

Company no. 06373488
Charity no. 1122964

Luton Cultural Services Trust

Annual Report and Financial Statements

For the year ended 31 March 2021

**LUTON CULTURAL SERVICES TRUST
REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 MARCH 2021**

	Page No.
Trustees' Report	1 - 13
Independent Auditor's Report	14 - 17
Consolidated Statement of Financial Activities	18
Consolidated Balance Sheet	20
Consolidated Cash Flow Statement	21
Notes to the financial statements	22 - 34

Luton Cultural Services Trust

Report of the Board of Trustees for the year ended 31 March 2021

The Trustees are pleased to present their annual directors' report together with the consolidated financial statements of the charity and its subsidiary for the year ending 31 March 2021 which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

Chair's Report and Strategic Report

2020/21 was a difficult year for the Trust as our sites and venues remained largely closed due to the Covid-19 pandemic from late-March 2020.

We were able to open Stockwood Discovery Centre briefly from August to October and again for two weeks in December. The Hat Factory Arts Centre also opened for four weeks in October, before a second national lockdown meant the complete closure of all sites until mid-2021.

This was particularly disappointing for the Hat Factory Arts Centre, after relaunching post-refurbishment in late 2019; lock-down led to an abrupt close to the programmes and partnerships which were gaining in momentum.

The Trust's footfall performance can be found on page 13 of this report. No KPI targets were set for 2020-21 due to the uncertainty of the pandemic.

With our sites closed for most of 2020/21 we focused on maintaining contact with our partners, artists and audiences through social media and online initiatives. There were 3 areas of focus:

1. Promoting the Trust and keeping lines of communication open about our sites and activities and how to engage in culture digitally.
2. Promoting our creative industry community, partnerships, museum makers and our ongoing National Portfolio Museum engagement work
3. Promoting national initiatives and digital engagement in the Arts, Heritage, Museum, Cultural skills and Creative industries sectors

Despite the majority of our staff being on furlough, we aimed to prioritise digital engagement and communications. It was pleasing to see our customers staying engaged with our content through the lockdown periods with engagement figures remaining consistent on all areas of social media, at around 70% of normal engagement in the first half of 2020-21 and understandably dropping to 55% in the second half of the year.

Content relating to Luton proved the most popular with excellent responses to *Keep the Home Fires Burning*, Hat District-related content and *Made in Luton* - the Vauxhall exhibition of vintage cars at Stockwood Discovery Centre.

We also trialled live streaming for the first time with *Basement Live* at the Hat Factory showcasing 3 local bands playing live in October 2020. In December we streamed our popular version of Dickens' *A Christmas Carol* set in Wardown House. This created good social media numbers, gaining almost 20,000 views on Facebook and Twitter before the launch date. It was streamed for 3 weeks from December to January and achieved 1,187 views with £270 in online donations.

We support the careers of artists, creatives and cultural practitioners through our work and we regularly contract freelancers, commission artists and programme activities and events that support the local creative economy. The #FactoryWindow video screen at the Hat Factory Arts Centre promotes digital artist commissions on a large-screen into the public realm animating Bute Street and the town centre with creative interventions. We were able to continue this throughout 2020-21 with the work of 8 artists showcased throughout the year which included short films, animation and time-lapse videos

Despite the pandemic, the Hat District creative workspaces continued to be open for use and we managed to secure a new flagship tenant for the top floor of Hat House Creative Workspace. 2020 saw The Panama Hat Company (a hat manufacturer in the former hat factory) and IMI Solutions (an engineering design company). Work on the Hat Works creative workspace at 47 Guildford Street, a Grade II listed former hat factory, was disrupted at several points due to lockdowns but the project was completed in April 2021 with thanks to additional funding from Historic England and the National Lottery Heritage fund

We are very proud to have raised £7m of external funding towards the Hat District. This will protect important heritage buildings within the Plaiters Lea conservation area, re-energise Luton town centre and provide jobs and opportunities for local people whilst growing the creative economy.

The Hat District project is critically important to us as in the longer term it will provide sustainable income that can be re-invested back into the creative economy, arts development, skills and talent and Hat District heritage. This provides the Trust with greater financial resilience and a more stable business model. I would like to thank the capital project funders, in particular SEMLEP, National Lottery Heritage Fund, Historic England and the Architectural Heritage Fund for their financial support in the delivery of our vision and the many charitable Trusts and small grant funders who have enabled us to invest in developing high quality provision for local people and the creative industries.

Our 2020-25 business plan will continue to focus on widening community participation and ensuring our audiences mirror the diversity of Luton. This is incredibly important in driving our programmes and activities and we proudly present Black, Asian and Minority Ethnic artists and cultural leaders across our venues. We will continue to build our audiences at the Luton Library Theatre and Hat Factory Arts Centre, through our high quality arts events, programmes,

exhibitions, workshops, performances, public art, historic sites, collections and visitor facilities. Through our important partnership with **London Luton Airport Limited** and **Luton Borough Council** we are able to address barriers to cultural engagement and learning by providing free Museums and subsidised access to Culture. I would like to thank London Luton Airport Limited for their donation which benefits thousands of people through our cultural activity and enables us to care for the town's museums, local history, carriage and hat collections, heritage sites and curate free access exhibitions and events. Our two museums at Wardown House and Stockwood Discovery Centre remain free entry and where we programme ticketed activity, we aim to ensure an inclusive for all offer. Our team of staff and volunteers continue to be passionate about their work and remain committed to ensuring high quality visitor experiences. I value their creativity, loyalty, talent and positive spirit, particularly in such a challenging year. I would like to thank the entire team and board of trustees for their resilience and commitment to the Trust at all times, but in particular in our current situation where they are skilfully and diligently delivering through the Covid-19 pandemic.

We also continue as an **Arts Council England National Portfolio Organisation** to deliver our exemplary work with volunteers and collections development at *Wardown House Museum* and Gallery and through our *Museum Makers*. I would like to thank the **Arts Council England** for our regular funding and also their ongoing advice and support and for their additional support in grants during the COVID pandemic. **DCMS Culture Recovery Funding** was also applied for and offered to the Trust to support our endeavours through COVID-19 and help us recover more swiftly in 2021/2. Museum Makers engages local communities in heritage and collections with over 1500 members. Museum makers are involved in the co-curation and delivery of the many exhibitions and events including *Made in Luton* at Stockwood Discovery Centre in 2020.

Collectively, with the support of our funders, staff, partners, volunteers and visitors we are proud to make important contributions to the local economy through the provision of creative opportunities, jobs, careers, professional workspace and creative industry start-ups. We also help bring funding into Luton, we regenerate run-down buildings and put them to good use and we animate venues and spaces to make them interesting and engaging for everyone. In addition, we are proud of the creative and cultural opportunities we provide, particularly for young people, and the stepping stones we create to support wellbeing, cultural fulfilment and talent and skill progression for our community. This is as important now as it has ever been.



Nick Gibson
Chair of Trustees

Our Purposes and Activities

The objects of the Charity are as follows:

- (a) The Charity has been established for the benefit of the public primarily for the community and visitors to Luton and the wider area of the East of England for not limited to the following objects.
- (b) The advancement and support of education, culture, arts, heritage and history including the provision of museums, galleries, learning and information centres, archives and other related services; and/or
- (c) The provision or assistance in the provision of facilities for recreation or other leisure time occupation in the interest of social welfare such facilities being provided to the public at large save that special facilities may be provided to persons who by reason of their youth, age, infirmity or disability, poverty or social or economic circumstances may have need of special facilities or services; and/or
- (d) Such other charitable purposes beneficial to the public consistent with the objects above as the Directors shall in their absolute discretion determine.

We produce and present year-round programmes of activity across our two theatres, museums, arts centre, gardens, and historic hat factories. We also manage the town's heritage collections and archives. We have a collection of over two million archive and artefacts, and we hold the most extensive and complete hat and headwear collection in the UK and the Mossman carriage collection at Stockwood Discovery Centre is the largest in Europe. This includes over 1.5m local photographs and maps. We are proud to be based in Luton and we welcome thousands of regular local and regional users to our venues. We also invite the wider international community to engage with this incredibly diverse and stimulating town through our cultural offer.

We nurture our customers, audiences and team and we will engage the creativity of artists, curators, writers, performers and producers to make great new work. Through our programmes we actively promote the value of arts and culture in creating a sense of place, regeneration, wellbeing, community cohesion and in improving the quality of people's lives. Across our programme we provide creative opportunities and activities for young people to inspire them and generate skills for life. We create transition and progression routes between formal education and successful careers to enable anyone with a skill, interest or passion in arts and culture to meet their full potential. We nurture fruitful strategic partnerships locally, nationally and internationally and we support a large following of loyal and proud customers, partners, funders, businesses, ambassadors, staff and volunteers.

How our activities deliver public benefit

The Trustees confirm that they have had regard to the Charity Commission's guidance on Public Benefit.

The Trustees believe that the Trust meets the two key principles of public benefit as defined by law, being:

- There must be an identifiable benefit or benefits
- Benefit must be to the public, or a section of the public

Our charitable activities focus on widening cultural engagement and participation across our free entry venues; Wardown House Museum & Gallery, Stockwood Discovery Centre, the Hat Factory Arts Centre Luton Library Theatre and the Storefront Gallery. Our activity programmes are targeted at encouraging under-represented groups to attend and participate in arts, creative industries, education, cultural skills and learning, heritage, and museums. The table on page 13 below sets out in detail our performance and outcomes for the year.

Our mission is 'to connect communities through meaningful culture and creativity' and in our revised business plan (2021-25) we clarify our six priorities as follows: 1. Widen Community Participation; 2. Develop Young people's Skills and Talents; 3. Present Inspiring diverse Arts; 4. Grow Luton's Creative Industry Cluster; 5. Co-curate Museum Collections and 6. Boost the Creative Economy.

Financial Review

During the year, turnover decreased by 32.32% to £4.541m (2019/20, £6.710m) due mainly to the ending of the library contract, the delivery of the Hat District Project stage 1 and to the reductions in programme and trade income resulting from closures due to the COVID 19 pandemic. These reductions in income, were partly offset by furlough income and COVID support grants received. The total resources expended decreased by 51.73% to £3.314m (2019/20, £6.866m) reflecting the effect of the ending of the library contract and of in year cost savings resulting from closures due to the pandemic.

The principal funding sources of income to the Trust itself is grants of £1,973,862 (2018/19, £3,311,219) for arts and culture. We also generate income from ticketed events, donations and rents/hire of spaces.

The requirement under FRS102 to provide for benefits accrued and the net interest cost of the defined benefit pension scheme in the Trusts SOFA has reduced the reported net income (before actuarial movements) by £421,000 (2019/20, £680,000) to a net income of £ 1,247,900 (2019/20 £156,110). In addition £46,019 (2019/20, £179,034) is held as restricted funds in respect of unspent funding received for specific projects at the year end.

The defined benefit pension deficit increased from £5,050,000 to £9,775,000 at the balance sheet date in accordance with the actuarial valuation report for FRS 102 purposes. The overall actuarial losses from the pension scheme were £ 4,314,000. This has produced a consolidated net liabilities position of £3,858,284 (2019/20, £771,103). The Trustees consider that the pension deficit is based on long term projections of future investment returns and demographic experience many years into the future and thus are unlikely to reflect the actual eventual cost of providing the pension benefits in the long term. In addition the last triennial full valuation carried out by the fund managers in March 2019 produced a funding surplus value of £2,395k. Accordingly, the Trust continues to adopt the going concern basis in preparing the financial statements.

Pricing Policy

Our pricing policy reflects our strategy of enabling free access to Museums at Wardown House Museum and Gallery and Stockwood Discovery Centre. We also provide an annual programme of free and subsidised arts and cultural activities and events where ticketed event prices range from £5 to £20 in the Luton Library theatre and Hat Factory Arts Centre. All of our museum exhibitions, collections and public art commissions are accessed freely. Since 2019/20 we have conducted a ticketing strategy called **Culture for a Fiver** where many of our arts events are priced at £5 to allow our audience to attend high quality arts that are affordable, particularly for the younger demographic of Luton as well as a **Pay It Forward** sponsorship scheme to encourage businesses to sponsor tickets for targeted groups and individuals in most need.

Investment Powers and Policy

The Trustees, having regard to the liquidity requirements of running the business, keep available funds in interest-bearing deposit accounts and seek to achieve a rate on deposit which matches or exceeds inflation as measured by the retail prices index. Due to wider economic circumstances deposit rates have been depressed and so this aim was not achieved in the year. There was nil invested funds held on deposit during the year.

Reserves Policy and Going Concern

Reserves are needed to bridge the gap between the spending and receiving of income and to cover unplanned emergency expenditure or reductions in funding. The Trustees note that at the year-end, a total of £ 5,870,697 (2019/20, £4,089,863) is held in the general fund reserves and £ 46,019 (2019/20, £179,034) as restricted funds. The restricted funds are not available for general purposes at the end of the reporting period and the general funds are held in fixed assets properties and can only be realised through the disposal of these assets.

The Trustees consider that the ideal level of reserves as at 31st March 2021 would be £400,000 representing two months operational expenditure. The Trust has fallen below the level identified in the reserves policy during the period. The Trust 5 year plan includes a gradual restoration of the Trust reserves.

In accordance with their responsibilities, the Trustees have considered and concluded upon the appropriateness of the going concern basis, which has been used in the preparation of these financial statements. In making this going concern assessment, the Trustees have had regard to the matters highlighted in Note 1 section b in the accounts. After considering the uncertainties described in the note, the Trustees have a reasonable expectation that the charitable company will have sufficient resources to continue in operational existence for the foreseeable future. For these reasons, the Trust has continued to adopt the going concern basis in preparing the financial statements.

Plans for Future Periods

The Future strategy is for the Trust to re-animate its venues to pre-covid levels and return audiences and customers to engage in regular cultural experiences. Hat works will open in 2021 and will be a new resource for early stage creative industries who will be a critical pipeline of talent into the creative ecology of the Hat District. In addition the Trust will continue to grow its freehold property portfolio of buildings and assets in order to safeguard heritage, re-use redundant and neglected buildings for creative, cultural and education purposes and to generate more sustainable incomes to secure the Trust's long-term stability. The freehold property strategy enables the Trust to maintain quality of provision commensurate with its customers' expectations and market need. An expanded freehold property portfolio also provides the Trust with greater security of tenure and controls of use, rents and pricing into perpetuity. The Trust will also focus its resources on curating a balanced, inspiring and vibrant mix of activity which will widen use and participation at its three core sites.

Critically, the Trust will focus on creating high quality arts and cultural vibrancy at its sites which is locally relevant and nationally important. This shall build the Trust reputation and strengthen its brand values to a broader audience. Intensifying local use will be a key focus as will a strategy to welcoming customers from a wide geography; this will be led by a new Creative Programme and Audience Development Strategy and will be informed by the emerging Equity, Diversity and Inclusion strategy. . The Trust shall also focus on quality and standards, increasing productivity, economic impact, sustainability, developing new properties and partnership and increasing investment in the arts, heritage and cultural infrastructure.

Reference and Administrative Details

Charity number: 1122964

Company number: 06373488 (England and Wales)

Registered Office: The Hat Factory Arts Centre 65-67 Bute Street Luton LU1 2EY

Our Advisers

Auditors: Moore Kingston Smith LLP
Devonshire House,
60 Goswell Rd, Barbican,
London EC1M 7AD

Bankers: Co-operative Bank plc
2 Alma Street
Luton LU1 2PL

Solicitors: Freeths LLP
Routeco Office Park
Davy Avenue
Knowlhill
Milton Keynes MK5 8HJ

Directors and Trustees

The Trustees, who are also directors under company law, who served during the year and up to the date of this report were as follows:

Mr Mohan Ahad (Resigned 28/01/2021)
Mr Clive Borthwick
Mr Nicholas Gibson (Chair)
Mr David Goodridge
Ms Yasmin Khan
Mr Geoffrey Mulgan
Mr Sufian Sadiq
Mr Robert Smalley
Mr Andrew Strange
Ms Carlota Larrea
Ms Julma Begum (Appointed 09/02/2021)

Key Management Personnel

Ms Marie Kirbyshaw	Chief Executive
Mr Richard Clinton	Director Operations & Customer Care (Resigned 05/04/2020)
Ms Karen Perkins	Director of Culture & Engagement (Resigned 31/01/2021)
Mr Guy Smith	Director of Business Performance
Ms Vanessa Penzo	Director of Finance & Resources/Company Secretary

Structure, Governance and Management

Governing document

Luton Cultural Services Trust is a registered charity and a company limited by guarantee. Its governing document is the Memorandum and Articles of Association. The Board of Trustees comprises the Directors of the company.

Members of the charitable company guarantee to contribute an amount not exceeding £10 to the assets of the charitable company in the event of winding up. The total number of such guarantees at 31 March 2021 was 10.

Appointment of Trustees

As stated above, the Board of Trustees are also Directors of the Company. Directors are recruited through public advertisement, contacts of the current Board members and through business contacts of the charity. They are assessed for suitability using a skills and interests matrix and are interviewed by the Chair and Chief Executive. In normal circumstances one third of the Directors retire at each Annual General Meeting and are eligible for reappointment.

Trustee induction and training

Trustees have an induction programme comprising governance, the Trust vision and priorities, analysis of the charity's business plan, activity programme, staffing and resources. They also take part in a programme of visits to operational sites of the Trust where they learn more about our operation and meet staff and volunteers. Trustees are able to undertake training specific to their role, attend look and see visits and participate in an in-depth away-day each year with the Chief Executive and Leadership Team to review priorities and to forward plan.

Organisation

The organisation was established under a Memorandum of Association which established the objects and powers of the organisation and is governed under its Articles of Association. The Trustees who have served during the period and those appointed before the date of this report are listed on page 8. No member of the Board or sub-committees receives any remuneration for their services as Trustees. The Board meets four times a year with additional extraordinary meetings if required. Sub-committees report quarterly to the Board and comprise the Finance sub-committee, HR sub-committee and task and finish groups which are established to consider relevant issues from time to time and report back to the Board. The Leadership (which comprises the Chief Executive and the senior staff reporting to the Chief Executive) meet every month to monitor performance, activity and operations and to review finances, policy and practice. The organisation is a charitable company limited by guarantee, incorporated on 17 September 2007 and registered as a charity on 27 February 2008.

Related Parties and Co-operation with other Organisations

Any connection between a trustee and senior manager of the charity with a production company, contracted actor, performer or exhibitor must be disclosed to the full Board of Trustees in the same way as any other contractual relationship with a related party. Details of related party transactions are shown in note 19 to the accounts.

Luton Cultural Services Trust is a member of the Museums Association, The Association of Independent Museums and The English Civic Museums Network. The Trust takes part in networking, advice, funding and strategic planning with Arts Council England, Heritage Lottery, Museums Association, Historic England, South East Midlands Local Enterprise Partnership and the Museums East of England Group.

Pay policy for senior staff

The directors consider the Board of directors, who are the Trust's Trustees, and the senior management team comprise the key management personnel of the charity in charge of directing and controlling, running and operating the Trust on a day to day basis. All directors give their time freely and no director received remuneration in the year. Details of directors' expenses are disclosed in note 7 to the accounts.

The Trust adopts the NJC for Local Government pay scales for all staff, including the Chief Executive and leadership team. All posts are evaluated through the Local Authority job evaluation scheme to ensure fairness across the Trust and parity with similar Local Authority jobs. Staff pensions are provided through the Local Government Pension Scheme.

Risk management

The Trustees have examined the major strategic, business and operational risks which the charity faces and confirm that systems have been established to enable regular reports to be produced so that the necessary steps can be taken to evaluate and manage these risks. The Trust's risk register is reviewed on a regular basis by the corporate management team and at each Board meeting.

The key risk faced by the charity remains the impact of reductions from its major funder(s) and the impact of reduced income resulting from the disruption caused by the COVID-19 pandemic. As a cultural charity, the Trust is able to take advantage of opportunities in the wider cultural environment and actively apply for funds from call on other funders such as the National Lottery, Trusts and Foundations to go alongside core funding from Arts Council England (NPO) which includes inflation and the annual donation from London Luton Airport Limited (which does not include inflation). Venue closures due to the COVID 19 pandemic resulted in a reduction in the Trust commercial and trading activities and is causing additional pressure on the Trust financial position. However, Post COVID, the charity is focusing on growing its trading and commercial activities, developing the Hat District to diversify incomes and will also be implementing sustainable practices and ongoing efficiencies.

The Company's operations expose it to limited financial risks that include employee costs, price risk, credit risk, liquidity risk and interest rate risk. Given the size of the Company, the Directors have delegated the responsibility of monitoring financial risk to a sub-committee of the Board. The policies set by the Finance sub-committee are implemented by the Company's finance department.

Employee Costs Risk: The Trust spends 56% of its budget on staff salaries and on-costs. There is a limited risk that these costs will rise ahead of inflation and above that included in our medium term financial plans. The Trust sets its salary pay scales and annual pay awards in line with the Local Authority, which are subject to the government's public sector pay constraints.

Price Risk: The Company has a limited exposure to commodity prices particularly for utility costs, building maintenance and office costs. Strong working relationships with its principal suppliers have aided the Trust to alleviate part of this risk.

Credit Risk: The Company has limited exposure to credit risks. Most of its fees and charges are not subject to credit and those that are, are short term. Credit checks are not normally carried out on customers.

Liquidity Risk: The Trust is primarily funded through grants and donations which are usually received in advance of expenditure. The Company has suffered from cash flow challenges due to the COVID 19 pandemic but is carefully managing its funds, optimising its current operations and re-phasing its planned expansions.

Interest Rate and Cash Flow Risk: The Charity has £1,844k of borrowing and therefore exposure to interest rate risks. Due to the current economic circumstances a significant interest rate increase is unlikely in the next year. However work is ongoing to examine the cost-benefit of fixing the interest rate in order to reduce the interest rate risk.

The reduction in the Trust's cash reserves and the complex COVID-19 trading environment resulted in cash flow challenges which are being carefully managed.

Statement of responsibilities of the Trustees of Luton Cultural Services Trust in respect of the Trustees' annual report and the financial statements:

The Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law they have are required to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and charitable company and of the group's excess of income over expenditure for that period. In preparing each of the group and charitable company financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the group's and the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the charitable company or to cease operations, or have no realistic alternative but to do so.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

In so far as the Trustees are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware; and
- The Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Volunteer support

Luton Cultural Services Trust benefits from the time dedicated by volunteers, including by our Trustees. These donated services have not been evaluated for inclusion in the financial statements. Our volunteers support us by working in venues, fundraising, helping with events and helping with documentation and curatorial work.

LCST Trading Ltd

Funds are contributed to the charity through our subsidiary, LCST Trading Limited and in 2020/21, arose from the sale of merchandise at our various locations, room hire, events management, weddings, café and bar sales.

LCST Trading had income of £152,990 (2019/20 £726,764) and there was no surplus on trading (2019/20 £47,183) so no donation was made to the Trust.

Our key performance indicators are summarised in the table below (number of customers engaging with the Trust's activities during 2020/21 as compared to the previous year): For activities, please refer to the activities outlined in the Chair's report.

Service	2019-20 Actual (k)	2020-21 (k)									
		Q1 Target	Q1 Output	Q2 Target	Q2 Output	Q3 Target	Q3 Output	Q4 Target	Q4 Output	Full Year Target	Full Year Output
Arts*	32.5	0	0	0	0	0	0.015	0	0	0	0.01
Museums**	244.2	0	0	0	0	0	12.6	0	4.9	0	17.5
Libraries***	520.9	0	0	0	0	0	0	0	0	0	0
Total	797.6.0	0	0	0	0	0	12.8	0	4.9	0	17.6

No footfall targets were created for 2020-21 due to the uncertainty of the Covid-19 situation and the anticipation of business shutdown in early April 2020.

*The Hat Factory Arts Centre was closed during 2020-21 other than October 2020 when it opened for 4 events only before another lockdown was put in place.

**Stockwood Discovery Centre was closed during 2020-21 other than a period of 12 weeks between August and October 2020 and one week in December between lockdown periods. Wardown House Museum was closed for the whole of 2020-21.

***Libraries service contract ended with Luton Borough Council at the end of the contract period on 31st March 2020.

Auditors

A resolution to re-appoint Moore Kingston Smith LLP as the charity's auditors was proposed at the AGM meeting held on 28 January 2021.

Approved by the Board of Trustees on 14 December 2021 and signed on its behalf by



Nick Gibson, Chair

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LUTON CULTURAL SERVICES TRUST

Opinion

We have audited the financial statements of Luton Cultural Services Trust ('the parent charitable company') and its subsidiary (together 'the group') for the year ended 31 March 2021 which comprise the Group Statement of Financial Activities, the Group Summary Income and Expenditure Account, the Group and Parent Charitable Company Balance Sheets, the Group Cash Flow Statement, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2021 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality uncertainty relating to going concern

We draw attention to the going concern policy (note (1b)) in the financial statements. The directors, in their assessment of going concern, have identified the need for additional funding and the continued reliance of the company's overdraft facility. If the required funding is not successful or the overdraft facility is not extended beyond its expiry in February 2022, the Group will not have sufficient resources to continue in operation for the foreseeable future. This indicates the existence of a material uncertainty, which may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained in the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the trustees' annual report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the trustees' annual report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the trustees' annual report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- the parent charitable company has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group and parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the group and parent charitable company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees;
- conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and parent charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or parent charitable company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit report.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the charitable company.

Our approach was as follows:

- we obtained an understanding of the legal and regulatory requirements applicable to the charitable company through the use of permanent audit file information, updated this year for any changes that have been identified by management or by our own investigations and considered that the most significant are the Companies Act 2006, the Charities Act 2011, the Charity SORP, and UK financial reporting standards as issued by the Financial Reporting Council;
- we obtained an understanding of how the charitable company complies with these requirements by discussions with management and those charged with governance and through reviews of relevant accounting and management records;
- we assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, based on our work as outlined above;

- we enquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations, using associated documentary evidence to better understand items of interest;
- based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. As well as specific audit testing, this included approaching accounting records with an inquisitive and sceptical mindset such that we examined items that were felt to be of interest or of higher risk in this area, and obtaining additional corroborative evidence as required.

To address the risk of fraud through management override of controls, we carried out the following work:

- procedures were undertaken to identify any unusual or unexpected matters, and the rationale behind any such matters was examined;
- journal entries were reviewed to identify unusual transactions;
- judgements and assumptions made in determining the accounting estimates set out in the accounting policies were reviewed.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charitable company and charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Moore Kingston Smith LLP.

Date: 20 December 2021

James Saunders FCCA DChA (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP, Statutory Auditor

Devonshire House
60 Goswell Road
London
EC1M 7AD

Luton Cultural Services Trust
Consolidated Statement of Financial Activities
(including an income and expenditure account)
For the year ended 31 March 2021

	Note	Unrestricted Funds £	Restricted Funds £	Total Funds 2021 £	Total Funds 2020 £
Income from:					
Donations and legacies	3	1,555,971	1,822,070	3,378,041	4,738,853
Charitable activities	2	899,990	300	900,290	1,243,993
Other trading activities	11	262,737	-	262,737	726,910
Investments	4	69	-	69	312
Total Incoming Resources		2,718,767	1,822,370	4,541,137	6,710,068
Expenditure on:					
Raising funds	11	320,158	-	320,158	679,727
Charitable activities	5	2,604,265	375,495	2,979,760	6,156,775
Other costs	5	14,400	-	14,400	29,676
Total Resources Expended		2,938,823	375,495	3,314,318	6,866,178
Net incoming/(outgoing) resources before transfers		(220,056)	1,446,875	1,226,819	(156,110)
Transfers between funds	17	1,579,890	(1,579,890)	-	-
Net income/(expenditure)		1,359,834	(133,015)	1,226,819	(156,110)
Other gains/(losses)					
Investment property impairment	10	-	-	-	(1,067,318)
Actuarial losses on defined benefit pension scheme	18	(4,314,000)	-	(4,314,000)	2,304,000
Net movement in funds		(2,954,166)	(133,015)	(3,087,181)	1,080,572
Total funds brought forward		(950,137)	179,034	(771,103)	(1,851,675)
Total funds carried forward		(3,904,303)	46,019	(3,858,284)	(771,103)

Luton Cultural Services Trust
Consolidated Statement of Financial Activities
For the year ended 31 March 2020

	Note	Unrestricted Funds £	Restricted Funds £	Total Funds 2020 £
Income from:				
Donations and legacies	3	2,766,600	1,972,253	4,738,853
Charitable activities	2	1,243,993	-	1,243,993
Other trading activities	11	726,910	-	726,910
Investments	4	312	-	312
Total Incoming Resources		4,737,815	1,972,253	6,710,068
Expenditure on:				
Raising funds	11	679,727	-	679,727
Charitable activities	5	5,432,422	724,353	6,156,775
Other	5	29,676	-	29,676
Total Resources Expended		6,141,825	724,353	6,866,178
Net (outgoing)/incoming resources before transfers		(1,404,010)	1,247,900	(156,110)
Transfers between funds	17	1,610,552	(1,610,552)	-
Net (expenditure)/income		206,542	(362,652)	(156,110)
Investment property impairment	10	(1,067,318)	-	(1,067,318)
Actuarial gain on defined benefit pension scheme	18	2,304,000	-	2,304,000
Net movement in funds		1,443,224	(362,652)	1,080,572
Total funds brought forward		(2,393,361)	541,686	(1,851,675)
Total funds carried forward		(950,137)	179,034	(771,103)

Luton Cultural Services Trust
Consolidated Balance Sheet
As at 31 March 2021

	Note	The Group		The Charity	
		2021	2020	2021	2020
		£	£	£	£
Fixed assets					
Tangible fixed assets	9	4,696,178	3,646,935	4,696,178	3,646,935
Investment property	10	3,523,220	3,507,932	3,523,220	3,507,932
		<u>8,219,398</u>	<u>7,154,867</u>	<u>8,219,398</u>	<u>7,154,867</u>
Current assets					
Stock	12	17,304	29,335	-	-
Debtors	13	501,939	48,839	540,050	55,019
Cash at bank and in hand		77,151	50,709	58,255	21,569
		<u>596,394</u>	<u>128,883</u>	<u>598,305</u>	<u>76,588</u>
Creditors: Amounts falling due within one year	14	(1,055,310)	(1,459,289)	(1,000,069)	(1,406,993)
Net current liabilities		(458,916)	(1,330,406)	(401,764)	(1,330,405)
Creditors: amounts due after one year	15	(1,843,766)	(1,555,564)	(1,843,766)	(1,555,564)
Net assets excluding pension scheme liabilities		5,916,716	4,268,897	5,973,868	4,268,898
Defined benefit pension scheme liability		(9,775,000)	(5,040,000)	(9,775,000)	(5,040,000)
Net Liabilities including pension scheme liabilities		<u>(3,858,284)</u>	<u>(771,103)</u>	<u>(3,801,132)</u>	<u>(771,102)</u>
Funds					
Restricted funds	17	46,019	179,034	46,019	179,034
Unrestricted funds					
General funds	17	5,870,697	4,089,863	5,927,848	4,089,863
Pension reserve	17	(9,775,000)	(5,040,000)	(9,775,000)	(5,040,000)
Total funds		<u>(3,858,284)</u>	<u>(771,103)</u>	<u>(3,801,132)</u>	<u>(771,103)</u>

17.12.21

These accounts were approved and authorised for issues by the Board on and signed on their behalf by:



.....
Nicholas Gibson
Chairman

Luton Cultural Services Trust
Consolidated Statement of Cash Flows
For the year ended 31 March 2021

	Note	2021 £	2020 £
Net cash flow from operating activities	(a)	1,070,984	1,636,436
Cash flows from investing activities			
Interest received		69	312
Interest element of finance lease repayments		(13,215)	(11,106)
Interest element of loan		(38,923)	
Expenditure on fixed assets (including investment property)		(1,280,675)	(3,416,238)
Net cash used in investing activities		<u>(1,332,744)</u>	<u>(3,427,032)</u>
Cash flows from financing activities			
Repayment of capital element of finance leases		(61,798)	(76,514)
Bank loan drawn down		350,000	1,365,000
Finance lease in year		-	-
		<u>288,202</u>	<u>1,288,486</u>
Net cash inflow	(b)	26,442	(502,110)
Cash and cash equivalents at beginning of the year		50,709	552,819
Cash and cash equivalents at the end of the year		<u>77,151</u>	<u>50,709</u>

Notes to the cash flow statement

a) Reconciliation of (outgoing)/incoming resources to net cash flow from operating activities

	2021 £	2020 £
Net (outgoing)/incoming resources before other gains/(losses)	1,226,819	(156,110)
Loss on disposal of fixed assets	66,907	-
Defined Benefit Scheme movements	421,000	680,000
Decrease in stock	12,031	14,989
Increase in debtors	(453,100)	251,072
Decrease in creditors	(403,979)	660,261
Depreciation	149,237	175,430
Interest paid on finance leases	13,215	11,106
Interest paid on loans	38,923	
Interest received	(69)	(312)
Net cash flow from operating activities	<u>1,070,984</u>	<u>1,636,436</u>

Analysis of changes in net debt

	At 31 March 2020	Cashflows	New finance leases	At 31 March 2021
Cash and cash equivalents	50,709	26,442	-	77,151
Loans falling due after more than one year	(1,303,250)	(350,000)	-	(1,653,250)
Finance lease obligations	(252,314)	75,013	-	(177,301)
			-	
Total net debt	<u>(1,504,855)</u>	<u>(248,545)</u>	<u>-</u>	<u>(1,753,400)</u>

Luton Cultural Services Trust
Notes to the Financial Statements
For the year ended 31 March 2021

1. Accounting policies

a) Basis of preparation

The financial statements have been prepared in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). The Charity is a public benefit entity for the purposes of FRS 102 and therefore the consolidated financial statements have been prepared in accordance with the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (The FRS 102 Charity SORP) including Update Bulletin 2, the Companies Act 2006 and the Charities Act 2011.

The results of the subsidiary entities are consolidated on a line by line basis. A summary of the results of the subsidiary entities is shown in Note 11. The functional currency of the charity and its subsidiaries is sterling; amounts are rounded to the nearest pound.

Luton Cultural Services Trust has taken advantage of the exemption in section 408 of the Companies Act 2006 from disclosing its individual statement of financial activities. The Charity only surplus (net movement in funds) was £1,127,900 (2020: surplus of 1,080,573).

The group accounts consolidate the accounts of Luton Cultural Services Trust and its subsidiary undertaking, LCST Trading Limited, made up to 31 March 2021. The acquisition method of accounting has been adopted.

b) Going concern

In accordance with their responsibilities the Directors have considered and concluded upon the appropriateness of the going concern basis, which has been used in the preparation of these financial statements. In making this going concern assessment, the directors have had regard to the following matters:

- Budgets and cash flows to March 2022
- Relationships with the bank
- Impact of Covid-19 on commercial income and future London Luton Airport (LLAL) donations

The directors have assumed that sufficient funding will be made available to the company in the 12 month period following the approval of these financial statements. The LLAL and Arts Council revenue funding has been confirmed and this provides £1.5m secured income for the Trust in 2022/23.

During COVID-19, an overdraft facility was put in place to help the Trust manage cash-flow and this remains in place until February 2022. It is anticipated that the facility may still be required beyond this period and so an extension will be sought. The Trust is active in seeking opportunities to fundraise and to date has been very successful.

Nevertheless, after making these enquiries, and considering the uncertainties described above, the Directors have a reasonable expectation that the charitable company will have sufficient resources to continue in operational existence for the foreseeable future. For these reasons, the charitable company has continued to adopt the going concern basis in preparing the financial statements. However the directors recognise that the outcome depends upon the positive resolution of a number of matters which indicates that there may be a material uncertainty in relation to the charitable company's ability to continue as a going concern.

c) Income

Total incoming resources as shown in the Statement of Financial Activities is the total income of the group. All incoming resources are included in the Statement of Financial Activities when the charity is entitled to the income, the receipt is probable, and the amount can be measured reliably. The following specific policies are applied to particular categories of income:

Luton Cultural Services Trust
Notes to the Financial Statements
For the year ended 31 March 2021

ci) Voluntary income

Voluntary income is included in the Statement of Financial Activities when receivable.

cii) Grants receivable

Revenue grants are credited to the Statement of Financial Activities when the Charity has entitlement to the funds, any performance conditions attached to the grant have been met, it is probable that the income will be received and the amount can be measured reliably.

d) Allocation of costs

Central salary costs are apportioned on the basis of staff time attributable to each activity. Overhead costs are allocated to activities on a headcount basis.

e) Costs of charitable activities

The costs of each category of charitable activity are the costs directly attributable to that activity and allocated central costs.

f) Governance costs

Governance costs include all costs of compliance with constitutional and statutory requirements, including legal and audit fees and the costs of meetings.

g) Depreciation

Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life. The depreciation rates in use are as follows:

Long leasehold property improvements	10 - 50 years
Plant & equipment	5 - 10 years
Office furniture and equipment	5 years
Computer software	3 years

Items of equipment are capitalised where the purchase price exceeds £5,000. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use.

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Freehold property has been capitalised and included in fixed assets at cost. Depreciation has not been provided after taking into account the value of the land, the residual value of the property and the estimated useful life of the asset. The property is reviewed annually for any potential impairment.

h) Stock

Stock is valued at the lower of cost and net realisable value.

i) Restricted funds

Restricted funds are to be used for specified purposes as laid down by the donor. Expenditure which meets these criteria is identified to the fund, together with a fair allocation of management and support costs.

j) Unrestricted funds

Unrestricted funds are donations and other incoming resources received or generated for the charitable purposes. In accordance with FRS102, a pension reserve is included within unrestricted funds representing the defined benefit pension scheme. Designated funds are unrestricted funds of the charity which the trustees have decided at their discretion to set aside to use for a specific purpose.

Luton Cultural Services Trust
Notes to the Financial Statements
For the year ended 31 March 2021

k) Resources expended

Resources expended are recognised in the period in which they are incurred and include attributable VAT which cannot be recovered.

l) Costs of generating funds

The costs of generating funds relate to the costs incurred by the group and charitable company in raising funds for its charitable work.

m) Pension costs

The pension liabilities and assets are recorded in line with FRS102 and relate to the defined benefit scheme set out in note 18. A valuation for accounting purposes is undertaken by an independent actuary. The value of benefits accrued and the net interest costs is used to determine the pension charge in the SOFA. The change in value of assets and liabilities, changes in benefits and changes in actuarial assumptions are recognised in the SOFA within "actuarial gains/(losses) on defined benefit pension scheme".

n) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost, and subsequent to development works will be adjusted to their fair value at period ends.

o) Accounting estimates and key judgements

In the application of the company's accounting policies, the Trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

i. Useful economic life of tangible assets

The annual depreciation charge for fixed assets is sensitive to changes in the estimated useful economic lives of the assets. The useful economic lives are reassessed annually. These are amended where necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 9 for the carrying value of assets and note 1g for the useful economic lives.

p) Accounting estimates and key judgements

ii. Valuation of investment property

The carrying value of the investment properties at 31 March 2021 is based on a valuation carried out in 2020 by an independent valuer who has the necessary skills and proficiency to undertake the valuation in a competent manner. The valuation was made on an open market basis and in determining the market value the valuer has drawn upon comparable market transactions in the local area. The valuation has been prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation - Global Standards 2017. As a result of the outbreak of Covid-19 and uncertainty in the property sector the report included a 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. The trustees have concluded that while a materiality valuation uncertainty exists in the report this does not impact the true and fair view of these financial statements. The trustees continue to keep the market value of the property under regular review.

Luton Cultural Services Trust
Notes to the Financial Statements
For the year ended 31 March 2021

2 Income from charitable activities

	2021 Unrestricted £	2021 Restricted £	2021 Total £	2020 Total £
Library related income	109	-	109	1,063,094
Museum related income	(199)	-	(199)	179,409
Community Centres related income	-	-	-	294
Other income	900,080	300	900,380	1,196
Total	899,990	300	900,290	1,243,993

3 Donations and Legacies

	2021 Unrestricted £	2021 Restricted £	2021 Total £	2020 Total £
London Luton Airport	1,554,000	-	1,554,000	2,754,000
NLHF	-	826,432	826,432	-
Arts Council England - NPO museums	-	245,594	245,594	249,000
Architectural Heritage - Hat Works Project	-	280,000	280,000	181,800
Historic England - Hat Works Project	-	50,000	50,000	-
Linbury Trust - Hat Works Project	-	50,000	50,000	-
SEMLEP - Hat Works Project	-	115,000	115,000	657,000
The Steel Trust - Hat Works Project	-	15,000	15,000	-
ACE - Hat Factory Redevelopment	-	-	-	24,975
LBC - Hat Factory Redevelopment	-	-	-	170,000
DCMS - Wolfson	-	-	-	100,000
BID Luton	-	-	-	63,280
Creative people and places	-	174,268	174,268	308,219
HLF - Hat District Project	-	-	-	100,000
John Apthorp Charity	-	-	-	80,750
Other Museums related	-	25,777	25,777	37,600
ACE- Lace Tree project	-	24,999	24,999	-
Misc Grants - Hat Works Project	-	15,000	15,000	-
Visitor donations	1,971	-	1,971	12,229
Total	1,555,971	1,822,070	3,378,041	4,738,853

4 Investment income

	2021 Unrestricted £	2021 Restricted £	2021 Total £	2020 Total £
Bank interest	69	-	69	312
Total	69	-	69	312

Luton Cultural Services Trust
Notes to the Financial Statements
For the year ended 31 March 2021

5 Total resources expended

	Learning and Skills costs £	Arts costs £	Museum costs £	Cross-trust projects £	Governance costs £	Support costs £	2021 Total £	2020 £
Staff costs (Note 7)	79,410	73,895	617,683	186,796	-	791,966	1,749,750	3,088,226
Pension adjustment (Note 7)	19,107	17,780	148,618	44,944	-	190,552	421,000	680,000
Premises costs	(4,185)	58,084	85,498	8,432	-	22,603	170,432	498,970
Equipment	(7,503)	1,477	8,880	-	-	12,435	15,289	201,377
Library resources	(3,714)	-	-	-	-	-	(3,714)	195,386
Office Costs	-	8,208	3,159	437	-	54,610	66,414	114,456
Events, Exhibitions & Programmes	-	21,765	7,558	220,199	-	9,574	259,096	869,998
Marketing and Publicity	-	-	-	38,977	-	3,466	42,443	76,189
Legal & Professional Fees	-	-	-	342	14,400	29,599	44,341	63,040
Archive and records services	-	-	-	-	-	-	-	140,636
Depreciation	-	-	-	-	-	149,238	149,238	107,141
Bad debts	-	-	-	-	-	-	-	(81)
Other costs	-	-	-	810	-	29,185	29,995	76,000
Interest payable	-	-	-	-	-	38,923	38,923	18,743
Unallocated Non reclaimable VAT	-	-	-	-	-	10,952	10,952	56,370
Total resources expended	83,115	181,209	871,396	500,937	14,400	1,343,103	2,994,159	6,186,451
Support Costs	67,612	147,410	708,864	407,503	11,714	(1,343,103)	1	-
Total resources expended	150,727	328,619	1,580,260	908,440	26,114	-	2,994,160	6,186,451

Luton Cultural Services Trust
Notes to the Financial Statements
For the year ended 31 March 2021

6 Net incoming resources for the year

This is stated after charging:

	2021	2020
	£	£
Depreciation	149,237	175,430
Trustees' indemnity insurance	1,386	2,502
Auditor's remuneration		
- Audit fee for current year	19,000	19,000
- Overaccrual for current year	-	4,450
- Other services	-	6,226

No Trustees were reimbursed for expenses (2019: £nil).

7 Staff costs and numbers

Staff costs were as follows:

	2021	2020
	£	£
Salaries and wages	1,568,671	2,636,714
Social security costs	139,619	207,314
Pension contributions	169,990	563,495
Other pension costs	421,000	680,000
Redundancy and termination costs	85,451	10,861
	<u>2,384,731</u>	<u>4,098,384</u>

The Trustees received £nil remuneration in the year (2020: £nil). The trustees received reimbursement for expenses totalling nil (2020: £575). 1 employee received emoluments in the range £90,001 - £101,000 in the period (2020: £90,001 - £101,000 - 1). This employee is a member of the defined benefit pension scheme. Contributions for the period for this employee were £18,467 (2020: £17,654). The total remuneration for the key management personnel, the Chief Executive and 5 directors (2020: 5 directors) totalled £324,237 (2020: £389,848).

The average number of employees (full-time equivalent) during the period was as follows:

	2021	2020
	No.	No.
Chief Executive, finance and administration	10	11
Marketing ,business development and trading	12	13
Libraries	0	39
Learning and Skills	2	3
Museums	16	18
Arts	6	6
Community Centres	-	-
Operations	4	5
	<u>50</u>	<u>95</u>
Average total headcount	<u>50</u>	<u>127</u>

8 Taxation

The charity is exempt from corporation tax as all its income is charitable and is applied for charitable purposes. The charity's trading subsidiary LCST Trading Ltd donates available profits to the charity.

Luton Cultural Services Trust
Notes to the Financial Statements
For the year ended 31 March 2021

9 Tangible Fixed Assets Group and Company

Group and Charity

	Freehold property £	Long leasehold property £	Office furniture & equipment £	Plant & equipment £	Total £
Cost					
At 1 April 2020	1,017,748	2,625,947	180,107	823,311	4,647,113
Additions	1,192,621	72,766	-	-	1,265,387
Disposals	-	-	(5,713)	(61,194)	(66,907)
At 31 March 2021	<u>2,210,369</u>	<u>2,698,713</u>	<u>174,394</u>	<u>762,117</u>	<u>5,845,593</u>
Depreciation					
At 1 April 2020	-	329,405	163,544	507,229	1,000,178
Eliminated on disposals	-	-	-	-	-
Charge for the year	-	100,046	3,066	46,125	149,237
At 31 March 2021	<u>-</u>	<u>429,451</u>	<u>166,610</u>	<u>553,354</u>	<u>1,149,415</u>
Net Book Value					
At 31 March 2021	<u>2,210,369</u>	<u>2,269,262</u>	<u>7,784</u>	<u>208,763</u>	<u>4,696,178</u>
At 1 April 2020	<u>1,017,748</u>	<u>2,296,542</u>	<u>16,563</u>	<u>316,082</u>	<u>3,646,935</u>

10 Investments

The Group continues to develop its investment properties and will undertake an annual revaluation on completion.

	2021 £	2020 £
Market value at 1 April	3,507,932	3,331,577
Capital additions at cost	15,288	1,243,673
Depreciation	-	-
Impairment during the year	-	(1,067,318)
Market value at 1 April	<u>3,523,220</u>	<u>3,507,932</u>

The Charity has two investments properties, Hat House and Hat Studios both of which have been externally valued by an examiner in June 2020. Development of the Hat Studios land is currently on hold and continues to be held at cost until it is brought into service at which point it will be externally valued. The valuation has been prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation - Global Standards 2017. As a result of the outbreak of Covid-19 and uncertainty in the property sector the report included a 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. See accounting policy note (1nii) for further details.

Luton Cultural Services Trust
Notes to the Financial Statements
For the year ended 31 March 2021

11 Subsidiary Undertaking

The charitable company owns the whole of the issued ordinary share capital of LCST Trading Limited, a company registered in England and Wales (Company Number 06373488). The subsidiary is used for non-primary purpose trading activities. All activities have been consolidated on a line by line basis in the statement of financial activities. A summary of the results of the subsidiary is shown below:

	2021 £	2020 £
External Income	262,643	726,764
Cost of sales	(242,615)	(615,508)
Gross profit	<u>20,028</u>	<u>111,256</u>
Administrative expenses	(77,543)	(64,219)
Operating profit	<u>(57,515)</u>	<u>47,037</u>
Interest receivable and similar income	94	146
Charitable distribution to Luton Cultural Services Trust	-	(47,183)
Retained profit for the year	<u><u>(57,421)</u></u>	<u><u>-</u></u>

The Balance Sheet comprised:

Fixed assets	-	-
Current assets	70,916	99,354
Current liabilities	(128,337)	(99,353)
Creditors due after more than one year	<u><u>-</u></u>	<u><u>-</u></u>
	<u><u>(57,421)</u></u>	<u><u>1</u></u>

12 Stock

	Group		Charity
	2021 £	2020 £	2021 £
			2020 £
Merchandise and Bar stock	<u>17,304</u>	<u>29,335</u>	<u>-</u>
			<u>-</u>

Luton Cultural Services Trust
Notes to the Financial Statements
For the year ended 31 March 2021

13 Debtors

	Group		Charity	
	2021	2020	2021	2020
	£	£	£	£
Debtors and prepayments	360,313	48,839	325,615	7,960
VAT costs	141,626	-	141,626	-
Amount due from subsidiary	-	-	72,809	47,059
	<u>501,939</u>	<u>48,839</u>	<u>540,050</u>	<u>55,019</u>

14 Creditors: amounts due within 1 year

	Group		Charity	
	2021	2020	2021	2020
	£	£	£	£
Bank overdraft	102,879	-	102,880	-
Trade creditors	649,364	910,613	537,286	822,441
Accruals and deferred income	207,965	325,070	264,801	361,080
Social security costs	33,305	161,856	33,305	161,722
Finance leases due within 1 year	61,797	61,750	61,797	61,750
	<u>1,055,310</u>	<u>1,459,289</u>	<u>1,000,069</u>	<u>1,406,993</u>

Accruals and Deferred income line includes restricted income of £116,083 which has been deferred to the 2021/22 Financial year. This comprises £98,641 of NLHF income, £7,988 of Arts Council income and £9,454 of other museum related grants.

15 Creditors: amounts due after 1 year

	Group		Charity	
	2021	2020	2021	2020
	£	£	£	£
Finance leases due within 1 to 5 years	128,766	190,564	128,766	190,564
Bank loan	1,715,000	1,365,000	1,715,000	1,365,000
	<u>1,843,766</u>	<u>1,555,564</u>	<u>1,843,766</u>	<u>1,555,564</u>

The bank loan was taken out in September 2019 and is repayable in instalments by March 2043. Interest of £18,743 (2019: £Nil) was charged during the year. There is a first legal charge on the freehold property of 32 Guildford Street over the bank loan.

A CIBL loan was taken out in February 2021 and is repayable in instalments by March 2024. Interest of £Nil was charged during the year. The loan is not secured.

16 Analysis of group net assets between funds

	Tangible fixed assets	Pension scheme liability	Current asset/(liability)	Long term creditors	Net assets at 31 March 2021
	£	£	£	£	£
Restricted funds	-	-	45,720	-	45,720
Pension reserve	-	(9,775,000)	-	-	(9,775,000)
General funds	8,219,398	-	(503,874)	(1,843,766)	5,871,758
Total funds	<u>8,219,398</u>	<u>(9,775,000)</u>	<u>(458,154)</u>	<u>(1,843,766)</u>	<u>(3,857,522)</u>

	Tangible fixed assets	Pension scheme liability	Current asset/(liability)	Long term creditors	Net assets at 31 March 2020
	£	£	£	£	£
Restricted funds	-	-	179,034	-	179,034
Pension reserve	-	(5,040,000)	-	-	(5,040,000)
General funds	7,028,110	-	(1,382,683)	(1,555,564)	4,089,863
Total funds	<u>7,028,110</u>	<u>(5,040,000)</u>	<u>(1,203,649)</u>	<u>(1,555,564)</u>	<u>(771,103)</u>

Luton Cultural Services Trust
Notes to the Financial Statements
For the year ended 31 March 2021

17 Movements in funds

	At 1st April 2020	Incoming resources	Outgoing resources	Gain/(loss)	Transfers	At 31st March 2021
Restricted funds:						
Arts Council England - NPO museums	37,249	245,594	(112,491)	-	(133,103)	37,249
Architectural Heritage - Hat Works Project	-	280,000	-	-	(280,000)	-
SEMLEP - Hat District Project	-	115,000	-	-	(115,000)	-
Linbury Trust- Hat Works Redevelopment	-	50,000	-	-	(50,000)	-
Historic England - Hat Works Redevelopment	-	50,000	-	-	(50,000)	-
NLHF - Hat Works Redevelopment	-	826,432	-	-	(826,432)	-
The Steel Trust - Hat Works Redevelopment	-	15,000	-	-	(15,000)	-
Creative people and places - ACE	55,016	174,268	(220,027)	-	(3,336)	5,921
Grants Misc	-	15,000	-	-	(15,000)	-
Museum Development Fund	2,551	25,777	(17,977)	-	(7,800)	2,551
John Apthorp Charity	80,750	-	-	-	(80,750)	-
ACE- Lace tree project	-	24,999	(24,999)	-	-	-
Other Museums related	3,468	299	-	-	(3,468)	299
Total restricted funds	179,034	1,822,370	(375,495)	-	(1,579,890)	46,019
Unrestricted funds:						
General funds	4,089,863	2,718,767	(2,517,823)	-	1,579,890	5,870,697
Pension reserve	(5,040,000)	-	(421,000)	(4,314,000)	-	(9,775,000)
Total unrestricted funds	(950,137)	2,718,767	(2,938,823)	(4,314,000)	1,579,890	(3,904,303)
Total funds	(771,103)	4,541,137	(3,314,318)	(4,314,000)	-	(3,858,284)

Purposes of restricted funds

The charity's funds comprise amounts restricted to specific activities and not yet spent.

Creative People & Places-Arts Council England

Arts Council England allocated funds to support the development and increase participation in creative arts activities in Luton.

Luton Cultural Services Trust
Notes to the Financial Statements
For the year ended 31 March 2021

17 Movements in funds (continued)

NPO Museum-Arts Council England

The Arts Council England awarded Luton Culture National Portfolio Organisation status on 1st April 2019. Luton Cultures museums have now become a leader in their area with a collective responsibility to protect and develop the national arts and culture. The grant income received in the year is year 1 of a 3 year programme of funding and investment to help deliver ACE's strategic objectives.

South East Midland Local Enterprise Partnership (SEMLEP)

SEMLEP have allocated grant from the Local Growth Fund in support of the Hat district capital project. A total of £3,961,000 in total has been awarded over 4 year programme.

18 Pension scheme

Luton Cultural Services Trust contributes to the Bedfordshire Pension Fund, a defined benefit pension scheme, to secure present and future pensions for its staff. For staff, employer contributions were 12.2% of pensionable salary from 1 April 2020 to 31 March 2021 (24.4% - 2020). Employee contributions were between 5.5% and 9.9% of pensionable salary dependent on salary.

The assets of the Scheme are held as part of the Bedfordshire Pension Fund. The valuation of the scheme is based on the most recent triennial funding valuation, updated by the scheme actuaries in May 2019, based on the provisions of FRS102. Investments have been valued, for this purpose, at fair value.

The principal assumptions used by the actuary to calculate the Scheme liabilities under FRS102 were as follows:

	2021 %pa	2020 %pa
Pension Increase rate	2.85	1.65
Rate of increase in salaries	3.85	2.65
Discount Rate	2.00	2.35

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI_2020, which was released in March 2021. This update has been made in light of the coronavirus pandemic and reflects the latest information available from the CMI. The new CMI_2020 Model introduces a "2020 weight parameter" for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results. The assumptions are that a member aged 65 will live on average until age 86.9 if they are male and on average until age 89.3 if female. For a member aged 45 the assumptions are that if they attain an age of 65 they will live on average until age 87.8 if they are male and on average until 91 if female.

A building block approach is adopted in determining the expected rate of return on the scheme's assets. Historic markets are studied and assets with high volatility are assumed to generate higher returns consistent with widely accepted capital market principles. Each different asset class is given a different expected rate of return. The overall rate of return is then derived by aggregating the expected return for each asset class over the actual asset allocation of the scheme at year end.

	Asset category as a percentage of plan assets	
	2021	2020
Equities	69%	67%
Bonds	19%	17%
Property	9%	11%
Cash	3%	4%

Luton Cultural Services Trust
Notes to the Financial Statements
For the year ended 31 March 2021

18 Pension scheme (continued)

Amounts recognised in the SOFA	2021 £	2020 £
Current service cost	(533,000)	(1,044,000)
Employer Contributions	230,000	595,000
Income interest on plan assets	412,000	511,000
Interest costs on defined benefit obligation	(511,000)	(664,000)
Administration expenses	(19,000)	(78,000)
	<u>(421,000)</u>	<u>(680,000)</u>
Remeasurements:		
Changes in financial assumptions	(8,629,000)	3,915,000
Change in demographic assumptions	205,000	(916,000)
Experience gain/(loss) on defined benefit obligation	211,000	1,451,000
Other actuarial gains/(losses) on assets	7,000	(382,000)
Liabilities assumed / (extinguished) on settlements	2,859,000	-
Settlement prices received / (paid)	(2,123,000)	-
Return on assets excluding amount included in net interest	3,156,000	(1,764,000)
	<u>(4,314,000)</u>	<u>2,304,000</u>
Total amounts recognised in the SOFA	<u>(4,735,000)</u>	<u>1,624,000</u>
Amounts recognised in the balance sheet	£	£
Fair value of scheme assets	20,930,000	19,784,000
Present value of funded obligations	(30,705,000)	(24,824,000)
Net (liability) recognised in the balance sheet	<u>(9,775,000)</u>	<u>(5,040,000)</u>
Changes in fair value of scheme assets	2021 £	2020 £
Scheme assets at start of period	19,784,000	21,116,000
Interest income on plan assets	412,000	511,000
Return on assets excluding amount included in net interest	3,156,000	(1,764,000)
Other actuarial gains/(losses)	7,000	(382,000)
Administration expenses	(19,000)	(78,000)
Contributions by employer	230,000	595,000
Contributions by scheme participants	99,000	145,000
Benefits paid	(616,000)	(359,000)
Settlement prices received / (paid)	(2,123,000)	-
Scheme assets at end of period	<u>20,930,000</u>	<u>19,784,000</u>
Changes in present value of scheme liabilities	2021 £	2020 £
Scheme liabilities at start of period	24,824,000	27,780,000
Current service cost	475,000	868,000
Interest costs on defined benefit obligation	511,000	664,000
Changes in financial assumptions	8,629,000	(3,915,000)
Contributions by scheme participants	99,000	145,000
Actuarial (gain) / losses	(211,000)	(1,451,000)
Other remeasurements	(205,000)	916,000
Liabilities assumed / (extinguished) on settlements	(2,859,000)	-
Past service costs	58,000	176,000
Benefits paid	(616,000)	(359,000)
Scheme liabilities at end of period	<u>30,705,000</u>	<u>24,824,000</u>

Luton Cultural Services Trust
Notes to the Financial Statements
For the year ended 31 March 2021

18 Pension scheme (continued)

History of defined benefit scheme

	2021	2020	2019	2018
	£	£	£	£
Fair value of scheme assets	20,930,000	19,784,000	21,116,000	19,485,000
Present value of scheme liabilities	(30,705,000)	(24,824,000)	(27,780,000)	(25,906,000)
Net defined benefit liability	<u>(9,775,000)</u>	<u>(5,040,000)</u>	<u>(6,664,000)</u>	<u>(6,421,000)</u>
 Experience gains/(losses) on scheme assets	 (1,764,000)	 (1,764,000)	 716,000	 (353,000)
 Experience gains/(losses) on scheme liabilities	 211,000	 1,451,000	 (1,770,000)	 593,000

The estimated contribution for 2021/22 is £284,000.

19 Related parties

The following related party transactions were conducted at market rates and were properly disclosed in line with the charity's internal governance procedures:

During the year the charity made no related party transactions (2020: £6,441).

20 Capital commitments

Contractual commitments for professional fees and to refurbish the Hat District properties at the year end were £100,540 (2020: £263,669).

21 Operating leases

Non-cancellable operating lease rentals payable in the year were £nil (2020: £nil). There are no contractual commitments for non-cancellable lease rentals at the year end.

22 Contingent Liabilities

The Trust has an ongoing employment tribunal case that will be heard in October 2022.