1 The major Governance and Internal Control issues facing the Council now arise from the reductions in Government grant that have been announced for 2010-11, and are expected for 2011-12 and future years, when combined with the Government's statement that Council Tax will be frozen for 2011-12. The announcements with regard to Building Schools for the Future have added an additional element of uncertainty and financial risk. As a result, the Council has to review its approach to all areas of service in order to make savings while minimising the impact on outcomes for the public. This is the principal focus of the Council's Corporate Leadership Management Team.
- 5.2 The scale of the Council's capital programme, in terms of large schemes funded by Government grant or prudential borrowing, is another significant issue in this context. A new project management template has been developed, lessons learnt from the East Luton Corridor project are being applied to the Luton Dunstable Busway, and further spend decisions are awaiting confirmation of Government approvals. The reduction in Government grant mentioned in 5.1 could also impact on the programme's funding assumptions.
- 5.3 The priority area for action arising from the inspection of the Contact, Referral and Assessment arrangements for Children's Services related to the delays in completing some initial assessments, and the related monitoring and risk management. While Ofsted have since confirmed this does not fit their new criteria for a priority action and will not be used to limit the 2010 Children's Services assessment rating, much improvement work has been undertaken. Significant progress has been made in addressing the priority area for action and areas for development in terms of practice issues, the integrated children system, quality assurance, supervision re-referrals, performance management and timelines for initial assessment.
- 5.4 The Council's appraisal system needs to be changed to align it with clear performance assessment and improvement criteria, and a new scheme has been approved.
- 5.5 Standing Orders have not yet been amended in accordance with the 2009 Cipfa Code of Treasury Management, to allocate responsibility for the scrutiny of Treasury Management, pending the formal establishment of a permanent Finance Review Group reporting to the Overview and Scrutiny Board.
- 5.6 Luton's housing has been an area of significant corporate focus due to issues including the speed of paying housing benefit in the recent past, overcrowding

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and a lack of good-quality affordable housing. The Executive approved a Housing Strategy in March 2010 setting out how the key housing issues would be addressed and positive progress is being made.

- 5.7 An internal audit of Lealands High School gave 'no assurance' as a result of basic controls not being in operation at the time of the audit. The school are working on actions to deal with the issues raised and the school will be re-audited during 2010-11.
- 5.8 Action needs to be taken to reduce the level of sickness in the authority. The Chief Executive is currently reviewing this with every Head of Service to ensure sickness is being actively monitored and managed.

Signed

Trevor Holden
Chief Executive

Date: September 2010

Hazel Simmons
Leader of the Council

Date: September 2010

INDEPENDENT AUDITORS REPORT

The auditors report will be inserted here on the completion of the audit.

INDEPENDENT AUDITORS REPORT

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.

Balance Sheet

This is a summary of the assets and *liabilities*, funds and reserves of the Council. It brings together the accounts of the Authority including the **General Fund**, the **Housing Revenue Account** and the **Collection Fund**.

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.

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.

Corporate and Democratic Core

The corporate and democratic core comprises all activities that the council engages in specifically because it is an elected, multi-purpose authority. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

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 of 31 March.

Deferred Grants and Contributions

Amounts received or receivable from government and other organisations that has been used to finance capital expenditure. In accordance with the **SORP** these amounts are written off over the same period as the assets to which they relate are **depreciated**.

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 at which it could be exchanged in an arm's length transaction less, were applicable, any grants receivable towards the purchase or use of the asset.

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.

Generally Accepted Accounting Principles

Generally Accepted Accounting Principles (GAAP) is the standard framework for financial accounting for a particular geographical area. The **SORP** has been changed in recent years to be based on UK GAAP, but is being further amended in preparation for the move to **IFRS**.

Government Grants

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

Gross expenditure

Expenditure before deducting any related income.

Group Accounts

These show the revenue account and balance sheet including regulated companies of the Council. There is only one company that falls within the regulations and that is London Luton Airport Ltd.

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.

Income

Amounts that the Council receives, or expects to receive, from any source. Income includes fees, charges, sales, **government grants**, **Council Tax** and **Non-Domestic Rates**.

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. The UK public sector is moving towards IFRS and it is expected that Local Government will produce IFRS compliant accounts for the first time for the 2010-11 year.

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.

Liquid Resources

Current asset investments that are readily disposable by the authority without disrupting its business and are readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

Long Term Debtors

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

Long Term Loans

Loans repayable 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.

Moratorium

The mechanism used by the council to postpone new, non-urgent expenditure to offset identified *budget* overspending.

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.

Net Debt

This is the council's borrowing less cash and *liquid resources*.

Net Expenditure

This is gross expenditure less directly related income.

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.

Operating Leases

This is a method for acquiring the use of **fixed assets**, mainly vehicles and equipment, where ownership remains with the lessor.

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**.

Related Parties

Two or more parties are related parties when at any time during the financial period one party has direct or indirect control or influence over the other, or the parties are subject to common control from the same source.

Related Party Transaction

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

Revaluation Reserve

UK **GAAP** 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.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

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.

Scheme Liabilities

These are the liabilities of a **defined benefit scheme** for outgoings due after the date the fund was valued. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Senior Officer

This is as defined in the Local Government and Housing Act 1989 and encompasses the designated head of paid service, the statutory chief officers and the non-statutory chief officers of the council.

Settlement

An irrevocable action that relieved the employer (or the **defined benefit scheme**) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. An example of settlement would be the payment of a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits.

Specific Grants

These are **government grants** to local authorities in aid of particular projects or services.

Specific Reserves

These are sums set aside to meet revenue or **capital expenditure** needs in the future.

Statement of standard accounting practice (SSAP)

These are agreed by accounting bodies and describe standard treatment to be used in the preparation of accounts, they have mainly now been replaced by **FRS's**.

Statement of recommended practice (SORP)

This document constitutes 'proper accounting practice' under the terms of the Local Government Act 2003 and is developed on an annual basis by **CIPFA**. Local Authorities prepare their accounts in accordance with this standard.

Stock

The amount of unused or unconsumed 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.

Tangible Fixed Assets

These are tangible items that give benefits to the authority for more than one year and include operational buildings, land and equipment, **Community Assets, Infrastructure assets** and **non-operational assets**.

Trading Accounts

These accounts are for areas that provide services to clients, either within the authority or to external organisations, on a basis other than a recharge of cost, for example, quoted price or schedule of rates.

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