	Item No: **6.1**

Committee:	**COUNCIL**			
Date of Meeting:	19 February 2024			
Subject:	**Revenue Budget and Capital Programme 2024/25**			
Report Author:	Service Director - Finance, Revenues and Benefits			
Contact Officer:	Dev Gopal			
Implications:	Legal	☐	Community Safety	☐
	Equalities	☐	Environment	☐
	Financial	☐	Consultations	☐
	Staffing	☐	Other	☐
Wards Affected:	ALL			

Purpose

1. The Executive at its meeting to be held on Monday 12 February 2024, will be considering the attached report on the Revenue Budget and Capital Programme 2024/25.

2. The recommendations arising from that meeting will be published on Tuesday 13 February 2024 and circulated to all Members of the Council.

Appendices:

Executive report EX/02/10

& accompanying Annex 1 and Appendices A to Q

Luton

Item No: **10**

Report For:	**Executive**
Date of Meeting:	12 February 2024
Report Of:	**Director of Finance, Revenues and Benefits**
Report Author:	**Dev Gopal**
Subject:	**Revenue Budget and Capital Programme 2024/25**
Lead Executive Member(s):	Cllr Robert Roche
Wards Affected:	All
Consultations:	Councillors ☑ Scrutiny ☑ Stakeholders ☑ Others ☑

Recommendations

1. **The Executive is recommended to:**

i) **Approve the 2024/25 revenue estimates of net expenditure including movements in reserves and use of one off Collection Fund Surplus to fund the Council's Transformation Programme, as set out in the budget papers (known as the 'green book') circulated, and in this report, for submission to budget Council.**

ii) **Consider the items put forward for inclusion in the draft capital programme (set out in the Green book pages 24 to 34) and the potential funds available (appendix G), and approve the items and amounts to be included in the capital programme for 2024 – 2029 for submission to budget Council, on the basis that all new schemes require Executive approval (on the basis of a full detailed business case, business plan and financing options) before they can proceed.**

iii) **Note the high level savings proposals arising from the transformation programme and further detailed reports including any financial implications to be brought back to Executive for approval before implementation.**

iv) **Approve the list of spend pressures and budget growth (Appendix L) for submission to budget Council, and approve the service changes necessary to give effect to those growth proposals.**

v) **Note the results of the budget engagement exercise to be included in the 12 February 2024 Executive report.**

vi) **Approve a 2024/25 band D Council tax precept for Luton Borough Council of £1,567.91 and Social Care precept of £264.28 for submission to budget Council.**

vii) Recommend the revenue budget for approval to Council in the format prescribed by the Local Government Finance Act 1992, subject to the confirmation of the Fire and Police precepts, noting that the Revenue budget recommendation will need to be accompanied by a report from the Director of Finance, Revenues & Benefits on the 'robustness' of the budget proposal, accompanied by a Statement on Reserves and Provisions, in accordance with the requirements of Section 25 of the Local Government Act 2003.

viii) Approve the funding formula for primary and secondary schools, plus the centrally retained and early years allocations of the 2024/25 central Dedicated Schools Grant, as proposed by the schools forum and set out in paragraphs 123 -132 of Annex 1 and appendices J & K (to follow)

ix) Note the core budget deficit for the year 2023/24 amounts to circa £11m. The deficit recovery plan has been refreshed to reflect the latest forecast and the 2024/25 budget includes delivery of £5.26m of deficit recovery in 2024/25. In order to deliver a balanced budget.

x) Note that delivery of Deficit Recovery Plans and savings to be identified from the Transformation Programme are critical to being able to set a balanced, affordable and sustainable budget over the medium to long term and would require close monitoring, reporting and prompt measures taken in case of non-delivery.

xi) Note the projected budget gap excluding the deficit recovery plan over the medium term as set out in paragraph 96 of Annex 1, which shows that the base budget level of savings required over the next three years amounts to £20.03m including deficit recovery plan of £5.71m.

xii) Approve the Budget Risk Management Strategy set out in appendix B as a key part of the 2024/25 budget, for submission to full Council.

xiii) Approve the protocol for the Management, Control and Use of Reserves set out in appendix F.

xiv) Approve the future release of the contingency provision in appendix B by the Chief Executive in consultation with the Leader of the Council and Director of Finance, Revenues & Benefits.

Executive Summary

2. The national and global economy is highly influenced by the far reaching economic impact of the Covid-19 pandemic, the slowing down of the economy, cost of living crisis, high inflation and interest rates. These factors have had a huge impact on Local Government finance in general and the financial position of Luton Borough Council in particular. This will continue to be the case in 2024/25 as the economy will grow slowly over the short to medium term according to the Office of Budget Responsibility.

3. This has resulted in increases in demand for core council's services and has caused delays in full delivery of the Council's deficit recovery plan which means the Council has a potential core budget deficit of circa £11m for the year 2023/24. The 2024/25 budget has only been able to be balanced budget by factoring in £5.3m of deficit recovery plan. Delivery of Deficit Recovery Plans and Transformation Programme savings will be pivotal to being able to set a balanced and sustainable budget over the medium term. This position is not unique to Luton but systemic throughout Local Government, with increasing numbers of council's having to issue Section 114 Notices. The Provisional 2024/25 Funding Settlement was released by Central Government on 18th December and does not provide enough funding to meet the severe cost and demand pressures which Luton (and most other councils) are subject to. There has been a reduction in the Services Grant by £1.7m which has added more pressures on the Council to balance the budget. Whilst Central Government claim Core Funding for Local Council's will increase by 6.5% in 2024/25 this only accounts for a small proportion of the Council's Net Revenue Budget – meaning the Council has no option but to increase Council Tax by the maximum permitted percentage without a referendum in order to safeguard essential services. Councils in England continue to face a funding gap of £4bn (source – LGA) and the Provisional Settlement does little to bridge that gap.

Autumn Statement

4. The Chancellor presented his Autumn Statement on 22nd November and below are the key headlines which impact on Local Authorities:

- **Spending Review 2021 (SR 21)**. Government Department expenditure limit budgets will increase by 1% in real terms over the medium term.
- **Adult & Children's social care funding**. There was no new funding for Adult or Children's Social Care beyond what was announced last year i.e. £1.7bn of grant in 2024-25.
- **Additional Social Care Grant**. On Wednesday 24 January 2024, The Secretary of State announced that there would be a further £500m for social care including children services such as home to school transport and ring fenced for adult and children's social care. The allocation for Luton amounts to around £1.5m and the final allocations will be announced in the final settlement – with the exception of the social care funding, which will be announced in the Spring Budget (6 March 2024) The budget as presented to the Executive on 15 January have been adjusted to reflect the additional grant and the Social care budget (£0.75m Adult and £0.75m Children services) has been increased in order to fund the additional budget pressured declared as part of the quarter 3 monitoring which is higher than the quarter 2 figures which was used in the main to prepare the draft 2024/25 revenue budget.
- **Band D Council tax thresholds**. The core threshold has increased from 1.99% to 2.99%, and the ASC precept will be 2% in 2024-25.
- **Business rates.** The standard business rate multiplier will be increased by September CPI (6.7%) and the small business rate multiplier will be frozen for a fourth consecutive year. The 75% Retail, Hospitality and Leisure (RHL) relief scheme will be extended to 2024-25. Local Authorities will be fully compensated for the loss of income from these two measures and will receive new burdens funding for associated administrative and IT costs.
- **New Homes Bonus**. Luton's provisional 2024/25 Settlement is £490k (£261k in 2023/24). However it is expected that 2024/25 will be the last year of this grant.

- **Local Housing Allowance rates**. From 1st April 2024 the LHA will be raised to a level equating to 30th percentile of local market rents. Rates to be frozen again from 2025/26. This won't have an impact on the LHA rates used by the council to claim rent subsidy from DWP as it is still based on the 2011 LHA rates.
- **Local Authority Housing Fund.** This will be extended with a third round worth £450m to deliver new housing units and temporary accommodation for Afghan refugees.
- **Homelessness.** An additional UK Wide funding of £120m for homelessness prevention in 2024-25.
- **Planning.** Local Planning Authorities to receive £32m to tackle planning backlogs with plans to allow LAs to be able to fully recover the cost of planning fees for major planning applications if decisions are made within certain timelines. Luton is unlikely to benefit from any of this additional funding as a high performing Authority.

Local government finance settlement 2024/25 – Policy Statement

5. The Government has published a Policy Statement outlining the principles that will be applied in the 2024/25 provisional local government finance settlement. There was an additional grant for Social Care amounting to £1.5m as stated in paragraph 4.
The provisional settlement itself was released on 18th December 2023. Local authorities received their provisional allocations in that announcement (annex 1paragraph 23).

Key headlines from Policy Statement:

6. Any funding reforms or changes in funding distribution will not be implemented until 2025-26 at the earliest. This means a further delay to the Fair Funding Review and the business rates baseline reset. These reforms are unlikely to be implemented until 2026-27 at the earliest. In reality, the reforms are unlikely to be in place until 2026-27

Local government funding reforms

7. It is widely expected that these reforms will still include a Fair Funding Review (FFR) (change in "needs" assessment), a baseline reset, and changes to other grants, including New Homes Bonus (NHB) and a new Adult Relative Needs Formula (RNF). Decisions within these changes will be different from those that were in the most recent consultation papers and working papers (2018 and 2019) – but the broad direction of travel would be similar.

8. A new "needs" assessment will have to include the latest Census 2021 (in some form), and a new Adult RNF is already available (and unlikely to be amended significantly). Council tax equalisation needs to be updated, and the business rates baseline will have to be reset.

9. For long-term budget planning, it is very difficult to manage. There is considerable frustration as Luton over the years has been not properly funded and some certainty about the funding reforms is now a necessity.

10. In 2024/25 Luton's revenue support grant has increased by £0.9m but its LA General Service Grant has decreased by £1.7m. Luton's ring-fended Social Care Grant has increased by £3.9m which is intended to help ease the additional pressures arising from demographic changes and inflation.

Local context – challenging environment

11. For 2024/25 the key uncertainties are inflation and the increase in demand for services as a result of the Cost of Living, Care and Housing Crisis. The key risks regarding sustainability centre on delivery of Deficit Recovery Plans and savings from the Council's Transformation Programme.

12. The budget is based on the Council receiving no dividend from LLAL (trading as Luton Rising) in 2024/25. The legacy of Covid-19 coupled with the Cost of Living Crisis continue to impact to a lesser extent on the aviation industry and LLAL as the airport has recovered better than expected from the pandemic. The risks associated with Luton Rising and any potential reduction in revenue from Luton Rising remains one of the major budget risks facing the Council, and this is highlighted elsewhere in this report.

13. The 2024/25 budget includes substantial growth in adult social care spending, reflecting the additions in specific grants and use of the proposed 2% Adult Social Care precept.

14. This budget should be seen in the context of the Council having had to make savings of £170 million since 2010, while facing severe demand-led spend pressures in services for the vulnerable, such as children's and adult social care services, homelessness and reduction in commercial income from investment properties. So far the Council has taken a sensible and measured approach by maximising the delivery of extensive efficiency savings and at the same time endeavouring to protect vital services and ensuring resources are allocated to the Council's priorities.

15. The Council continues to drive its town-wide vision that was launched in October 2020, and the proposed budget is key to its ongoing development and delivery. The vision sets an ambitious blueprint for the future of Luton to be a healthy, fair and sustainable town where everyone can thrive and no-one has to live in poverty. The Corporate Plan builds on the successes of Luton over the last few years and tackles poverty in Luton so that everyone can benefit from future growth in the town. The capital programme includes significant regeneration projects – one, The Stage project, having been awarded part-funding from the levelling-up fund. It must be noted that the schemes are subject to the development of a full business case including updated viability assessment, with delivery models and financing options.

16. The ongoing cost of living crisis continues to impact Luton. The Council Luton 2040 Progress Report highlights that 8.9% of the town's households live in destitution and a further 11.8% struggle to pay for some basic essentials. Tackling poverty continues to sit at the heart of our vision for Luton, and the budget focuses on protecting the most disadvantaged as well as our ongoing work towards skills and qualifications for the town's residents.

17. This report sets out our budget priorities linked to the vision, corporate priorities and target outcomes as we lay out our Roadmap towards our long term ambitions by 2040.

18. The 2024/25 budget is based on a proposed Council tax increase in Luton's share of the tax of 2.99%, in line with the Government spending review announcement that the 3% referendum limit will be extended for another year. In addition the budget assumes a 2% adult social care precept, as allowed in the spending review and as assumed in government calculations of local authority core spending power. If approved, these tax increases, totalling 4.99% in Luton's share of the tax, will help to minimise as far as possible the level of reductions in key services and jobs that would otherwise be required. This is not an inconsequential rise and the Council has a council tax support scheme which is a good scheme when compared with other statistical neighbours together with the hardship fund to provide some support to those in need. The Council is not proposing any changes to the current council tax support scheme.

19. The major changes in the proposed budget compared with the budget for 2024/25 are as follows.

- Unavoidable additional expenditure of £6.4m due to inflation. Of this £3.9m is contractual and £2.5m non contractual and departments will endeavour to manage the increase in costs resulting from inflation
- Departmental growth of £4.2m, primarily due to new statutory responsibilities and unrelenting demand pressures on key services
- The need for a temporary increase to Departmental Budgets of £3.8m to enable a departments to deliver £7.8m of required savings over two years
- Increase in employee budgets of £4.0m to cover the cost of increments and an assumed Pay Award of 3% (4% including on costs)
- A net increase in non-ring-fenced Corporate Grants (section 31) of £1.7m to compensate loss of grant resulting from government initiatives.
- Increase in Service Specific Grants of £4.1m, predominantly relating to Social Care
- An estimated increase of £7.4m in council tax income, due to an increase in the council tax base and the ability to increase to 5% prior to a referendum (3% for Core Services, 2% for Adult Social Care Precept).
- One off use of prior year Collection Fund Surplus of £3.74m – both council tax and business rates.

Key messages and considerations

20. The proposed budget is based on increasing the Council tax and adult social care precept to the maximum allowed without a referendum. It should be noted that this is in line with what government is expecting councils to do. It is unclear if Government will continue to allow this 5% annual increase beyond 2024/25.

21. The proposed growth includes fortifying budgetary provision in some key services and to address specific budget pressures.

22. The level of budget deficit recovery required this year is £5.3m and has been mitigated in part due to the improved position of the Council tax base and collection fund surplus. In common with other councils, Luton made provision for the level of tax collection to be significantly affected by the effects of the covid-19 Pandemic. Fortunately to date the impact has been much less significant than expected, due to the resilience of local people and businesses as well as the dedicated work of employees in the local tax collection services. However this has to be kept under constant review as any change to the current situation and the impact of the increase in costs of living caused by inflation may have a detrimental impact on the collection rate and also on the level of Council Tax Support.

23. As at a very early stage of the pandemic, the Council embarked on an ambitious savings programme of £25m and as a result the level of deficit recovery required in 2024/25 is relatively low compared with prior years and also due to the profiling of the revised Deficit Recovery Plan over two years. As a result the potential impact on number of employees is expected to be minimal. This will be assessed as and when the transformation programme develops.

24. The capital programme if fully financed by the Council is significant, with a number of new schemes proposed, and the longer-term impact of the rising costs of interest payments and minimum revenue provision (MRP) as well as scheme-specific risks, including overspends, do need to be taken into account prior to the approval of individual schemes. New schemes are subject to business case approval and financing options before they can proceed, and it is vital that these are rigorously assessed (gateway review process at each phase) to ensure that the schemes and the levels of expenditure are right for Luton in both the short and long-term, and that the Council is best-placed to own and manage the schemes, before they are approved.

25. The revenue costs of the capital programme that are included in the budget and medium term financial plan do not cover any debt servicing costs, MRP or running costs of the proposals for major regeneration schemes. Such schemes require significant inputs of sector-specific expertise to assess and ensure viability, and a fundamental check of that viability is whether or not sector experts are prepared to make the financial commitment themselves, with the Council in an enabling rather than financing role. These schemes will only proceed if they are deemed to be viable, affordable, sustainable and deliverable and funding secured from external organisation with no financial impact on the Council’s revenue budget.

26. Since November 2021 the government has run 3 consultation processes to gage views on proposed regulatory changes on how councils are required to make their minimum revenue provision. The government has taken on board comments made by various organisations to seek views on the proposed changes to the regulations to ensure the wording of the proposed regulation changes meets the policy intent, does not have any unintended consequences and provides additional flexibilities with respect to capital loans. The draft regulations states that “where a local authority incurs loss, or expects to incur loss, during a financial year in relation to a loan given by that authority to any person, the local authority must, net of any existing MRP provision, charge to a revenue account a sum equal to the amount of that loss, as recognised under proper practices, in that financial year.” This new proposal allows flexibility to Council and any provision has to be based on proper accounting principles and prudence. Once the final regulations are enacted, officers will make regular assessment of the risk to the loans and make any necessary MRP provisions as appropriate.

27. The purpose of the current consultation is to seek views on the revised Guidance and final proposed amendments to the Regulations. The proposed changes to the Regulations remain substantively the same as previously consulted on in the June-July 2022 consultation, with some minor changes to reflect responses. The Guidance provides detailed interpretation and outlines the government's expectations of how the Regulation requirements should work in practice. Respondents should consider the Guidance (including the informal commentary in its annex) and Regulation changes together.

28. The government will work with the sector and relevant stakeholders through this consultation to ensure that the objectives are met while avoiding unintended consequences. No changes will be put in into effect before April 2024.

29. Luton currently has approved loans of up to £507m to Luton Rising, and does not make a charge to revenue for those loans, on the basis that they are repayable in full when the concession is re-let, and the potential value of the upfront payment is reviewed each year to ensure that it remains sufficient to enable full repayment. This is in accordance with standard private sector accounting practice and current guidance. MRP rules however are entirely dependent on government regulation. The new draft regulation allows flexibility to Council and any provision has to be based on proper accounting principles and prudence. Once the final regulations are enacted, officers will make regular assessment of the risk to the loans and make any necessary MRP provisions as appropriate. Based on our initial assessment, it is our view that no additional provision is required at this moment.

30. The provisional spending review is based on a one-year settlement, with consultation proposed with the local government sector on how funding will be allocated for future years. It will be essential that the Council contributes actively to the debate on future allocations and expert local government finance resources will be required in order to do so effectively. It is worth noting that the settlement does not take into account the ongoing and increasing pressures related to achieving net zero, which are likely to be significant factor in both capital and revenue spending for the future.

31. Long-term financial stabilisation of Luton Rising remains crucial to the Council's financial health, even though the financial strategy is now based on no contribution from any future dividend to fund the revenue budget. Interest on loan repayments and property rental income are still highly significant, and the development of the next concession contract is absolutely fundamental for the Council's future. It is vital that the Council continues to assess and stress test Luton Rising's financial position and prospects, and continues to maintain appropriate reserves to help mitigate the risk of any further adverse impacts on the company.

32. The CIPFA report, while praising the Council's pro-active approach to the pressures that have arisen from the covid-19 Pandemic, pointed out the major long-term financial challenge still facing the Council, and the extent of sustained effort and transformation that will be needed. This is further discussed in para 38 below. It is essential that everyone sees this as a key part of the day job, rather than as an add-on around estimates preparation time.

33. The formal recommendations of the CIPFA report into the Council focused on the monitoring and effective delivery of savings and the development of further savings opportunities, particularly by commissioning an independent review of the Council's property estate covering rationalisation opportunities which is under way, as well as the strengthening of the governance of Luton Rising which has been progressed. The Council's response, while wholly positive, does point out that this largely reflects what has already been happening in the last year. The removal of service specific contingencies to mitigate against any savings programme from prior year's and this budget is in line with the CIPFA recommendations.

Goals & Objectives

34. The key goals and objectives are:

1. To set a balanced and sustainable budget for 2024/25 in line with the legal requirement to do so.
2. To ensure the financial challenge posed by the Pandemic, inflation and the Cost of Living Crisis is assessed and measures put in place to ensure the financial resilience of the Council and its subsidiary companies, which form an integral part of the Council.
3. To set a fully resourced, prudent, affordable and sustainable capital programme for 2024 to 2029 in accordance with the requirements of the Council's standing orders and best practice.
4. To set a budget risk management strategy that will enable the budget to be managed effectively and ensure a prudent level of reserves is maintained.
5. To ensure that there is a robust and deliverable deficit recovery plan.
6. To set a medium term financial strategy and plan, together with a financial strategy, capital and borrowing strategies, that will enable the Council to work effectively in the medium term towards meeting its service aspirations as set out in the prospectus within the level of resources available to it.
7. To ensure that services can demonstrate value for money under best value principles.
8. Ensure delivery against the Luton 2040 vision and our Corporate Plan to secure a strong economic recovery and aim to protect our most disadvantaged residents.
9. Delivery of Deficit Recovery Plans and Transformation Programme Savings – robust project management to enable scrutiny, challenge and accountability

35. The S151 officer is required to provide advice to Council regarding the adequacy of reserves and robustness of the estimates and also to provide regular updates on the delivery of a balanced budget. The assurance provided at the budget setting time did point out about risks and uncertainties and as mentioned in paragraph 46 the economic climate has proved to be more challenging and inflation and interest rates are still higher than what was expected at the time of setting last year's budget. However the Council is required to deliver a balanced budget and also have an affordable and sustainable medium term financial plan which is part of the best value duty of the Council.

36. The Council has a track record of delivering a balanced budget over many years and this continued in recent years. The updated position at the 2023/24 Quarter 2 (Q2) monitoring forecasts a core net deficit of £9m. The Council has delivered part of the savings included in the 2023/24 budget. However due to increased demand for (and strain on) Council's Services, non-delivery of some savings targets, the impact of higher than anticipated Pay Awards, double digit inflation and income budgets not being met due to the state of the economy and cost of living crisis. This has resulted in an increase in the level of core deficit.

37. As part of the preparation for this budget previous savings targets deemed not deliverable within the timeframe have been refreshed and a revised savings target has been set as described in the table below. This budget includes additional growth to assist in the deficit recovery over two years In addition, Service Directors are in the process of updating and their deficit recovery plans to address the £9m underlying pressures reported in the Q2 Monitor. £5.3m of this is scheduled to be addressed in 2024/25 and £3.8m over 2025/26 (for which adjustments to Budgets have been applied in 2024/25 to help with the transition). Delivery of these revised Savings Targets and Deficit Recovery Plans are critical to the ongoing financial sustainability of the Council's future budget position and robustness of the budget.

38. The deficit recovery plans as shown in the table below and the transformation programme will be managed as part of the overall Council transformation programme. This has to be managed closely in order to ensure that the long term medium term financial plan is affordable and sustainable.

Luton

Deficit Recovery Plan over two years.

Deficit Recovery Savings required in 2024/25	Forecast 2023/24 overspend	Re 2023/24 Overspend/ Deficit expected to be delivered in 2024/25	Re 2023/24 Overspend/ Deficit expected to be delivered in 2025/26	Comments
	£000	£000	£000	
Chief Executive's	847	506	341	• Overspend pressure in Legal Services. • Adult Social Care income shortfall in 2023/24. • Accountancy services - recruitment continues to be challenging requiring some reliance on agency staff.
Children Families & Education	3,250	1,625	1,625	• Rising costs for Children Placements and Children Disability areas - number of children in care increasing, cost going up but also due to very expensive care of some children with very complex need •Agency Staffing -ongoing challenges with recruitment of permanent staff and the use of more expensive agency staff across the social work teams. •Home to School Transport - demand for SEND transport continue to rise+ further overspend due to the use of external provider for Education Psychology assessments in order to meet increased demand.
Inclusive Economy	1,859	1,170	689	• Property Investment Income shortfall – more properties becoming vacant and the Council, as landlord, is liable for costs that tenants would otherwise cover like Service charges and Business Rates. •Repairs and Maintenance of Council properties. • Refuse Collection's extra costs following essential repairs to the hopper floors of the refuse trucks plus hiring costs of replacement vehicles and the extra costs of using agency staff to cover vacant posts. •Parking Income shortfall. •Crematorium - Target number not met plus additional on essential repairs to the second cremator. •Street Cleansing service vacant posts are being covered by more expensive agency staff at an increased cost and the service is also unable to achieve the turnover provision. •Building Controls cost to recruit a consultant company and agency staff to work on key developments such as the airport, hospital and upgrades to the existing football stadium. •Development Control service needed to bring in consultancy support to provide specialist advice - airport advice •Fleet Trading - service unable to gain new contract.
Population Wellbeing	3,111	1,956	1,155	• Homelessness - usage of expensive B&B and nightly paid accommodation. • ASC purchased care services
	9,067	5,257	3,810	

Luton

Transformation programme

39. The Council's Transformation Programme is underpinned by our 2040 vision ambition of creating a modern and innovative Council, providing high-quality, efficient services that meet the needs of residents and delivers on the vision for Luton. The programme needs to go beyond a savings programme, instead transforming the organisation to be 'future ready. The Luton 2040 vision is at the heart of the programme; the Transformation Themes, under which transformation projects will be managed all contribute to the 2040 priorities.

40. The Council knows that any Transformation of this scale must be a journey, and we won't know all of the solutions at the start of the programme as it is at Discovery phase. The Council accepts that it is also not going to be feasible to deliver all projects identified in the first year, therefore the Transformation Team, working with the Council's Corporate Directors, DMTs, and Finance team have conducted a validation and prioritisation exercise on the Strategic Business Case.

41. The table below summarises the one-off investment and ongoing investment that has been identified for each project at this stage, but this is subject to further change as we move through development and into delivery. The identified savings and cost avoidance are very high level estimates at this stage as the level of assurance is currently quite low and a lot more work is required through the development phase to move from Strategic Business Case to Outline Business Case

42. As we move from discovery to development, the level of assurance will improve and delivery of savings will follow in 2024/25. The follow up report in May 2024 will need to provide full details of the delivery plans for each work programme, including detailed financial implications including any revenue and/or capital investment required, what resources will be required (both internal and external), as well as providing a detailed explanation and assessment of the change programme. Any additional borrowing required to support the delivery phase will also need to be covered in detail as it will affect the Treasury Management figures approved by Executive.

43. The financial implications are referred to in the body of the report. The investment for the next phase of work up to April 2024 will come from the Invest to Save reserve, and any further investment to deliver savings will be subject to a further Executive report in May 2024. The Council has set aside £3.7m as a one off reserves to fund the transformation programme which has to be supported by robust with clear benefits realisation plan taking into account any deliverability risks.

44. The investment requested relates to additional revenue costs to move through the development phase towards delivery. This investment will be at risk as no savings are expected to be delivered during this phase. At this stage, no capital investment is requested, but as the programme moves into delivery phase there may be the need for capital investment as well as further revenue investment, which will need to be subject to a business case and provide a pay back on the investment. This will need to be fully covered in the follow up report in May 2024.

45. Savings will need to be delivered in 2024/25 and beyond to enable the Invest to Save reserve to be replenished and to help ensure that the Council can set a balanced budget going forward.

Savings from Transformation Programme

Transformation Project	Value of one-off investment required £'000	Value of on-going investment required £'000	GF Revenue Budget Savings £'000	GF Revenue Cost Savings £'000	Non GF Revenue & Cost Avoidance £'000	How savings will be achieved.
Contract and Third Party Spend	48.6		1,120	1,245	0	Categorisation and aggregation of spend to identify cross-cutting opportunities for spend reduction. Review of contracts to identify opportunities for savings through changes to specifications and/or supplier negotiations.
Income Generation and Traded Services	76.8		230	0	0	Optimisation of 'Fees and Charges' to ensure they have kept pace with inflation and remains competitive. Overarching Commercial Strategy covering both Income Generation and Traded Services. Recommendations for Schools Traded Services. Develop a fit for purpose monitoring model that reflects commercial activity against the relevant commercial offer.
Neighbourhood Working model	85.2	tbc	tbc	tbc	tbc	Optimisation of assets to fundamentally change the way services are provided
Resident's Experience	107.8	200	518	0	0	Options appraisal for 'Out of Hours' and 'Emergency Duty' contact services. Options appraisal for new Customer Relationship Management solution Resident Access Roadmap which will increased efficiency through automation, reduced paperwork and duplication Reduction in staff spend through systems, service alignment and/or process improvements.
BTS (DLO Strategic Review)	50		tbc	0	2,216	These are HRA savings and will partially impact on the GF. A strategic review of all repairs and maintenance works undertaken across LBC Review the appropriate business model, to future proof BTS Review and appraise sub-contracted services 10% year on year cost savings for 3 years
Sub Total	**368.4**	**0**	**1,868**	**1,245**	**2,216**	
Funding already approved						
Passenger Transport	558	tbc	tbc	94	0	Establish a clear governance process to ensure that appropriate checks and balances are in place and that school transport is managed within budget and maintain core services.
Total	**876.4**	**200**	**1,868**	**1,339**	**2,216**	

Key Budget Risks

46. Section 25 of the Local Government Act 2003 requires myself as S151 officer to report on the adequacy of reserves and the robustness of estimates. The paragraph below list the main risks based on best practice and the information available to date and in view of significant uncertainties due to the economic climate. There is a separate appendix – Appendix B – setting out a detailed Budget Risk Management Strategy. The major risks relate to:

- Delivery of revised Deficit Recovery Plans and savings from the Transformation Programme. These are critical to the Council's ability to set a balanced and sustainable budget over the medium to long term.
- Maintaining the 96% Collection Rate for Council Tax. For many residents their capacity to pay in full and on time is compromised in the short term by the Cost of Living Crisis.
- The financial position of London Luton Airport Limited (LLAL) as a consequence of the Covid-19 Pandemic and the impact of the application of "force majeure" and "special force majeure" clauses and the agreed passenger adjustments mechanism in the revised concession agreement. This includes the need to ensure the financial stability of the company, and the company's ability to make payments to the Council, including rent and interest payments. Whilst LLAL's fiscal recovery continues and is better than expected, no dividend is planned in the 2024/25 budget.
- The budget is based on the assumption that all future Covid related costs are no longer covered by Central Government including sales, fees and charges and council tax loss of income
- The potential impact on the revenue budget resulting from the changes to the proposed MRP regulations are implemented. This will have to be assessed but at this stage we are of the view that there is no need to make any provision. This will be reviewed regularly
- Not achieving the prior years' savings as per appendix M including those as part of the deficit recovery plan and the savings as part of the transformation projects.
- Reductions in the collection rate for Council tax and Business Rates, increases in bad debt levels and losses as a result of appeals against rateable values especially appeals resulting from the slowing down of the economy.
- Future changes to the Business Rates Retention Scheme as part of the Fair Funding Review, Business Rates reset and Needs Analysis may have significant adverse financial implications. The recent revaluation has been effective as form 1 April 2023 and has been factored as part of this budget.
- Increases in demand for high cost Adult Social Care, Children's services and Homelessness. These services are demand-led and largely driven by demographic changes.
- Overspends occurring in the capital as well as the revenue budget, and estimated capital receipts already relatively low not being realised. This includes projects undertaken by subsidiary companies which may require addition loan from the Council.
- Uncertainty over the continuation of some specific grants, in particular the New Homes Bonus and the LA Services Grant – both have been further reduced as part of the provision finance settlement.

- Potential revenue impact of major capital scheme proposals and also the major regeneration projects which would require detailed and robust full business case.
- Main contractors appointed to deliver major Capital Projects falling into administration – leading to additional, unbudgeted costs and delay in service delivery.
- Robust Integrated Impact Assessments are completed and consulted on prior to implementation of savings to mitigate a risk of challenge of specific budget items
- Adequate Funding of the Schools High Needs Block
- Further overspend on the benefits subsidy claim as a result of more properties are being assessed at exempt accommodation. This is currently being reviewed
- Managing the Council's Investment Property Portfolio to ensure returns from it meet expectations. Further reduction in commercial income due to voids. Officers are currently making a detailed assessment of the Council's portfolio of commercial properties and the result of that exercise will be reported to Executive.
- The continued development of procurement & commissioning and progressing the plans to deliver the savings required for future Budgets.
- Delivery of the transformation programme including bring the ICT service in-house.
- The Central Schools Budget has been balanced by utilising circa. £0.95m from DSG Reserves which means that the Education Team will be working on how to sustain this deficit over future years.

Proposal/Options

47. The proposal is to set:

i. A revenue budget incorporating the savings as part of the Deficit Recovery Plan (Appendix M) and spend pressures (Appendix L), together with a specific proposal for the level of Council tax;
ii. A medium term financial plan and strategy as set out in Appendix A.
iii. A capital programme as set out in Appendix H on the basis of the resource statement set out in Appendix G;

48. In order to manage this effectively, the implementation of the Budget Risk Management Strategy set out in Appendix B will be essential.

Luton 2040 Contribution

49. The budget is an integral part of the delivery of the 2040 vision as it prioritises scarce resources towards the delivery of the Council's prioritise and ensures that both the revenue and capital budgets are properly aligned in order to assess the whole life costs of projects. It also helps management to plan, monitor, and report and take corrective measures to ensure the Council's goals and priorities are delivered.

Stakeholder and Public Engagement

50. The draft budget proposals was used as the basis for stakeholder and public engagement during January. Physical and online engagement activity took place and views were captured.

51. A brief summary of the outcome of the engagement process is described below.

- We have been engaging with the general public on the council's budget throughout January.
- Face to face engagement events were held in the town centre and an email address was promoted where people could ask questions and send in comments in response to the draft budget papers.
- The engagement has provided an opportunity for member-led conversations with residents about the current budget challenge, listen to concerns, take on board feedback, provide clarity and answer questions.
- It also provided an opportunity to signpost people to local services, particularly help available to support people through the cost of living crisis and council tax support.
- The key messages communicated to residents included:
    - the financial challenges caused by inadequate funding from the government for local government, inflation/rising costs and the rising demand for services,
    - how the council required by law to set a balanced budget
    - the level savings needing to be found in 2024/25
- Residents were told about the proposals for finding the savings which included a rise in council tax rise, increase in fees and charges for certain services and the council's transformation programme.
- The key comments and issues raised by residents were:
    - concerns about the affordability of the council tax rise and its value for money - members were able to signpost to support available and demonstrate Luton's council tax bands in relation to other councils.
    - questions about how the airport contributes to the council's budget
    - cleanliness of the town
    - concerns over housing and fly tipping
- Suggestions were put forward for reducing the budget gap including parking schemes, charging bus companies more to use the busway, suggestions for improving recycling rates, a move to remote working for council staff, buying more property to house people, increasing parking charges and looking into opportunities to work with faith communities and the voluntary sector to reduce the costs of adult social care.

- The portfolio holder for finance joined the Chief Executive to record an online video which addressed the various questions raised during the engagement. The video is on the council's YouTube channel: www.youtube.co.uk/lutoncouncil

- Residents at the events generally left with a better understanding of the council's financial challenge than when they arrived.

52. Finance Review Group (FRG) – the 2024/25 budget was considered by FRG on 25 January 2024. There was no recommendations made by FRG.

Equalities/Social Justice Implications – Report by the Social Justice Unit

53. The budget savings as part of the Deficit Recovery Plan estimated for 2024/25 amount to £5.3m , this excludes any Public Health related savings which is a ring fenced fund

54. Any additional savings delivered earlier than planned will be held as a transition reserve in order to meet any unexpected variations in the delivery of prior years' savings.

55. There is no evidence currently available to suggest that the savings will have an impact, either positive or negative, on all the protected groups of the Equality Act (2010). This is because in some cases no analysis of impact has yet been undertaken, but analysis will be done prior to any decisions being made on implementation. Any significant negative impacts will be reported to members as part of the consultation process, and ensuring full compliance with the general duty under the Equality Act 2010 will need to be paramount. It is also relevant to show where the Act states that compliance with the duty may involve treating some people more favourably than others, and this will be around those already at a disadvantage which may be because of disability or race.

Implications - an appropriate officer must clear all statements

For CLMT only Legal and Finance are required

Required

Legal	Clearance Agreed By	Dated
The Executive is required to recommend a budget to Full Council for approval and Full Council is required to approve a budget and set a level of Council tax for 2024/25. The Council must set the budget in accordance with the provisions of the Local Government Finance Act 1992 and approval of a balanced budget each year is a statutory responsibility of the Council. The provisions of section 25, Local Government Act 2003 require that, when the Council is making the calculation of its budget requirement, it must have regard to the report of the Chief Finance (s.151) Officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. It is essential, as a matter of prudence that the financial position continues to be closely monitored. In particular, Members must satisfy themselves that sufficient mechanisms are in place to ensure both that savings are delivered and that new expenditure is contained within the available resources. Provided that the budget is prepared in accordance with statutory and other regulations and requirements, there are no other legal implications.	This report (not appendices) has been cleared by Paul McArthur, Senior Solicitor	30 Jan 2024

Finance	Clearance Agreed By	Dated
These are addressed in the body of the report.	Dev Gopal, Director (Finance, Revenues & Benefits)	30 Jan 2024

Integrated Impact Assessment (IIA) – Key Points		
Equalities / Cohesion / Inclusion (Social Justice)	**Clearance Agreed By**	**Dated**

The report includes a consideration of impact in paragraph 55 with commitment to further detailed consultation and impact assessment of specific proposals as appropriate and required. Paras 16 and 17 set out the fundamental focus of the budget proposals on enabling delivery of the 2040 programme specifically by protecting the most disadvantaged in our community and promoting social inclusion through widening access to skills and employment.	Adam Divney, Service Director for Citizen Engagement and Legal Services	31 Jan 2024
Environment	**Clearance Agreed By**	**Dated**
There are no direct impacts of approving this budget by Council. However in setting the level of resources available, indirectly there are a number of areas of capital and revenue that could contribute to reduce CO_2 / improve air quality and encourage sustainable travel.	Shaun Askins – Service Manager Strategy & Sustainability	31 Jan 2024
Health	**Clearance Agreed By**	**Dated**
The budget approves the funding for public health services in 2024/25, together with other budgets in all departments that will need to be used in a cohesive fashion to impact positively on public health in the town.	Nicola Ainsworth Consultant - Public Health and Wellbeing	30 Jan 2024
Community Safety	**Clearance Agreed By**	**Dated**
The budget ultimately approved by Council will set the level of resources available for Community Safety.		
Staffing	**Clearance Agreed By**	**Dated**
The budget ultimately approved by Council will set the level of resources available for paying employees. The base budget makes provision for staffing at currently approved levels. There are additional posts in the spend pressure proposals and service improvements. There are no FTE reductions currently indicated in the savings proposals for 2024/25. Provision is also made in the base budget for the impact of vacancies arising from staff turnover during the year, and it is assumed that staff advertising will be paid for by holding posts vacant		

The Council has an active redeployment policy as a key part of its organisational development and this will be used to try to minimise any potential reduction in headcounts and minimise as in the past the number actually made redundant.		
Other	**Clearance Agreed By**	**Dated**

Annex 1 and Appendices

Annex 1	Further detailed analysis to the Revenue Budget Report.
Appendix A	Medium Term Financial Plan
Appendix B1 and B2	Risk Management Strategy & Contingency Provision
Appendix C	Financial Strategy
Appendix D	Government Grant
Appendix E1 and E2	Council tax Comparisons – 2023/24 Levels
Appendix F	Protocol for the Management Control & Use of Reserves
Appendix G	Capital Resource Assessment
Appendix H (included in Green Book pages 24 to 34)	Capital Programme 2024/29 (included in Green Book)
Appendix I	Analysis of Variance between 2024/25 Net Expenditure Prior to Growth & Savings and the 2023/24 Budget
Appendix J	Schools Funding Formula 2024/25 for Primary & Secondary Schools
Appendix L (included in Green Book page 22)	Growth Items – Unavoidable Increases In Cost (included in Green Book)
Appendix M (included in Green Book page 23)	Recommended Savings 2024/25 (included in Green Book)
Appendix N(included in Green Book page 2)	Final Revenue Budget Summary.
Appendix P	MRP Policy refreshed for 2024/25 – to be revised (if necessary) in the next six months to reflect any changes to MRP regulations.
Appendix Q	Investment Strategy refreshed for 2024/25 – to be revised (if necessary) in the next six months to reflect any changes to MRP regulations

Page 21 to Page 157

List of Background Papers - Local Government Act 1972, Section 100D

- The detail of the consultation that informed the Council's 2040 Vision and its budget strategy to 2024/25 are available from the consultation team, 01582 547099.
- The detail of the grant settlement is available from the DLUHC website

Background

1. This document sets out the revenue and capital budget and the Council tax for the 2024/25 financial year and the medium term financial plan.

2. The provisional settlement is for a single year only, with discussions with the local government sector proposed before allocations are made for following years.

3. The latest Local government finance settlement 2023-24 policy statement announcement of the settlement principles covers both 2023-24 and 2024-25. This year will essentially be a one year rollover settlements, with the overall funding envelope set at last month's Autumn Statement and the provisional settlement is as expected except for a further reduction in Services Grant of £1.7m which was not anticipated. There are some issues that will be clarified as part of the final settlement

4. Any funding reforms or changes in funding distribution will not be implemented until 2025-26 at the earliest. This means a further delay the Fair Funding Review and the business rates baseline reset. These reforms are unlikely to be implemented until 2026-27

5. For English local government as a whole, core spending power is expected to increase by 6.5% in cash terms for 2024/25. This is based on the assumption that local authorities increase Council tax, including the adult social care precept, by the maximum allowed i.e. 5%. The increase for LBC is 6.9% and does not take into account the already low tax base and that most Luton properties are in Band A to C. This is further explained in paragraph 23 of Annex 1.

6. It should be noted that there is no real terms increase proposed in the Public Health grant, despite the service's key importance for local communities, local government and the NHS.

7. The current financial system rewards those Councils who are able to increase their business rates income, and has the effect of penalising those who are unable to do so. Business development is therefore one of the key principles to the Council's future financial health and is encapsulated in the 2040 Inclusive Economy priorities.

8. In previous years it was noted that the Council received a double-benefit from business development at London Luton Airport. In addition to any business rates increase there, its wholly-owned Airport Company, Luton Rising (the freehold owner of the land on which the airport operates) receives concession-fee income on a per passenger throughput basis.

9. The growth in business rates linked with the airport and the Enterprise Zone is particularly important in the medium term as the scope for business development elsewhere in Luton is much more limited than in most Councils. This is because Luton is a very intensively-developed area already, and has a significant need for

additional housing, with all the necessary infrastructure and cost associated with that, such as additional school provision and refuse collection.

10. At the heart of the vision for Luton is a single-unifying mission for everyone in Luton to work together to ensure that everyone can thrive and no-one has to live in poverty. The impact of poverty in Luton was highlighted by the Inclusive Growth Commission's report and our initial analysis shows that around one in three families in Luton were living below a decent standard of living at the beginning of 2020.The COVID-19 Pandemic has further demonstrated the scale and significance of poverty in Luton as well as laying bare many of our most stark and interconnected challenges, including health inequalities, insecure work and the quality and affordability of housing.

11. Continuing a strong economic recovery to protect jobs, incomes and businesses, as well as protecting our most disadvantaged residents is therefore an immediate priority once we overcome the slowing down of the economy. This will enable the Council to lay the foundations to deliver on its long-term ambition for the town by 2040.In order to keep future costs to a minimum, the Council also needs to ensure there is continued focus on the delivery of Luton 2040 with a particular focus on skills development, and on ensuring people stay safe and well, physically and mentally. Our priorities focus on addressing prevailing inequalities and wider issues that impact physical and mental wellbeing with the overall aim of achieving better and more equal life expectancy for residents across our town, while tackling health inequalities and the wider determinants of health to enable everyone to reach their full potential., which we will drive through the Health and Wellbeing Board. Our refreshed vision takes a long-term, strategic and system-wide approach to preventing people from having to live in poverty by 2040. We will prioritise building a more inclusive economy that benefits all our businesses and residents as driven by our Inclusive Economy Board. Our vision also commits to long-term sustainability by transitioning to becoming a net zero town, as well as becoming a child friendly town where our children and young people have the best start in life. In addition, we will support our communities to thrive by promoting fairness, resilience and local pride. While this is a long-term vision for the town, it is also important that we continue to support our community with immediate challenges such as the cost of living crisis. The Council's Corporate Plan is aligned to the Luton 2040 vision and the Council is committed to working with partners across the Luton system to deliver on these shared priorities.

12. As well as enabling our residents to thrive, some of the key elements of the 2040 programme have a significant impact on Council finances. The financial importance of skills development is because if additional jobs created in Luton do not go to Luton people, the costs of the Council tax support scheme (which now falls wholly on the Council), will increase, and people will find it harder to pay their Council tax. The financial importance of physical and mental health is because the costs of care are by far the largest part of the Council's expenditure, and the more people who are able to live in safety within family or peer groupings, the greater the feeling of personal dignity and the lower the costs to the Council and Council tax payers. This should also help to reduce the costs of homelessness and also improve the quality of life of people who are currently living in temporary accommodation.

13. To enable our residents to access high-value, well-paid jobs we will continue to work with partners through the Inclusive Economy Board to make Luton an attractive destination for employers and we will use our Employment and Skills Strategy to enable residents to access these jobs. We will also work with partners to encourage more local recruitment and to overcome barriers to employment facing residents. In addition, we will be creating a new skills hub at Morton House and have allocated over £900,000 of our UKSPF funds to deliver a new skills programme, which will be shaped with our businesses and education and skills providers.

14. Since Luton is relatively grant dependent, with a low Council tax base (the average property in Luton is valued between bands A and B for Council tax purposes, and Luton's Council tax level is below the national average), the high levels of Revenue Support Grant reduction in the decade from 2010 to 2020 have had a very significant impact on the Council. This means that the Council still needs to be prepared to make savings and increase its income on an ongoing basis, to achieve its aims towards the 2040 vision. This includes continually fighting for a fair funding settlement from central government and working with partners to attract more public sector funding and inward investment into Luton in order to achieve its long term vision of no one in Luton living in poverty, and its three-year aims towards that goal of:
    - Securing a strong economic recovery from COVID-19, which protects jobs, incomes and businesses and enables us to build a more inclusive economy
    - Protecting the most disadvantaged in our town by prioritising services and interventions that focus on prevention, alleviate the impact of poverty and reduce health inequalities
    - Making Luton a child-friendly town, where our children and young people grow up feeling happy, healthy and secure, with a voice that matters and the opportunities they need to thrive
    - Becoming a greener and more sustainable town, to meet our long-term ambition to be carbon neutral and climate resilient by 2040.
    - A strong and empowered community supporting fairness, equality and local pride and speaking with a powerful voice.

15. Through the work of the Inclusive Economy Board the Council will work to diversify Luton's economy drive greater inward investment and economic growth by supporting and growing key sectors including the green economy, digital, creative industries, manufacturing and aviation.

16. The Council will work with partners to develop sector specific programmes for start-ups, business growth and innovation. We will work collaboratively to identify new funding and to build local partnerships between business and academia to support innovation and in 2022-2023, we launched a new grants programme targeted at supporting our local businesses to grow.

General Revenue budget outturn for 2022/23 and forecast outturn for 2023/24

17. The Council has a track record of delivering a balanced budget over many years and this continued in 2022/23, with a net underspend of £0.057m prior to appropriations to Reserves. This was in spite of overspends in some Departments due to Service pressures and loss of income that was not covered by Covid Grant funding.

18. The updated position at the 2023/24 Quarter 2 (Q2) monitoring forecasts a net deficit of £5.2m. This is before any allocation of contingencies. The Q2 forecast reported £8.5m of overspend pressure across departments which are expected to prevail into 2024/25 and onwards. The Period 8 (November) position indicates this pressure has increased to £10.9m. This amount cuts across all departments and reflects the increased demand for (and strain on) Council's Services, non-delivery of some savings targets, the impact of higher than anticipated Pay Awards, double digit inflation and income budgets not being met due to the state of the economy and cost of living crisis.

19. As part of the preparation for this budget previous savings targets have been reviewed and refreshed and a new replaced with new savings targets (£5.3m for 24/25 and a further £3.8m in 25/26). In addition, Service Directors are updating their deficit recovery plans to address the £11m (£9.1 m net of growth) underlying pressures reported in the Q2 Monitor including those identified recently. Further development and delivery of these revised Savings Targets and Recovery Plans is critical to the ongoing financial sustainability of the Council's future budget position.

Local Government Finance Settlement 2024/25

Core Spending Power – analysis and impact

20. Government figures in the Provisional Local Government Finance Settlement, indicate Core Spending Power (CSP) will rise by an average 6.5% in 2024/25 which amounts to £4bn nationally. LBC Core spending power is explained below.

21. Nationally Core Spending Power in 2024/25 consists of:

- Settlement Funding Assessment – consisting of Revenue Support Grant (RSG - £2.118bn nationally) and the Baseline Funding Level (BFL - £15.921bn nationally). Government propose to increase 2024/25 RSG levels in line with the CPI Index as at September 2023 (6.7%). The Business Rates Multiplier will be frozen for a second year but the Government will compensate Councils for the loss of income for under-indexing, up to the level of the September CPI. This means that, taken together, the increase in BLF and the multiplier under-indexation grant for 2024/25 will provide an increase of 6.91%.
- Income from Council Tax - £33.8bn Nationally, assuming the tax base grows and all Local Authorities increase the Council Tax by the maximum permitted percentage.
- The New Homes Bonus - £291m Nationally. The method of calculation will not change from 2022/23 and the threshold over which the bonus is paid remains at 0.4 per cent. The Government say they will set out the future position of New Homes Bonus leading to uncertainty if this funding stream will continue beyond next financial year.

- The Social Care Grant - £3.852bn Nationally. This includes £1.265bn due to delaying the rollout of Adult Social Care Charging Reforms and £161m due to rolling in the Independent Living Fund (previously paid as a separate standalone grant).
- Better Care Fund - £2.140bn nationally – no increase from 2022/23 levels and the distribution remains unchanged.
- Adult Social Care Discharge Fund - £500m Nationally. This is new funding and is required to be pooled as part of the Better Care Fund. The Government will set out details on the conditions of this new fund in due course
- Adult Social Care Market Sustainability and Improvement Fund - £1,050m Nationally. This includes new funding of £400m to address discharge delays, social care waiting times, low fee rates and workforce pressures. It also includes £162m in Fair Cost of Care Funding to support the progress LA's and providers have already made on fees and cost of care exercises. The Government propose to distribute this funding using the existing ASC Relative Needs Formula.

22. The overall National Average increase in Core Spending Power (CSP) of 6.5% will help Local Authorities deal with some of the inflationary and other cost pressures next year. However it does not address the underlying and existing pressures that remain as Councils still face significant challenges in setting their budgets whist trying to protect essential services. The final Finance Settlement for 2024/25 will be laid before the House of Commons for approval in late January or early February 2024.

Impact on Luton

23. The key points from the provisional local government financial settlement are set out below. The final settlement is expected in early February 2024.

As shown in the table below the Core Spending power for Luton has increased by 6.9% in 2024/25. However based on DLUHC analysis, since 2015-16 the CSP for Luton has increased in cash terms by £13.3m (43%) (England average 43%), as per the table that follows. This does not reflect the low tax base of the Council and the increased demand pressures and levels of deprivation.

CORE SPENDING POWER			
Luton			

Illustrative Core Spending Power of Local Government:	2022-23 £ millions	2023-24 £ millions	2024-25[8] £ millions
Settlement Funding Assessment	60.0	63.2	66.4
Compensation for under-indexing the business rates multiplier	5.0	8.6	10.0
Council tax requirement excluding parish precepts[1 2]	87.7	95.6	102.3
Improved Better Care Fund	7.5	7.5	7.5
New Homes Bonus	0.4	0.3	0.5
New Homes Bonus returned funding	0.0	0.0	0.0
Rural Services Delivery Grant	0.0	0.0	0.0
Transition Grant	0.0	0.0	0.0
Adult Social Care Support Grant	0.0	0.0	0.0
Winter Pressures Grant[3]	0.0	0.0	0.0
Social Care Support Grant	0.0	0.0	0.0
Social Care Grant[4]	7.9	12.7	15.0
Market Sustainability and Fair Cost of Care Fund	0.5	0.0	0.0
ASC Market Sustainability and Improvement Fund[5]	0.0	1.8	3.4
Lower Tier Services Grant	0.4	0.0	0.0
ASC Discharge Fund	0.0	1.0	1.7
Services Grant[6]	3.4	2.0	0.3
Grants rolled in[7]	0.6	1.2	0.0
Funding Guarantee	0.0	0.0	0.0
Core Spending Power	**173.3**	**193.9**	**207.2**
Change since 2015-16 (£ millions)			62.3
Change since 2015-16 (% change)			43.0%
Change since 2023-24 (£ millions)			13.30
Change since 2023-24 (% change)			6.9%

24. No further specific financial support is currently expected to be provided to local Councils for dealing with the pressures arising from the covid-19 pandemic in 2024/25, this is despite the economy not having fully recovered with income levels yet to reach the pre-pandemic levels.

Baseline Funding Level (BFL) and Revenue Support Grant (RSG)

25. The policy statement has confirmed that the Baseline Funding Level (BFL) will increase in line with the inflation within the multiplier, and Revenue Support Grant (RSG) will be uprated in line with CPI (6.7%).

Council tax

26. The total increase in Council tax for the taxpayers of Luton depends upon the levels of Council tax set by the Council, the Police commissioner, and the Fire Authority, and at the time of writing those levels have not been set.

The tax base since 2017/18 is shown in the table below:

	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/25
Tax Base	50,461	50,664	51,828	51,086	52,738	54,758	56,224
Change	727	203	1,164	-742	1,651	2,020	1,466

27. The increase in housing while positive in Council tax terms does result in additional service requirement across the whole Council in areas such as refuse collection, highways maintenance, school provision and social care services for example. Another factor that has affected the Council tax base positively is the continued reduction in expenditure on the Council Tax Reduction (CTR) scheme as the economy is gradually recovering from COVID. Since the roll out of Universal Credit (UC) the Council can no longer process CTR claims with Housing Benefit claims in a single application process. UC claimants now have to complete a separate application to the Council for CTR and despite having staff co-located at the job centre to remind UC claimants to make a separate CTR claim some people are still not doing this.

28. Other influences that effect the Net Tax Base in a positive way are:

A) As agreed by Executive in December 2019, the introduction of a 300% premium of Council tax on any home that has been left empty for more than ten years.

B) Increase in properties on the Valuation Office Authority list (new homes).

29. Influences that effect the Net Tax Base in a negative way are:

A) Due to the ongoing recovery of the local economy from the COVID-19 pandemic and the impact of high inflation and interest rates on the local economy, a council tax collection rate of 96% is proposed for 2024/2025

B) Universal Credit (UC) - which arrived in Luton on 24th October 2018. Nationally, where UC has been implemented collection rates have fallen by an average of 1%. However, the pandemic had a significant impact on the number of people claiming Council tax support and whilst the impact of the pandemic is less of an issue at present, the inflationary pressures are expected to still have a detrimental impact during 2024/25

30. The formal resolution of the Council tax for 2024/25 (including preceptor amounts), will be set as required by the Council on 19th February 2024. The following paragraphs consider the Council's share of the Council tax.

31. The Spending Review allowed Councils to set the Council tax at a maximum of a 3% general increase, plus, for those authorities with social care responsibilities, an additional 2% social care precept, without being required to hold a referendum. The spending review also assumed, for its calculations of the core spending power of Councils, that all would increase their Council tax to the maximum permitted. This report is based on the assumption that members will increase the Council tax by 2.99% plus a 2% social care precept.

32. The total increase in Council tax for the taxpayers of Luton depends upon the levels of Council tax set by the Council, the Police commissioner, and the Fire Authority, and at the time of writing, those levels have not been set.

33. Despite the proposed Council tax increase, the Council still demonstrates significant value for money. Before any Precept from Bedfordshire Police and Fire Authorities, for a Band D Property the rise is £1.67 per week and for a Band A £1.12 (The table in Appendix E shows the average Council tax for a Band D property and also per dwelling for the authority in 2023/24.

34. The Council is currently ranked 55th of all Unitary Councils (out of 59) in terms of average Council tax per head of population. When compared to the average of our immediate neighbouring Councils (Bedford, Central Bedfordshire and Milton Keynes) the Council tax per population is substantially less.

Council tax Collection Fund

35. The Collection Fund is a separate fund where the costs and income of Council tax and National Non Domestic Rates (business rates) are recorded initially. This is because those costs and spend are shared between the Council and others (Council tax is shared with Police & Fire, and Business Rates are shared with Government and Fire). The Council acts as the collecting agent for each of these bodies.

36. The Council's Executive has delegated authority to the S151 Officer to determine the estimated surplus or deficit on the Council's collection fund each year (Exec/3/01). Accordingly, the Council Tax Collection Fund has an estimated surplus of £5.483m, of which Luton's proportion being £4.551m. This surplus is attributable to:
    - A review of previous assumptions on the impact of COVID on the numbers of claimants accessing the Council Tax Reduction Scheme, where the assumptions within the 2023/24 budget have now been reviewed as the claimant numbers did not reach predictions;
    - The distribution of prior year's 'actual' surplus/deficit.
    - An increase in the Tax Base over and above that which was budgeted

37. The Council has reviewed the expected loss through non collection and from additional burdens on the Council Tax Reduction Scheme and the impact of COVID on non-collection and increased claimants is less than was anticipated last year.

38. The collection fund remains volatile, in terms of Council tax. This is because it includes the impact of the Council tax reduction scheme and various exemptions. If greater numbers require support this will increase the costs in the collection fund, impacting on the Council tax base in the following year.

39. The Council tax reduction scheme may also impact on the collection fund's level of bad debts. The Council has put in place steps to minimise any loss on Council tax collection.

40. The Council has reviewed the expected loss through non collection and from additional burdens on the Council tax reduction scheme as a result of the looming recession but has increased the collection rate to 96% as the inflationary pressures have abated

41. It is advisable to continue to hold a specific earmarked reserve in order to equalise fluctuations in income from Council tax and Business Rates.

Business Rates Income estimates and Top Up

42. The Business Rates Retention Scheme introduced on 1st April 2013 continues in the short term. The challenge faced by all authorities in predicting the level of movements in the business tax base and the level of appeals remains a cause of concern. This has to also reflect the latest revaluation which will be effective as from 1 April 2024.

43. The main components of the allocation of Business Rates together with the estimates of individual elements for the Council in 2024/25 based on the latest NNDR1 are as follows:

Retained Business Rates 2024/25	£'000
Estimated Business Rates Income	68,902
Less: Fire Authority Share (1%)	689
Less: Central Government Share (50%)	34,451
Balance: Luton Share (49%)	**33,762**
Plus: Business Rates Top-up	13,370
Total Retained Business Rates	**47,132**

44. In 2024/25 the amount of business rate income to be retained by the Council is forecast to increase by 5% compared to the 2023/24 budgeted figure. This is primarily due to increase in multiplier cap compensation as a result of inflation and additional reliefs awarded to compensate for government support to businesses. There has been an increase in provision for bad debts and appeals, due to the slowing down of the economy and the new 2022 revaluation.

45. Revaluations are now on a 3-year cycle rather than 5 years. Any revaluation increases or decreases are planned to be adjusted to ensure local authorities are no better or worse off. However this is a complex adjustment and there is a risk that the Council is not fully protected against loss.

46. Whilst the Standard business rates multiplier is to be increased by September CPI (6.7%) the small business rate multiplier will be frozen for a fourth consecutive year. The 75% Retail, Hospitality and Leisure (RHL) Relief Scheme will be extended to 2024/25. Local Authorities will be fully compensated for the loss of income from these two measures and will receive New Burdens Funding to associated administrative and IT costs.

47. The Finance settlement Policy Statement has confirmed that CPI will be the basis for future cap compensation. Until 2022-23, the Retail Price Index (RPI) was the basis for calculating under-indexation of the multiplier. Council will have to estimate the losses in future business rates income arising from successful appeals and reflect this in their calculation.

48. The Council cannot increase the level of the business rate (this is set nationally and based on valuations carried out by Valuation Office and the multiplier is set by the Government). In order to increase income there has to be an increase in Luton's business base or rateable values. The system is intended to make all Councils focus on encouraging business growth, in order to drive the national growth agenda. Luton's issue is that it is already an exceptionally highly developed area with tightly drawn boundaries, so the available space to deliver significant additional business - alongside the housing and schools required for the local population - is much more limited than in most areas.

49. The principal business area surrounding the airport has, together with Bartlett Square, been designated an Enterprise Zone. This means that none of the zone's business rates are returned to central government for a period of 25 years from April 2016. Under the terms of the agreement they are held by SEMLEP, not the Council. However, the SEMLEP board has agreed that additional business rates generated in the zone should be used to benefit Luton. Whilst the coming into commercial operation of the Luton DART will generate additional business rates. The development area at the airport, now known as Green Horizons Business Park, is currently at concept stage following a post-Covid review of the previous Century Park scheme and is, therefore, not expected to generate additional business rates for the time being.

50. The latest projection business rates for 2024/25 is an increase of 6.62% representing the forecast CPI inflationary rise for the year ahead. The growth in Luton will be mainly in the Enterprise Zone and doesn't result in increases in Luton share of business rates.

Business Rates Collection Fund

51. The S151 Officer has delegated authority to determine the estimated surplus or deficit on the Council's business rates collection fund each year (Exec/3/01). Accordingly the estimated deficit for business rates has been forecast to be £1.657m up to 31st March 2024 with Luton's share being £0.812m

Revenue Support Grant

52. The Council receives a number of grants from Government for specific purposes. The Revenue Support Grant (RSG) has for many years been the general grant that the Council is able to use for any purpose. Since 2013/14, this has also been supplemented by a Business Rates 'top up', available to all of the Councils whose own business rates income did not reach the level of business rates baseline funding

the Government thought necessary at that point. The business rates revaluation came into effect from 1 April 2017 and as a result the Top-up figures have been adjusted. The change in the level of RSG and business rates top up is set out in the table below.

Financial Year	RSG £m	RSG Movement %	BR Top Up £m	BR Top Up Movement %
2013/14	63.955		10.348	
2014/15	52.127	(18.6)	10.550	2.0
2015/16	37.352	(28.3)	10.751	1.9
2016/17	28.769	(23.0)	10.841	0.8
2017/18	21.102	(26.7)	12.868	18.7
2018/19	15.941	(24.5)	13.923	8.2
2019/20	10.879	(32.8)	14.508	4.2
2020/21	10.939	0.6	14.508	0.0
2021/22	10.939	0.0	14.508	0.0
2022/23	11.278	3.0	14.508	0.0
2023/24	12.649	10.8	13.208	-9
2024/25	13.488	8.2	13.371	3.0

53. It is clear from the tables above that prior to 2019/20 the level of reduction in core government funding was very significant. This has been a fundamental challenge for the Council, and the reason why substantial additional income generation and savings have been needed on an ongoing basis. It is also worth noting that the business rates top up is adjusted to reflect the increase in the rateable value as a result of revaluation. Any change as a result of the revaluation is supposed to be neutral and hence the increase in Top Up in 2024/25 will be reflected in the new gross debit on the NNDR1 return.

54. Based on the Provisional Finance Settlement, Luton’s RSG is set to increase by £0.9m in 2024/25. Taking this into account, Luton’s RSG will increase by 7.1%

Funding Equalisation Reserve

55. The Council has one specific reserve to enable the Council to invest/spend in transformation projects during the transition period while efficiency savings are developed and delivered. It would be reasonable to consider as being available in the current circumstances as the Council is embarking on a significant transformation programme over the next few years. The Funding Equalisation Reserve with a current balance of £21m in order to ‘buy additional time’ if the current programme of proposed savings and deficit recovery plan cannot be fully achieved by March 2026. The Council has engaged Human Engine Consultancy to identify deliverable saving opportunities as part of its Transformation Programme. This reserve was established to help address future fluctuations in major income sources such as business rates,

new Homes Bonus, Government Grants and shortfall in income from subsidiary companies. These risks remain given the current economic situation and uncertainty in future funding for Local Government. .

New Homes Bonus

56. The Government continues to offer income in terms of a New Homes Bonus (NHB) for Councils who build more new homes per year (and bring empty homes back into use) than the national average. Luton's provisional NHB allocation for 2024/25 is £0.5m (£0.261m for 2023/24). It is unclear if this Grant will continue beyond 2024/25. .

Adult Social Care

57. 2024/25 will be the eleventh year of the BCF, whereby funds are pooled or aligned between the BLMK Integrated Care Board (ICB) and Luton Borough Council (LBC) for spending on agreed service areas which should help to minimise hospital admissions, reduce pressures on hospital and to join-up health and care services. The desired outcome will be people being able to manage their own health and wellbeing and live independently in their communities for as long as possible.

58. The concept of the BCF is to improve the lives of some of the most vulnerable people in our society, taking a person centred approach to how we meet their needs through placing them at the centre of their care and support, within an integrated health and social care system resulting in an improved experience and better quality of life. All of this takes place within our agreed local plans and local targets and resource allocation being agreed between the Council and BLMK ICB. Following formal approval, BLMK ICB funding agreed within BCF plans is then transferred into one or more pooled funds established under section 75 of the NHS Act 2006.

59. Following the June 2017 Concordat, Luton system committed financial resources to build S75 pooled budget agreement for the future years. The Pooled Funds are managed by respective commissioning teams, for example, LBC is the Host Partner to Children's, Adults with Learning Disability and Public Health Pooled Funds while BLMK ICB is the Host Partner to Mental Health & Wellbeing Pooled Funds. This arrangement will continue in 2024/25

60. The Council proposed budget for 2024/25 assumes that the S75 budget for 2024/25 for the Council's share of the funding will be updated as per the growth requirements considering Inflation, National Living Wage and Demographic growth etc.

61. The Improved Better care Fund (iBCF) was first announced in the 2015 Spending review and is paid as a direct grant to local government with a condition that it is pooled into the BCF. The purpose of the grant is to meet adult social care needs, reduce pressure on the NHS and ensure that the local social care market is supported. There has been no increase announced by the Government in iBCF for 2024/25 and fund value remains at £7.481m. The Council used all the iBCF grant in 2023/24 to fund the growth related increases within Adult Social Care and this will continue in 2024/25. This has been necessary to meet national living wage increases

to help stabilise the social care provider market, and to help fund additional costs incurred from growth including increased transition clients from children's services and the delivery of transformational changes required to enhance independence and enable future financial sustainability. It is worth noting that the fund has not been uprated by inflation since 2022/23.

62. Luton has maintained excellent performance in relation to delayed transfers of care (DTOC) but particularly in minimising social care delayed transfers of care. However, as people are increasingly moved out of hospital efficiently, this is resulting in increased numbers of frail older people entering the home care system at an earlier stage. Many of these people have complex needs and a number of co-morbidities, this has had an impact on the home care market where there has been a significant increase in home care activity and spend and a particular increase in 'double-up' care packages. In addition the increasing pressure on acute services and the availability of hospital beds is leading to an increased number of people being discharged to short stay accommodation, adding to pressures on residential and nursing care budgets.

63. As detailed in other sections of this Report, the 2024/25 budget is based on the assumption that members will wish to approve an additional 2% Council Tax precept for 2024/25 ring-fenced for Adult Social Care, which will help towards meeting the pressures set out in the paragraphs above. The government announced at the 2022 Autumn Statement up to £4.7 billion additional funding for social care and discharge in 2024-25. Furthermore, the Department of Health and Social Care announced £600 million of additional funding in July 2023, which includes £205 million of new grant funding for social care in 2024-25. Luton's share of this Social care grant for 2024/25 is circa £15m (an increase of £2.265m from 2023/24) being shared equally between Children's and ASC. These additional monies have helped towards ASC and Children's staffing pay awards, pay increments, pension increases and Inflation and Provider's National Living Wage (NLW) related pressures. The hospital discharge grant for Luton is expected to be £1.748m for 2024/25 (an increase of £700k from 2023/24) which is fully committed in collaborative working with BLMK ICB to support timely and safe discharge from hospital into the community by reducing the number of people delayed in hospital awaiting social care.

64. The Chancellor in his autumn statement last year also announced the planned implementation of adult social care charging reforms had been delayed from October 2023 to October 2025 while £3.6bn of funding which was made available from 2022/23 to 2024/25 for charging reforms implementation could be redirected to help to meet the current pressures. This funding is now distributed under Market Sustainability and Improvement Fund (MSIF) and Workforce MSIF and for Luton the values of these funds for 2024/25 are £2.775m (increase of £929k) and £973k (reduction of £525k) respectively

65. Further budget provision of circa £1m is being made within ASC 2024/25 budgets to deal with the potential pressures of speeding up hospital discharge to free up hospital beds resulting in increased Social care costs, ensure financial sustainability of the care sector and also to deal with the budget pressures resulting as a result of the

Government plans to reintroduce inspection of local authorities ASC functions by the Care Quality Commission (CQC) with Councils being potentially subject to Government intervention for failings.

Partnership with NHS

66. The Bedfordshire, Luton and Milton Keynes (BLMK) Integrated Care Board (ICB) became a statutory organisation on 1st July 2022 and manages the functions of the old CCG and bring together health and care organisations across the three areas. Over the last few years the Council, ICB and NHS providers have developed much closer working relationships and arrangements to more effectively meet the health and well-being needs of the residents of Luton. Indeed, two of the main statutory functions of the Health and Well-being Board are to oversee reductions in health in equality and promote integration which can only be achieved through effective partnership working. All the Luton placed base discussions take place in Joint Strategic Commissioning Group (JSCG) in regular meetings throughout the year between BLMK and ICB.

67. Where there is an opportunity for collaboration within the BLMK ICB which may have a direct or indirect dependency on Council resources, Council officers involved in BLMK ICB governance and working groups inform the Corporate Director of Population Wellbeing of any issues they believe need to be raised and discus with the Council's Executive, and/or Luton's Health and Wellbeing Board and the Luton Health and Social Care Scrutiny Committee as appropriate.

68. Such close working has enabled the local health and social care system to be a national lead in minimising delayed transfers of care; in addition, the Better Care Fund and the associated section 75 between the Council and ICB has resulted in even closer working between the two organisations. In this S75 agreement, BLMK ICB and LBC have established Pooled and Aligned Funds in: Children's Services, Public Health Services, Adults with Learning Disabilities Services, Better Care Fund, Collaborative Commissioning Services and Other Services which include Mental health Services.

Children's Social Care

69. Local authorities in England have statutory responsibility for protecting the welfare of children and delivering children's social care. Children's social care services support children with the greatest need – children who are disabled, who have to be protected from harm or who need to be placed in residential foster or other types of care.

70. Luton's Children's services budget and service provision have been under pressure for many years due to the high levels of care and support needed by many local children and families, and the costs of agency staff needed to cover posts that could not be filled on a permanent basis despite the improved workforce position.

71. In 2020 Ofsted inspection judged Luton and its Children's Services to be 'inadequate'. An improvement plan was developed and this plan required investment to support the

service and staffing provision which was provided in the subsequent years. Further to another inspection in July2022, the Ofsted report published in September 2022, Children’s services in Luton have been rated “requires improvement to be good” for demonstrating “tangible and significant progress” since its last inadequate judgement.

72. According to LGC (Local government Chronicle) article published on 16th October, 2023, Directors of children's services have warned that government funding schemes do not operate "in the best interests of our children" with too much allocated on a short-term basis or paid to private companies. Data published last week by the Department for Levelling Up, Housing & Communities found that councils' spending on children's social care has almost doubled in the past decade. Local authorities reported spending £12.8bn on children's social care last financial year 2022-23, compared to £6.6bn in 2012-13. In response, the Association of Directors of Children's Services (ADCS) has told the LGC how this proves that short-term government funding pots are "not a good use of public funds". ADCS research found that the total required to close the budget gap for children’s services alone, in-year is £778m. According to The Children's Society, spending on early intervention has fallen by 46%, while the total expenditure on late interventions, including children in care, has risen by almost 47%. In 2021-22, more than £4 in every £5 of the additional £800m went into late intervention services. According to the latest government data, 10 of the largest private owners run 30% of England's children's homes. The 22 largest companies owned 977 homes, which is 40% of all private children’s homes and 31% of all children’s homes.

73. The additional Social Care Grant for 2024/25 is being shared between ASC and Children’s Services. These additional monies will help towards Children’s staffing pay awards, pay increments, pension increases and Inflation and National Living Wage (NLW) related pressures.

74. Another budget pressured area in Luton is the Children’s social care staffing over spend due to of high use of expensive agency staffing to fill the current vacancies (a national social work recruitment issue). The Social Work Academy and Work force work streams are now working jointly to reduce overspend in social work staffing agency spend. The Service is now working on new targets setting for agency staffing reduction and permanent recruitment to reduce the staffing overspends

75. Government has also confirmed the continuation of Supporting Families Programme and grant for 2024/25 which will also help to deliver the better outcomes for Children’s and Families in Luton.

76. Children, Families and Education service in Luton strives to ensure continued safe and effective service delivery in line with the Council’s ambition of Luton being a vibrant and prosperous town for all of its residents.

Rising Demand and Complexity in Social Care

77. Since coming out of the Pandemic, the UK Economy has seen high inflation, energy price fluctuation and a Cost of Living Crisis. At the same time both Children’s social care and Adults Social care are now seeing a substantial increase in demand which is putting a considerable amount of budget pressure on the Council budgets. The

greatest impact has been on quality of care, workforce, and market fragility, and it has also revealed unmet need and disjointed care. Although as noted above, government has provided some additional grants in 2023/24 and 2024/25 to deal with some of these pressures however there is no confirmation by the Government on continuation of these grants beyond 2024/25 and this is likely to add significant pressures onto budget management and future planning in social care.

Income – Fees & Charges, Commercial Property Rent

78. Luton Borough Council is relatively heavily grant-dependent. This means that standard percentage reductions in grant have a greater impact on Luton than on the average authority. The reason that Luton is grant-dependent is that it has a higher than average relative need, and a lower than average Council tax income per dwelling as most of the dwellings are band A or B. As a result the old, needs-related grant system gave it above average levels of grant. This has a negative impact on the spending power of the Council hence the Council needs to maximise its ability to raise income taking into account any risks associated with any investment in order to be able to fund demand-driven services such as Adults and Children's Social Care, Homelessness, Refuse Collection and Waste disposal.

79. As part of the budget setting process, managers undertake a review of the scale of charges for services which will apply in the following year. The Council's policy is to set charges for services which are used by sections of the community in Luton; rather than services used for the benefit of the community as a whole. This is to ensure that Council taxpayers are not subsidising the particular interests of individuals, or work of commercial companies.

80. Due to the high levels of inflation that have continued to be experienced during 2023, and the impact this has had on the cost of Council services, the fees and charges for the services that the Council provides are proposed to be increased to recover the additional costs. The Executive of 15th January 2024 will consider a separate report containing further proposals for a revised scale of fees and charges, applied from 1st April 2024 or an alternative date as detailed.

81. It is estimated that the proposed charges for 2024/25 would generate an additional income yield of, £662k, a 4.0% increase on the total current income level from charges. This is below the current level of inflation, and relates mainly to:
- Community Centres £160k
- Cemeteries & Crematorium £100k
- Garden Waste £65k
- Trade & Clinical Waste £ 62k
- Parking Services £96k
- NRASWA (New Roads and Street Works Act) Defect inspection charges £68.7k

82. Income yield is relatively small as it reflects a number of limiting factors in uplifting the scale of fees and charges:

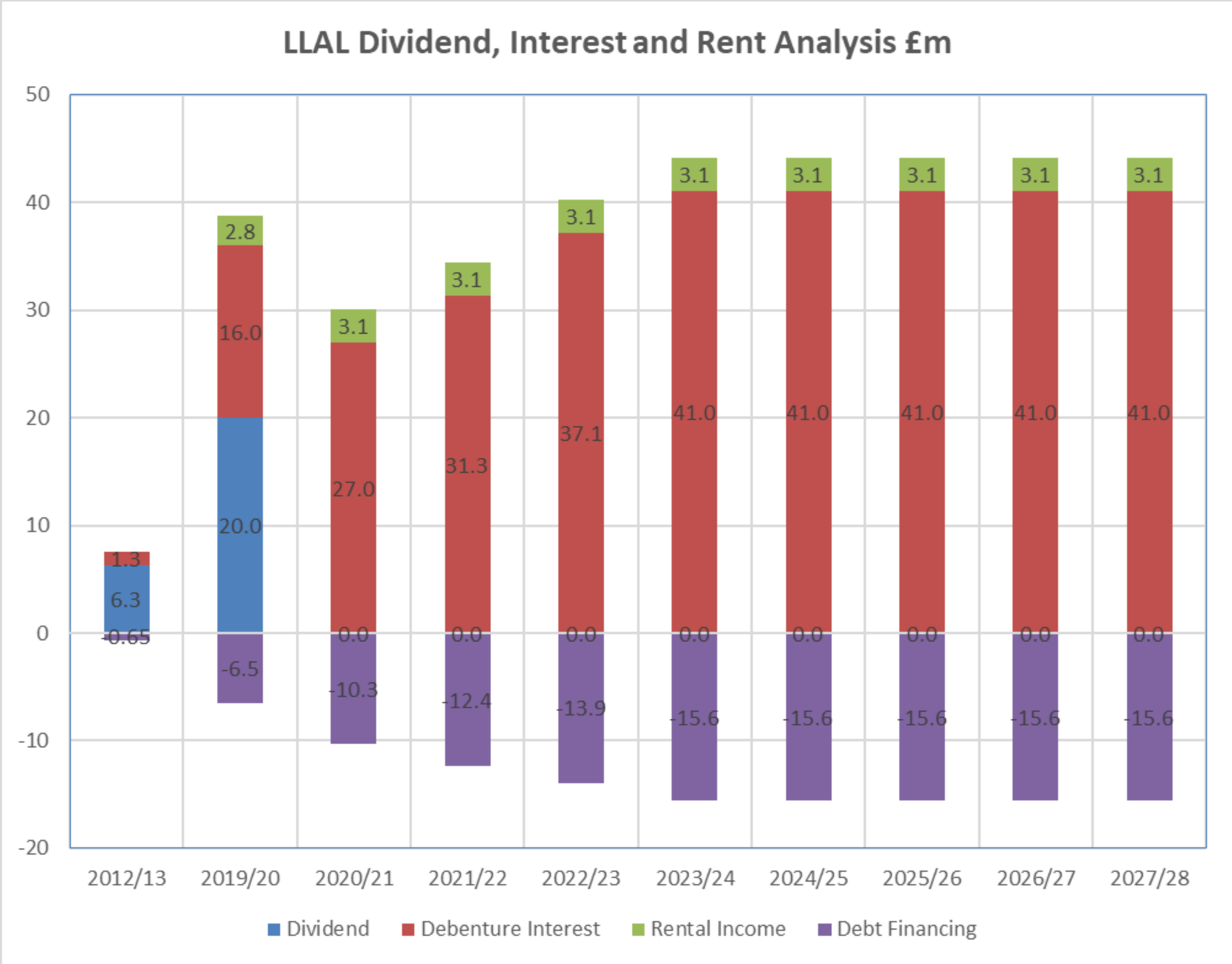
- charges set by statute or regulation where the Council has no discretion and limited increases or no increases are proposed at this review.
- services where current income levels are below the 2023/24 budget target and where any additional income from the proposed price increase is required to meet the existing budget targets
- benchmarking of charges with similar organisations or business competitors showing that charges are already at upper limits
- reducing demand for some chargeable services, resulting in the proposed deletion of charges that are no longer used or the restructuring of charges in some services to maintain income levels or to work toward improving cost recovery

83. The final impact on the Council's budget position is also affected by any difficulties reported by services in meeting the current level of budgeted income. A number of areas have reported issues in this year's monitoring, including, the revenues and benefits service, cemeteries and crematorium and the Garden Waste Service and this will absorb the majority of the additional income. The impact for the 2024/25 Budget is therefore estimated to be considerably lower than the £662k referred to above, with only £375k of the overall increased yield total being added to the budget.

84. Some commercial charges made by the Council are proposed to increase above the estimated level of inflation, to more accurately reflect the amount of work involved in providing the service or to align charges with the latest benchmarking data. Also some fees and charges are reviewed on a longer time scale e.g. parking due to the limitation in the number of coins being used. Not increasing the income yield from charges in line with inflation does lead to increased pressures in balancing the Council's budget. The Council needs to deliver discretionary services which are economically viable, balancing this with charges which are affordable, fair and inclusive.

Interest, Dividend and Rental Income

85. The medium term financial plan (see Appendix A) now assumes no benefit from dividend in the revenue account on an ongoing basis, significantly reducing the base budget's reliance on airport funding. The proposal for the future is that dividend is focussed on delivering viable capital schemes.



86. As shown in the table above, dividends are not expected from LLAL over the medium term as the company has been severely affected by the COVID-19 Pandemic and the Council is not placing any reliance on dividend to balance the revenue budget. Debenture interest grows over the medium term due to further planned project financing and stabilisation loans and also as some loans has been re-profiled. Rental income remains stable over the plan period. Council debt financing costs reflects the costs of borrowings and takes into account the low level of interest rates. This shows that the Council still receives net income after debt servicing costs of around £28m which helps the Council to provide key services and also to keep Council tax low.

Growth and spend pressures

87. Service Area Growth proposals are detailed in Appendix L and total £4.2m. Of this, the largest elements relate to unsustainable pressure on Housing Benefit Subsidy Budget (£1.9m) and demographic and demand led pressures within Adult Social Care (£1.0m)

88. There are significant general Council wide spend pressures affecting all Departments, specifically Inflation (£6.4m) and Employee Costs (£4.0m). The latter assumes a 2024/25 Pay Award of 3%, however there is an element of uncertainty so an additional Contingency Provision of £0.5m is proposed.

89. It should also be noted that it is simply not sustainable to allow all budgetary pressures to result in extra savings requirements and/or unaffordable growth, when those savings will mean reductions in services. Therefore managers need to be actively managing demand for services, particularly by enhancing people's capacity for independence, to keep spend within budgets wherever possible and take corrective measures to ensure forecast spend are kept within approved budget as part of prudent financial management and ensure best value.

90. In recent years specific contingencies have been maintained for a number of areas where there are significant spend pressures and savings proposals. However, the recent review by CIPFA on behalf of the DLUHC pointed out that the maintenance of such contingencies can reduce the motivation of managers to manage within their budgets, and as a result the level of contingencies have been reduced significantly and now covers only areas where it is absolutely necessary. The level of contingencies especially this year reflects the potential impact of the looming recession and reduction in living standards due to the increase in costs of living caused by higher inflation.

Savings & Increases in Income

91. The level of savings as detailed in Appendix M has to be viewed in the context of what the Council has achieved over the last ten years, including 2024/25, as shown in the following table showing historic savings by type.

Savings Category	**£m**
Process & efficiency improvements	47.392
Trading & Commercialising	32.808
Changes to organisational structures and responsibilities	26.976
Procurement & Commissioning efficiencies	26.046
System/service redesign to customers	25.340
Total savings	**158,561**

92. It is worth noting that this level of unprecedented savings has been achieved while at the same time protecting as far as possible key services i.e. by finding alternative, innovative and more cost-effective ways to deliver the same level of service. Until recently as explained in the Emergency budget report and the impact of LLAL dividend, a significant part of the budget gap has been bridged by achieving substantial increases in income through trading and commercialisation.

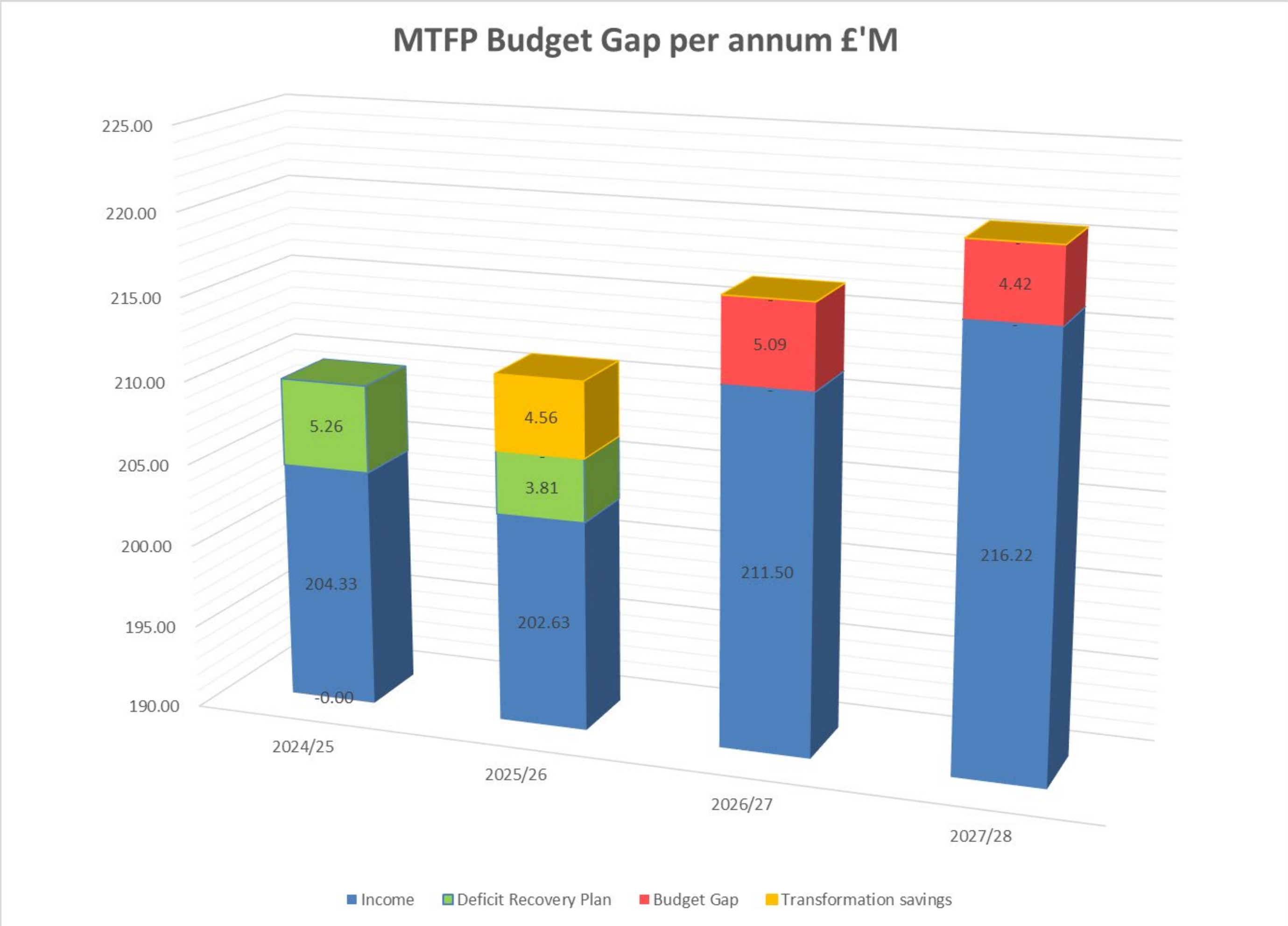
93. Options for achieving further savings and increased income are becoming more limited and challenging and the Council has been quite innovative to generate initiatives over the years. It is also worth noting that as per the latest Government guidance Councils are not allowed to borrow to finance investment projects. As part of continuous improvement, this budget includes £375K of income from sales, and charges which is mainly to recover the additional costs due to inflation.

94. Some of the projects as approved by the Council in prior years will not be fully delivered in 2023/24 as originally planned and form part of the £9.3m underlying budget pressure across Departments reported so far. This is mainly due to the impact of the pandemic on the reduced level of income and the economy is yet to recover to the pre-pandemic levels. This will be further impacted by the increase in inflation and the slowing down of the economy. Those which are unable to be delivered at all have been removed from the savings list and the budget has been right sized with additional budget allowances to cover the costs. Those which remain deliverable but delayed have been re-profiled for delivery over the next 2 years. There are other projects under development e.g. Transformation, Commissioning, Commercialisation and Service Reviews as explained in more detail in paragraph 39 to 45 above, but the savings which may accrue from these are not included in the draft 2024/25 Budget but will form part of the savings initiatives to address the budget gap over the next three years which amounts to £17.06m. (£20.87m including deficit recovery plan).

Financial Sustainability 2023/24 – 2025/26

95. The Council's financial sustainability remains dependent on a number of key factors, including:
- pro-active budget management and monitoring;
- continuous development of services to improve local lives by enhancing independence, so reducing the need for intensive interventions, stabilisation of the Council's companies, to ensure their ongoing commercial viability;
- as noted and recommended by the CIPFA report, sustained senior management effort to develop and deliver the Future Ready programme, combined with a further review of the potential for property rationalisation.

96. As per the chart and table below, further yearly savings as part of the deficit recovery plan and transformation programme (2024/25: £5.26m, 2025/26: £10.02m, 2026/27: £6.09m and £4.76: 2027/28). This is based on the optimistic assumption no further long-term impacts of the covid-19 pandemic and/or the slowing down of the economy. The latest forecast shows that inflation is coming down and the Bank of England has not increased the base rate recently. Given the financial challenge facing local government and the impact of the costs of living crisis and increase in demand for services, all these assumptions are relatively high risk and hence the actual budget gap could be significantly more, as shown in the sensitivity analysis in Appendix B. Moreover a detailed savings delivery programme has to be developed with benefits realisation plan and buy-in from departments which should promote responsibility and accountability. This has to be integral part of the Councils transformation and Future Ready agenda to address future budget gaps and deliver 2040 vision.


MTFP Budget Gap per annum £'M
225.00
220.00
215.00
210.00
205.00
200.00
195.00
190.00
5.26
204.33
-0.00
4.56
3.81
202.63
5.09
211.50
4.42
216.22
2024/25
2025/26
2026/27
2027/28
Income
Deficit Recovery Plan
Budget Gap
Transformation savings

MTFP Three Year Summary	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Net Service budgets inc capital financing costs	**204.98**	**211.58**	**221.55**	**224.68**
Increases in costs (unavoidable) and net additional growth	11.65	13.78	8.84	8.84
Net service costs	**216.63**	**225.36**	**230.39**	**233.52**
Interest payable & Treasury Management	21.29	23.08	24.08	25.11
Savings In Year	0.00	-3.81	0.00	0.00
Capital Financing costs and MRP	-22.19	-20.50	-19.94	-19.02
Specific grants S31 and NHB	-15.19	-15.34	-15.34	-15.34
Reserves and Contingency	9.89	6.15	6.15	6.15
Total before Income and Grants	**210.43**	**214.94**	**225.33**	**230.42**
Income from LLAL - interest and rent	-41.49	-41.49	-41.49	-41.49
Additional Income other inc residential investment	-1.26	-1.26	-1.26	-1.26
Total after Income and before Grants	**167.68**	**172.19**	**182.58**	**187.67**

MTFP Three Year Summary	2024/25	2025/26	2026/27	2027/28
Net Expenditure	**167.68**	**172.19**	**182.58**	**187.67**
Funding:				
RSG - assumed replaced by B Rates Top Up	-13.49	-13.87	-14.15	-14.43
Business rates	-33.76	-36.61	-37.34	-38.09
Business rates Top Up inc previous RSG	-13.37	-13.59	-14.26	-14.43
Adult Social care - Precepts	-14.86	-16.07	-17.33	-18.64
Services Grant - SR 2021	-0.31	0.00	0.00	0.00
Total Government Grant	**-75.79**	**-80.14**	**-83.08**	**-85.60**
Council Tax	**-88.16**	**-91.22**	**-94.41**	**-97.64**
C Fund (surplus)/deficit	**-3.74**	**3.74**	**0.00**	**0.00**
Council Tax LCST Grant	**0.00**	**0.00**	**0.00**	**0.00**
Total Council Tax and Grants	**-167.68**	**-167.63**	**-177.49**	**-183.24**
Cumulative Gap	**0.00**	**-4.56**	**-9.65**	**-14.08**
In Year gap over the next three years	**0.00**	**-4.56**	**-5.09**	**-4.42**

Budget & MTFS Assumptions

97. The following planning assumptions have been made in the preparation of the budget strategy and financial strategy.

- The final settlement for 2024/25 to be announced in January 2024 being in line with the provisional settlement.
- Pay awards including on costs at 4% in 2024/25, 3% in 2025/26 and 2% onwards –The 2024/25 budget also includes pay increments and additional costs associated with the implementation of national living.
- The Council tax increase being 2.99%% in 2024/24, plus a 2% adult social care precept, giving a total increase of 4.99%. The increase in Council tax income in 2024/25 amounts to £7.5m. (Yield depends upon the number of properties, discounts, impact of Council tax support, the provision for non-collection, as well as the percentage increase in Council tax).
- Improved Better Care Fund continuing without any uprating for inflation.
- Provision for price increases being limited to specific contractual requirements where there have not been underspends in previous years. As a key part of the 2024/25 budget preparation process the amounts of inflation allowable have been subject to corporate challenge, and substantial amounts of the savings proposals are reductions in the levels of inflation that were incorporated into the budget planning process. Other general inflationary increases will have to be contained within the cash limited budgets. The inflationary pressures linked with energy to revert back to the 2021/22 levels.
- Interest rates to stabilise and no reduction is anticipated in 2024/25 – cautious approach.
- No major financial impact as a result of future changes to the Business Rates Retention scheme beyond postponed or from revaluation.
- No future reductions in RSG except as part of fair funding review.
- Increase in the business rates multiplier by rate of CPI inflation (assumed at 6.7% in 2024/25 and 2% onwards) or the equivalent in grant if the multiplier continues to be frozen. The MTFS assumes no real term growth in business rates over the foreseeable future as most growth is expected to take place in the Enterprise Zone.
- No significant change in income from LLAL in 2024/25 and future years as LLAL has to service the additional debenture loans. Additional annualised interest generated from loan to Foxhall Homes amounts to £1.4m. No dividend is forecast from Foxhall Homes profits are ploughed back to fund residential affordable homes which are being let.
- Additional pension cost assumed as per the 2022 triennial valuation and recommendations – total average increase of £800K per annum (2024/25 - £500K) to be set aside as a sinking fund
- Allowance of an additional growth of £4m per annum over the period from 2025/26 to 2027/28 to address unidentified projects and budget pressures such as pay related, inflation and demographic changes. Any additional growth would require further savings to be achieved.
- The currently estimated revenue impact of the capital programme, which has been calculated on the basis that the major infrastructure project including the dualling of Vauxhall Way circa £35m become Council schemes on approval of the final business cases, delivery models and fully funded by external financing

options and that there are no un-programmed costs arising from major projects – present or future. However, the Council does have a Major Projects Reserve as a consequence of any risks arising from exiting projects.

- The minimum provision set aside for debt repayment has been reflected in the MTFP. It is worth noting that increase in MRP over the next five years amounts to £5.6m. This reflects the significant level of spend on the funded element of the capital programme and a key issue for the future will be assessing and prioritising the potential revenue impact of future capital proposals alongside revenue budget pressures. Officers will be reviewing the Council's Capital Strategy in order to ensure that the capital programme enables the Council to deliver the 2040 vison and at the same time is prudent, affordable and sustainable.
- No additional costs arising from risks shown in the budget risk management strategy apart from those listed here.
- No further government support relating to Covid 19 from 2024/25 onwards.

Value for Money & Efficiency (Transformation Agenda – Future Ready)

98. The Council has a statutory duty to deliver value for money with public funds. The external auditors as part of the annual audit have a duty to report whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

99. The need to seek value for money on an ongoing basis is and has been at the core of the Council's plans for many years. This is particularly important since the numbers of vulnerable people requiring care services continue to increase. This approach is supported by the Council's Strategic Change and Transformation teams and is a key part of the transformation strategy. The budget gap over the next three years requires significant action and this is underlined by the recommendations of the CIPFA report. The CIPFA resilience index has pointed out that there is potential to reduce the Council overall spend in order to be in line with our statistical neighbours.

100. The Council continues to use sustainable procurement, together with e-procurement processes, within the context of its procurement and commissioning strategies, to make savings while aiming to achieve service and environmental objectives. The Council has a centralised procurement team with a remit to drive significant savings from commissioning activities and contract management. Officers are also focusing on identifying all expenditure outside contractual arrangements and developing plans with cost centre managers to transition such expenditure into contracts. The Council produced a revised strategy which has highlighted the need to deliver savings. However, the savings arising from procurement and commissioning has to be quantified and should assist in delivering the savings required in the medium to long term. Further work to use procurement as an innovative mechanism to deliver social value and wider Council objectives will continue. A local wealth building approach will be central to building a more inclusive economy, by keeping more of our collective spend within Luton and by generating real social value through procurement.

101. The Council will continue to set a clear example through our procurement strategy, which aims to increase our local spend significantly. Our strategy will also increase the proportion of our procurement spend with local SMEs and will encourage our suppliers to employ and develop local people, buy from local supply chains and reduce environmental harm.

102. We will work closely with anchor institutions and large employers in the public sector to adopt a collaborative procurement approach that keeps more of our collective spend within Luton and to take forward our social value framework. This framework will maximise opportunities for social value through procurement, including a buy local approach, real living wage, support local people into employment and supporting wider environmental and health outcomes for the town.

103. The savings set out in Appendix M reflect the application of value for money principles in order to produce proposals which are robust and sustainable. The level of savings being delivered in a short period of time carries inherent risks which has been mitigated by setting aside reserves and profiling to reflect both risks to deliverability and timing of benefits realised during the transition period.

Capital Programme 2023- 2028

104. The draft Capital Programme 2023 to 2028 includes significant proposals to regenerate the town and improve Council-owned facilities. The programme does need to be assessed in the context of the following risks and uncertainties:

- the recommendation issued by DLUHC,
- potential impact on revenue budgets in future years,
- the total level of borrowing,
- the revisions to the prudential code for capital finance,
- the views expressed by the external auditor regarding the level of debentures to Luton Rising, as expressed in the Position Statement issued in 2021,
- the potential impact of the changes in the regulations regarding minimum revenue provision.
- development of the full business cases including delivery models and financing options before the projects can proceed.

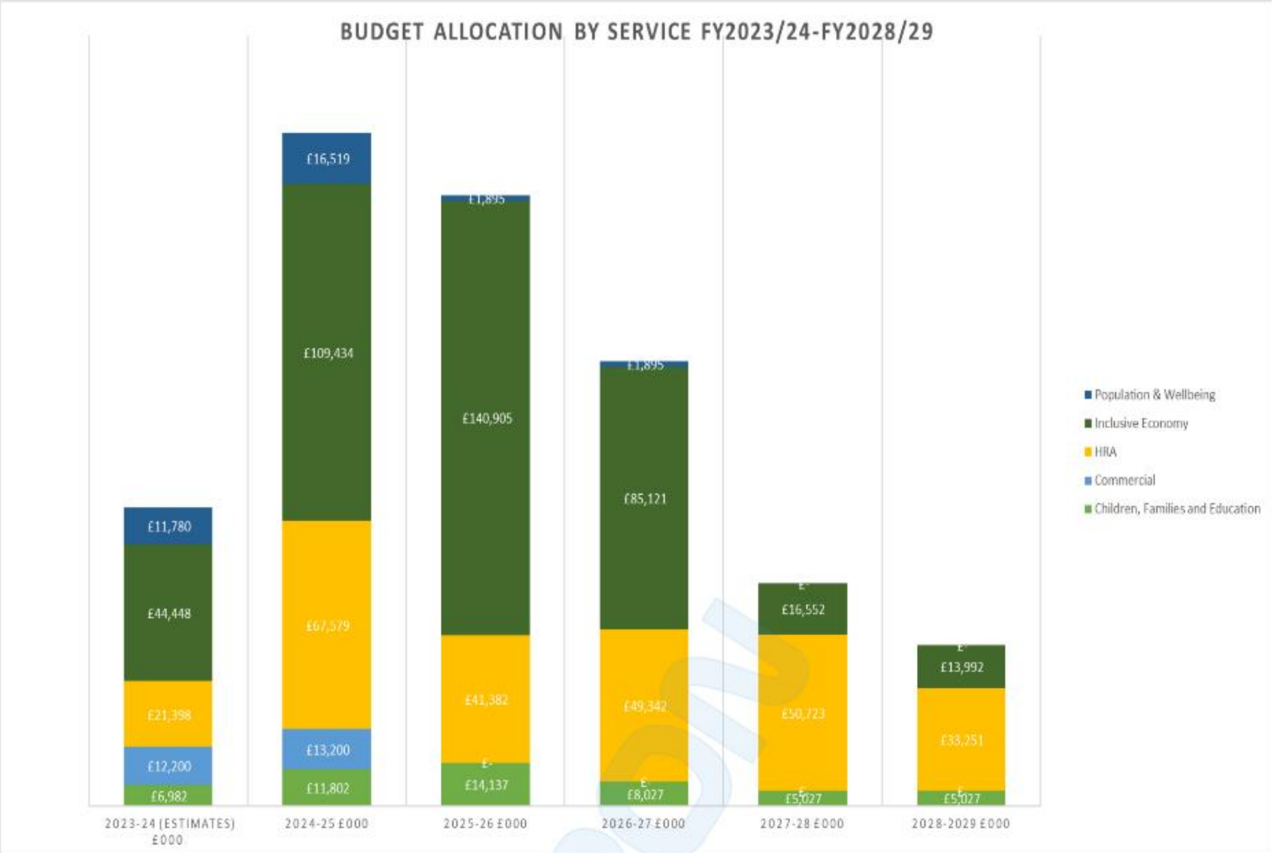
105. A 'blank sheet' approach has been adopted in relation to all budgets that are not ring-fenced. The Capital Strategy, attached as Appendix O, details the Council's approach to capital investment and the associated governance, treasury and risk management. The capital bid process is outlined below:

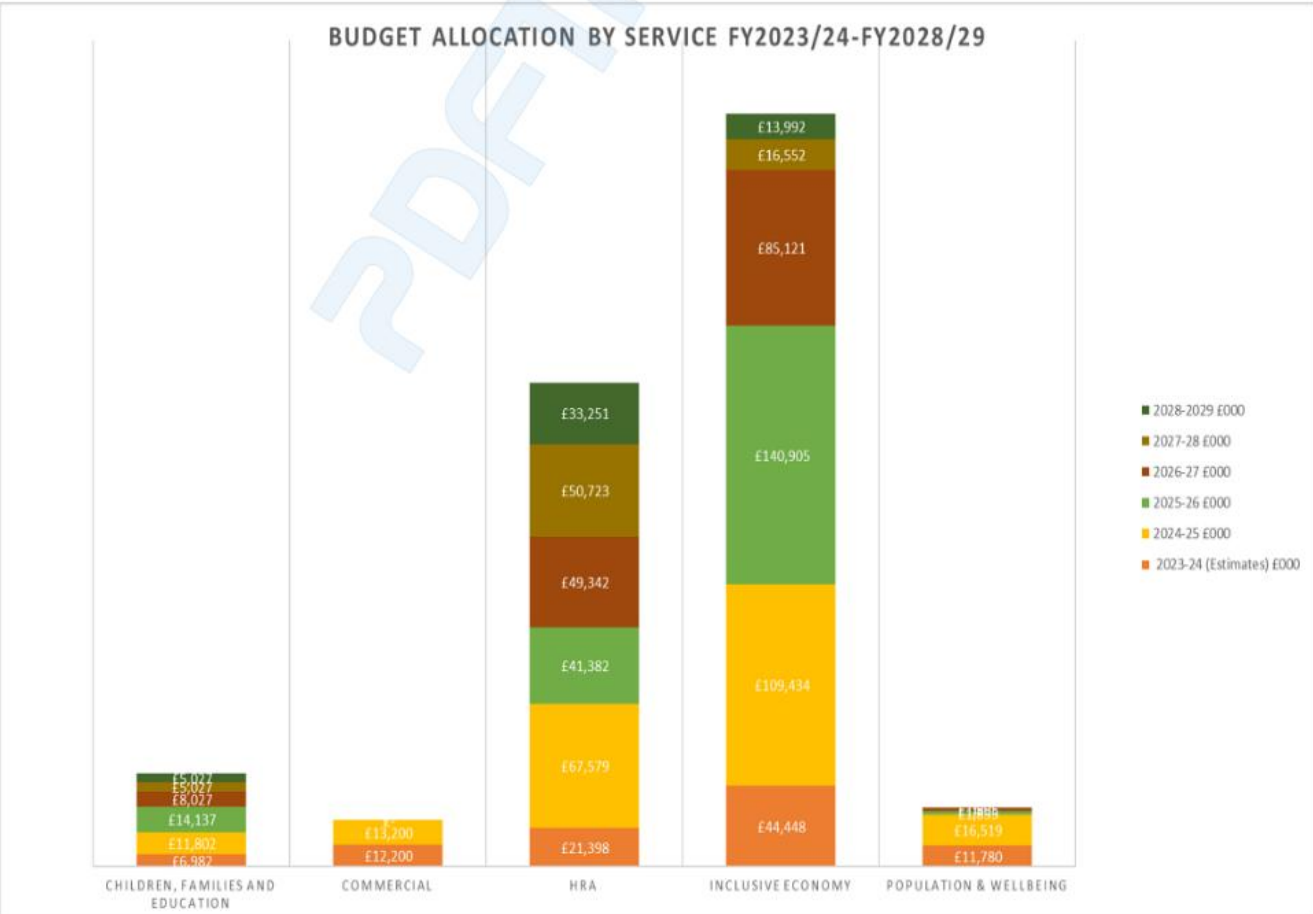
a) Requests for Capital funding were invited and received.
b) Each request was assessed by the Capital and Assets Forum against the prescribed LBC priorities and objectives
c) Requests were allocated to one or more of the following categories: New, Existing, Slippage, Renewal and Contractually / Legally Committed.
d) Each request was further annotated with its funding source.

e) Business Cases and option appraisals were provided where requested for internally resourced new Funding requests. However quite a significant number of projects will have to be developed further before final approval.
f) Resources were reviewed and challenged for certainty and prudence.
g) The baseline position was assessed including new requests.
h) The 2nd Quarter Capital Monitoring returns out-turn positions were analysed to challenge and check any proposed slippage or under-spends. Some budgets were reduced by fund holders following this review.
i) The Chief Accountant undertakes a challenge and scrutiny of each funding request followed by a further review of the overall programme by Corporate Leadership Management Team (CLMT).
j) As a result of h) & i) above a number of funding requests and existing budgets are shown with amendments and/or funding reductions to achieve a revised base line programme.

106. The base-line position, with all Options Appraisals (wherever included as part of the draft submissions which will be subject to further due diligence), produced a significant increase for the life of the capital programme (excluding the additional 2027/28 financial year). The pipeline of projects includes major regeneration project, which are added on the basis that the Council will in due course enable them to be commercially viable, financeable and fully developed and supported by full business case, hence no revenue impact of Council borrowing is assumed in the medium term plan for those projects, which are listed below (paragraph 115) of Annex 1).

107. All complex and high value projects with significant risks will be evaluated separately outside of the annual capital programme cycle and further reports supported by full business case submitted to Executive and full Council for approval and they will also be subject to detailed scrutiny prior to expenditure commitments being made. A summary of the programme is set out in the charts below. The third chart shows the total capital programme associated with delivery of the 2040 vision and council's priorities.


BUDGET ALLOCATION BY SERVICE FY2023/24-FY2028/29
£11,780
£44,448
£21,398
£12,200
£6,982
£16,519
£109,434
£67,579
£13,200
£11,802
£1,895
£140,905
£41,382
£14,137
£1,895
£85,121
£49,342
£8,027
£16,552
£50,723
£5,027
£13,992
£33,251
£5,027
2023-24 (ESTIMATES) £000
2024-25 £000
2025-26 £000
2026-27 £000
2027-28 £000
2028-2029 £000
Population & Wellbeing
Inclusive Economy
HRA
Commercial
Children, Families and Education


BUDGET ALLOCATION BY SERVICE FY2023/24-FY2028/29
£14,137
£11,802
£6,982
£13,200
£12,200
£33,251
£50,723
£49,342
£41,382
£67,579
£21,398
£13,992
£16,552
£85,121
£140,905
£109,434
£44,448
£16,519
£11,780
CHILDREN, FAMILIES AND EDUCATION
COMMERCIAL
HRA
INCLUSIVE ECONOMY
POPULATION & WELLBEING
2028-2029 £000
2027-28 £000
2026-27 £000
2025-26 £000
2024-25 £000
2023-24 (Estimates) £000

108. The analysis in the tables above show potential capital expenditure of £519m (£782m including HRA) in the next 5 years, on top of the major expenditure, principally on airport schemes in recent years. It is essential that the Council considers both the merits of any project and its impact on the Council's financial sustainability in the short, medium and long term prior to approving the scheme. The major projects will have to be approved by the Executive and supported by final business case, delivery models and financing options to ensure that funding are secured before they can proceed. One significant change has been made since the first Executive report; The Levelling Up Fund Lewsey Redevelopment project has been removed as the Council was unsuccessful with the capital grant bid. This has no impact on the borrowing estimates as it was a grant funded application.

109. The amount of capital receipts generated from sale of assets has reduced significantly over the years. This means that most of the capital projects are funded through borrowings which requires setting aside revenue funds to cover both debt servicing costs and Minimum Revenue Provision. Additional projects have however been included in the programme on the basis that, if a further £2.96m of additional capital receipts can be generated to finance the capital costs, they may be able to proceed. It is essential for good governance and financial sustainability that no spend is committed on these projects prior to the Council receiving the full funding required to finance them. All projects will have to be supported by robust final business cases before any financial commitments are made and they will require Executive approval where appropriate. The total debt servicing costs and MRP for those projects funded from borrowing have been included in both the revenue budget and Treasury Management Strategy based on the current MRP regulations.

110. It must be noted that the Government has published three consultation papers on changes to the Minimum Revenue Provision regulations, the latest of which is dated December 2023 (see para 26-28 of the main report for more details). There may be potential impact on the revenue budget resulting from the changes to the proposed MRP regulations when implemented. This will have to be assessed but at this stage we are of the view that there is no need to make any provision. This will be reviewed regularly.

Governance arrangements for the capital programme

111. All new projects will have to submit robust business cases to the Executive for approval before the allocated funds are released. The business case will have to follow best practice and also comply with guidance published by HM Treasury namely the "Green Book" and the "Five Case Model". Once this is obtained, the project is governed under the Project Management Framework and overseen by the Major Projects Board and/or any other governance arrangements put in place and approved as part of the business case approval process. All projects will have to be closely monitored and regular report will have to be submitted to Executive with recovery plan in the event of any overspend to ensure that the projects are delivered on time, within budget and are set to deliver the outcome.

112. The recommendation of the CIPFA report with regard to governance of the capital programme was that 'in view of the scale of increase in planned borrowing required for the airport stabilisation package and its impact on the Council's balance sheet, financial gearing and risk, approval by the Executive and Full Council of the final business case should be accompanied by a full review and approval of the Annual Borrowing Strategy and the impact on prudential and treasury indicators.' It is proposed that all future increases in borrowing to fund expenditure by Council companies will be accompanied by such a review and approval.

113. Internal resourcing of the capital programme is in line with previous years. Those projects funded from capital receipts will need to wait until the required amount of receipts are received before they can proceed. Prudential borrowing supporting the proposed general fund capital programme over the next four years amounts to £234m for General Fund and £76 where interest is charged to the HRA.

114. The net movement in the programme since the Q2 monitoring has been factored in future capital programme and funding allocated accordingly as detailed in Appendix H.

115. The most significant new additions (including new schemes and future year costs of existing schemes) are described below.

I. An additional £10.5m to Resurfacing works up to and including 2028/29 (an additional £650k in 2024/25). Given the increase in road traffic, the variability of weather conditions and the state of disrepair of Luton's roads, it has been deemed necessary that further investment is required to improve the network. This is in addition to grant funded LTP Maintenance works which have had a further 2 years of funding added to the programme
II. Additions of £11.2m have been made to the existing Schools Conditional Funding up to and including 2028/29 (an additional £2.18m in 2024/25), which will go towards maintaining and improving our current school infrastructure
III. An additional £13.1m will be added in respect of BTS Capital works on the HRA up to 2028/29 (£1m extra in 2024/25) going towards the improvements to our housing stock
IV. £3.3m DfT funded Bus Service Improvement plan is set to commence in 2024/25, which will improve the accessibility and reach of bus services around Luton, which is imperative for the inclusivity of those residents who do not have their own private transportation
V. Local Electric Vehicle Infrastructure (LEVI) fund works of £1.273m are set to commence in 2024/25. Provision of this infrastructure will encourage residents to make the switch to renewable energy vehicles and further the council's agenda of reducing carbon emissions throughout the town.
VI. £1.5m expenditure over 5 years on Average Speed Cameras will be meeting residents' demands for more controls over traffic and dangerous driving.
VII. An additional £1.5m for Fire Safety Works at the Waste Transfer Station to greatly reduce the Council's potential liability for further fire-related incidents

as well as reputational risk which may be more imperative given the recent situation at the airport car park

116. Within the new bids are “invest to save” initiatives that should help to create surpluses in the General Fund. These bids will only be fully approved with a robust business case and agreed cashable savings. The most notable invest to save bids are briefly outlined below;
   - £10.5m in the Temporary Accommodation Purchasing Scheme (TAPS) Phase 3.
   - £700k for the investment in photovoltaic generator at the Depot, leading to £1.2m in energy savings over 5 years
   - £150k Re-constructing the rose garden infrastructure at the value cemetery, saving on annual maintenance costs due to dilapidated soil and flora
   - £3m Investment in 2 Abbeywood Road property to enable long term leasing out to maintain yields

117. The key risk factors in relation to the Capital Programme are as follows:

   a) The overall size of the programme, which remains very large for a relatively small unitary authority, on top of the huge airport investment of recent years.
   b) The potential impact on the revenue budget, particularly if the draft minimum revenue provision regulations are approved unchanged by government.
   c) Programme and project management risks associated with major projects, investment projects and potential overspend;
   d) High value existing contractual commitments within the programme.

118. It is worth pointing out £13.2m of the future programme relates to capital expenditure of the Council’s subsidiary companies, London Luton Airport Limited (LLAL) and Foxhall Homes. This is shown as prudential borrowing of the Council. However, the Council will give debenture loans to the companies at interest rates including a reasonable margin subject to the stabilisation plan for LLAL over and above the rate at which the Council will borrow (a risk premium), therefore meaning that, subject to the proposals in the MRP consultation described in paragraph 26 of the Revenue budget report not being implemented in their current form, the projects are at no cost to Luton residents –with the additional margin helping to sustain core Council services.

Significant Capital Expenditure, borrowing requirement and Financial Resilience (prudence, affordability and sustainability)._

119. All the projects included in LBC’s capital programme are based on best estimates and some are indicative - figures. The Council as part of the budget framework has to include any capital projects in the capital programmes at the beginning of the financial year. However any disbursement is dependent upon Executive approval of a final business case. The commercial and financial viability of the projects have to be viewed in the context on the risks and uncertainties as mentioned in paragraph 143 of

Annex 1 and robust mitigation plan put in place to address any adverse financial impact as part of the development of the full and final business cases.

120. It is advisable that the Council carries out a detailed review of the capital strategy and borrowing strategy as part of the overall review of the Medium Term Financial Strategy and Plan and the outcome of the review and revised MTFP and Capital Strategy to be summited to Executive and Full Council (if necessary) at a later stage for approval. This should enable the Council, to properly evaluate the risk posed by the slowing down of the economy and the long term consequences of the pandemic and also any future review to be carried out DLUHC as part of the fair funding review and business rates reforms. Moreover it should address the risks and uncertainties as mentioned on paragraph 149 of Annex 1 and form the basis of future capital programmes and borrowing strategy i.e. 2023/24 and onwards.

121. The Housing strategy included an option to invest in residential properties. The Council has previously had a strategy to invest in commercial properties. A similar strategy was developed in order to support any future investment in residential properties. The final business case has to be approved by Executive and proper governance arrangements have to be agreed in order to enable proper monitoring and reporting and facilitate scrutiny. However, government have determined that the inclusion in the capital programme of any scheme that proposes the purchase of assets “primarily for yield” will disqualify a Council from access to public works loans board (PWLB) funding. The access to PWLB funding is essential for efficient and effective treasury management, and so, as was the case last year, no investment schemes primarily for yield have been included in the programme. This will be kept under review and reported on as part of the Capital and Treasury Management Strategy.

122. The investment in our subsidiary companies are detailed in the capital programme.

Schools Funding

123. Schools are funded directly from the Dedicated Schools Grant (DSG) – which also funds some functions carried out by the Council on behalf of schools. The amount of DSG for 2024/25 depends on actual pupil numbers and characteristics of those pupils on the October 2023 school census and the January 2024 early years census.

124. In addition to DSG there is also pupil premium available for 2024/25. For Primary pupils the rate is £1,480 as compared to the 2023/24 rate of £1,455. The Secondary Pupil rate for 2024/25 is £1,050 as compared to the 2023/24 rate of £1,035 per secondary pupil who is or was eligible for a free school meal at any time in the last 6 years. In addition looked after children and service children attract the pupil premium for 2024/25 at £2,570 as compared to £2,530 in 2023/24 and £340 as compared to £335 in 2023/24 per pupil respectively

125. Currently local authorities receive this ring-fenced DSG funding for schools and education and an indicative value for 2024/25 is £300.7m (excluding NNDR allocation in Schools block). The DSG is split into 4 notional blocks (Schools block, Early years block, High needs block and Central school services block) and is mostly based on

an October count of pupil numbers (with the exception of the early years element which is based on the January early years census). The notional blocks are not ring-fenced and authorities can move funding freely between them with the agreement of their schools forum, although transfers from the schools block to the high needs block are limited to 0.5% of the schools block. The notional blocks are set out below.

Schools Block

126. The schools block funding continues to be allocated in accordance with the national funding formula for schools. The total provisional funding for Luton in 2024/25 is £224.7m (excluding NNDR allocation), compared with the 2023/24 total of £211.310m. The indicative units of funding for primary and secondary pupils for 2024/25 are £5,099 and £6,809, an increase from £4,867 and £6,514 respectively. These are multiplied by 22,657 primary and 15,657 secondary pupils and added to funding for premises of £3.13m and pupil growth of £1.4m with a deduction of £1.95m for NNDR giving a total schools block of £224.7m. This block funds primary and secondary maintained schools, academies and free schools.

Early Years Block

127. This is funding for 2, 3 and 4 year olds, other than high needs pupils, in both the maintained sector and in private, voluntary and independent providers of free early years education. From Apr 2024 this block will also fund 2 year old children of working parents and from Sep 2024children from 9 months old for the working parents. For 2024/25 the hourly funding rates for all local authorities is expected to increase for the two-year-old entitlement and for the three- and four-year-old entitlements from the current hourly funding rates of £5.76 and £5.11 to £8.37 and £5.87 respectively. The new rate for 9 months old to 2 years old is £11.41. There is also expected to be an increase in the supplementary funding hourly rate for Maintained Nursery Schools at the same rate as in the three- and four-year-old hourly funding rates in 2024/25. The ESFA has increased the early year’s pupil premium from 68 pence per hour, equivalent to up to £387.60 per eligible child per year, to support better outcomes for disadvantaged under two, two, three- and four-year-olds. Funding for the Disability Access Fund - an additional payment made to providers to help to make reasonable adjustments within their provision to support eligible under two years, two, three and four years old, children with a disability, is also expected to increase from £800 to £910 per eligible child per year. The extension of early years support to under two years and two years old of working parents is resulting in additional funding for Early Years Block of circa £10m in 2024/25 which is being allocated as per the report to Schools Forum in January 2024

High Needs Block

128. High Needs Block (HNB) Funding of £47.59m has been allocated for 2024/25 after import/export adjustment but before any further deductions.

129. This block funds provision for all high needs pupils and students from early years to age 25, in line with the Government’s proposals for Special Educational needs and disability.

130. Due to the volatile nature of this area, demand-led pressures on the High Needs Block cause over-spend on the DSG which is normally covered by the use of DSG reserves. As a result of these considerable pressures, the HNB allocation for 2024/25 is not sufficient to cover the full required statutory spend plan despite of making some efficiencies after consulting with the schools forum and hence central DSG ring fenced reserves will be called upon to balance the budget gap of circa £0.95m..

Central School Services Block

131. The allocation of this block in 2024/25 is £1.627m which is derived from 38,314 pupils £40.79 unit of funding with additional funding for historic commitments of £64k giving a total block funding of £1.627m.

132. Formal approvals of all the above estimates are normally agreed by the Schools Forum and the Executive. The high needs element of the Dedicated Schools Grant has been determined by the Schools Forum in January 2024. At this point, as the representative body of schools and other providers of education and childcare, the Schools Forum requests that the following decisions for the 2024/25 Schools Budget are agreed by Executive. .

Item	2024/25 Funding £'000
Approval of the funding formula for primary and secondary schools 2024/25 and the growth fund for schools undergoing local authority approved expansion	£224,741
Approval of centrally retained school services block budgets for 2024/25	£1,627
Approval of early years central budgets for 2024/25	£1,226

Public Health

133. Public health works to protect and improve the health and lives of individuals, families, communities, and populations and the team have been central to the town's fight against Covid-19. Public health is about helping people to stay healthy and protecting them from threats to their health and to assist in delivering the 2040 vision. Work in public health contributes to reducing the causes of ill-health, reducing health inequalities, and improving people's health and wellbeing.

134. Public Health has a ring-fenced budget to focus on key health and wellbeing issues and deliver mandated services, including the service for 0-19 year olds (health visiting and school nurses), sexual health, NHS Health Checks and substance misuse services.

135. The Council is required to use this ring-fenced funding to fulfil its duty to take appropriate steps to improve public health and reduce health inequalities. Government reduced the Public Health Grant annually between 2015/16 and 2019/20, despite the 5 year plan for the National Health Service stating that public health was critically important. Public health grant has increased since then every

year in line with inflation and estimated grant for 2024/25 is £17.03m, an increase of £334k (2%) as compared to 2023/24 grant value

136. It is expected that at the start of 2024/25 PH brought forward ring-fenced reserves will be circa £1.5m. Service has planned to spend £626k from this brought forward reserves in 2024/25 on additional fixed term staffing and one-off additional projects, for example tobacco strategic actions, complex vulnerabilities/town centre for all strategic actions and the Marmot approach and continuing the inequalities work programme. Is it expected that these additional one-off spends will enhance Public Health related outcomes.

137. As part of the Covid-19 response, Government gave added responsibility to Public Health teams to manage the Test and Trace Support Service Grant which was subsequently renamed as Contain Outbreak Management Fund (COMF). Luton received £8.5m COMF funding over the two year period 2020/21 and 2021/22 to reduce infection transmission and the impact of Covid. So far the Government has allowed any unspent but committed balances to be carried over into the new financial years but now it has been confirmed that 2024/25 will be the final year of carrying forward any balances and that it must be fully spent by September 2024. Luton has now fully allocated this funding to be spent by September 2024

Revenue Budget 2024/25 – Key principles

138. For some years the Council has aimed to set a balanced budget without the use of reserves to pay for ongoing revenue expenditure, although this principle had to be suspended in the setting of the emergency and 2021/22 budget. The 2022/23 and 2023/24 budget were set without use of reserves to fund on-going costs. The 2024/25 budget aims to resume this approach. Key issues for members include the following:

- Can the Council set a balanced budget for ongoing expenditure with no contribution from reserves for 2025/25 onwards?
- Can the Council re-affirm the key principles of the financial strategy which will be refreshed and revised (if necessary) , as set out in paragraph 139 of Annex 1, in order to address current risks, uncertainties and any changes to MRP regulations)?

139. The current key principles that guide the financial strategy are set out below:

- To maintain a balanced budget position, and to set a medium term financial plan which is prudent, affordable and sustainable demonstrating how the financial resilience (performance and position) will be maintained;
- Spending plans will be closely aligned with the Council's aims and objectives and ensuring deliverability taking in into account the risks and uncertainties associated with those plans and projects;
- The Council will maintain a prudent level of reserves taking into account the risk posed by the Pandemic;
- Budgets will be continually reviewed and modified to ensure that resources are targeted on key objectives and deliver value for money.

140. The base budget has been prepared by budgeting for staffing at current establishment levels, less the allowances for staff turnover. Inflation on supplies and services has only been added where departments made the case that it is required. The base budget for each department is shown in the attached budget papers, together with an overall summary.

141. The basis of determination of the general contingency provision of £6.2m is shown at Appendix B, arising from the consideration of the principal budget risks £2.3m and £3.9m to cover any specific risks including pay award risks of £1m as explained in Appendix B.

Costs of Implementing Savings

142. There cost of implementing the savings proposals will be insignificant in terms of redundancy and pension strain arising from staffing reductions. Every effort will be made to redeploy staff to minimise the human and financial impact. The 2023/24 budget includes a provision amounting to £700K for 2024/25 redundancies, and the 2024/25 proposed budget will include a similar provision for three year 2024/25 within the overall contingency provision, as the accounting rules require redundancies to be accounted for by way of a provision in the year in which an announcement of the potential redundancy is made.

Budget Risk Management Strategy for 2024/25

143. Taking into account the on-going impact of the pandemic, the slowing down of the economy, rising cost of living and still high level of inflation and interest rates both the Council and more importantly on our subsidiary companies, the budget carries a high level of inherent and new risks and uncertainties. Therefore it is essential that the Council and its subsidiary companies continue to develop and monitor its budget risk management strategy, alongside the budget itself. A budget risk management strategy is attached as Appendix B – the strategy is dependent on recommendations regarding the level of reserves and contingencies, as well as the actual budget set.

144. It must be noted that the Council will need to live within its budget. There will be no potential for new initiatives or extra spend outside the finally approved budget provision unless those initiatives can be wholly resourced, in the short term and the long term, without impacting on the budget.

145. The budget risk management scheme assumes the continuation of the cash-limit scheme.

Capital Programme – Affordability Prudential Indicators

146. In considering the affordability of its capital plans, the Council is required to ensure that the total capital investment remains within sustainable limits, the impact on Council tax and Housing rental income. In considering affordability of its existing capital investment plans, the Council pays due regard to risk and uncertainty for the forthcoming year and future years. There are three key indicators of affordability

which provide an indication of the impact of the capital investment on the Council's overall finances:

- The ratio of financing costs to net revenue stream – this identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. The estimates of financing costs include current commitments and the proposals in this budget report.

- The incremental impact of capital investment decisions on the Council tax Band D – this identifies the revenue costs based in the budget associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans.

- The incremental impact of capital investment decisions on housing rent levels – identifies the trend in the cost of proposed changes in the housing capital programme recommended in this budget report compared to the Council's existing commitments and current plans, with regards to the impact on weekly rent levels.

147. Calculations of these indicators are included in the Treasury Management and Annual Investment Strategy reported separately to this meeting.

Minimum Revenue Position (MRP)

148. The financing costs of borrowing and capital financing arrangements are based on the interest cost of borrowing, plus a 'minimum revenue provision' used in place of depreciation/principal repayments for local authority tax-setting purposes.

149. Statutory guidance requires each local authority to prepare a statement of policy setting out how it will make a prudent Minimum Revenue Provision (MRP) for the next financial year. The policy is included in the treasury management and annual investment strategy. As a result of a significant increase in the level of borrowing required to fund the capital programme, the MRP provision and debt servicing is expected to increase by £3.6m over the five years from 2024/25, assuming the current MRP policy continues.

Scale of Charges

150. Some fees and charges were increased with effect from 1st November 2022, following approval by the Executive and other relevant Committees. These increases were introduced due to the significant cost increases that the Council has faced due to cost increases in providing services. The charges for 2023/24 are submitted for approval by Executive on 16 January 2023, Administration & Regulation Committee on 17 January 2023 and Development Management Committee on 25 January 2023, for implementation from 1 April. Some additional charges may also be approved as part of the budget, also for 1st April implementation.

Reserves & Provisions

151. Council sets aside specific amounts as reserves to finance future expenditure and to cover contingencies (usable reserves).

152. The Local Government Act 2003 requires the Chief Finance Officer's views on the necessary level of reserves to be reported to full Council as part of the budget process. The Chartered Institute of Public Finance and Accountancy (CIPFA) have added to this by recommending:

- A review of the level of earmarked reserves as part of budget preparation, together with estimates of the use of reserves in the forthcoming year;
- A statement from the Chief Financial Officer 'on the adequacy of the general reserves and provisions in respect of the forthcoming year and the authority's medium term financial strategy;
- A protocol for the management, control, and use of reserves.

153. CIPFA's guidance note on local authority reserves and balances sets out the issues that need to be taken into account in order to assess the adequacy of the unallocated general reserves. Essentially this involves looking at the strategic, operational and financial risks facing the authority, the budget assumptions, including the treatment of demand-led pressures, and the authority's financial standing and management. This therefore involves a very wide-ranging assessment. Particularly important areas are the Council's budget monitoring processes, the risk register, the budget risk management strategy, the impact of higher inflation and interest rates, the impact of the Cost of Living Crisis on debt levels and income from Sales, Fees and Charges, exposure of the subsidiary companies linked with the pandemic and their capital programmes, and the treatment of growth and savings. An assessment is set out in Appendix B.

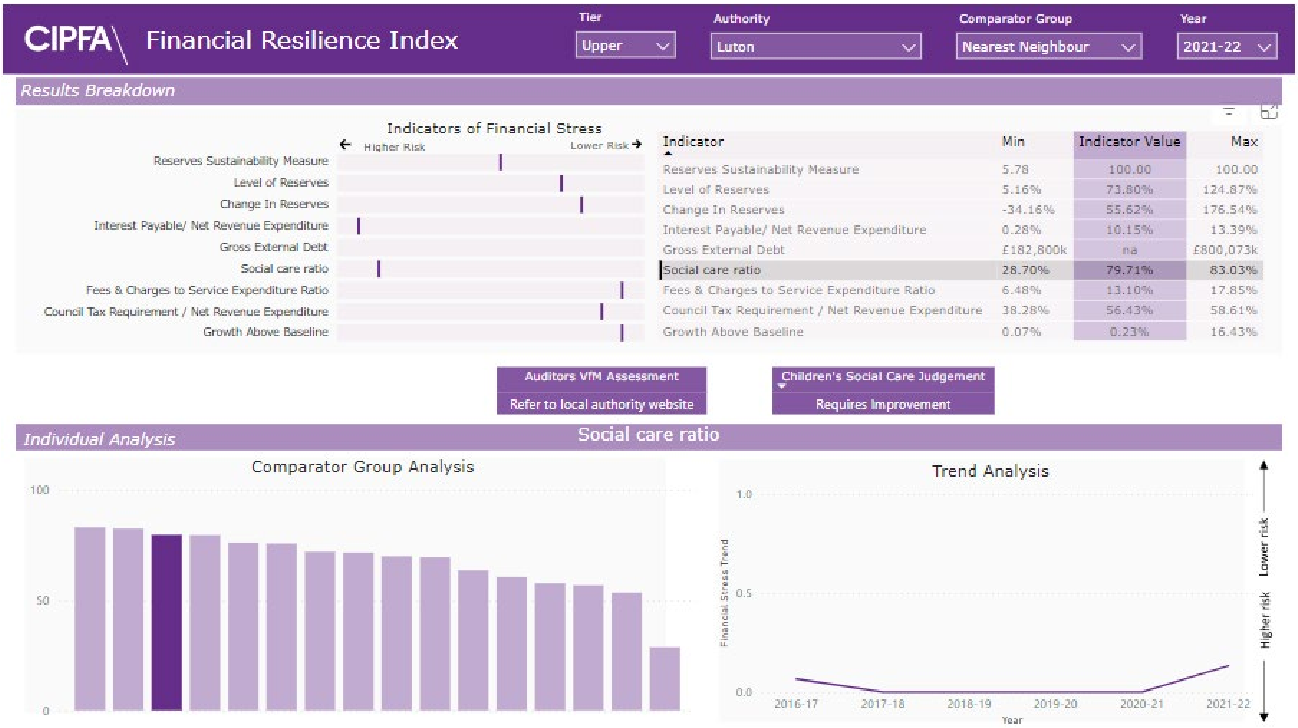
154. Showing in Appendix F is a table showing a protocol for each reserve, setting out its purpose, how and when it can be used, and procedures for management and control. Also included in the table are estimated balances and estimates of the potential use of reserves in 2023/24. It is recommended that all the reserves continue to be reviewed annually as part of this budget report, in order to ensure continuing relevance and adequacy in relation to the Council's Risk Management Strategy.

Robustness of Budget Proposals

155. Section 25 of the Local Government Act 2003 requires the Statutory Section 151 Officer (the Service Director, Finance & Audit) gives advice to the Council on the levels of reserves held and the robustness of the estimates at the time the Council makes its decision on the budget proposals. This report will be presented to the Council as part of the Executive's budget proposal.

CIPFA Resilience Index

156. The chart below shows the resilience index produced by CIPFA and also shows the risks associated in terms of affordability and sustainability of the high level of spend as a % of Net Revenue Expenditure. This level of spend is not sustainable in the medium to long term and the savings identified in prior years and 2024/25 have to be delivered in order to ensure that the Council delivers services with costs which are comparable to its statistical neighbours and delivers value for money.



Indicator	Min	Indicator Value	Max
Reserves Sustainability Measure	5.78	100.00	100.00
Level of Reserves	5.16%	73.80%	124.87%
Change In Reserves	-34.16%	55.62%	176.54%
Interest Payable/ Net Revenue Expenditure	0.28%	10.15%	13.39%
Gross External Debt	£182,800k	na	£800,073k
Social care ratio	28.70%	79.71%	83.03%
Fees & Charges to Service Expenditure Ratio	6.48%	13.10%	17.85%
Council Tax Requirement / Net Revenue Expenditure	38.28%	56.43%	58.61%
Growth Above Baseline	0.07%	0.23%	16.43%

157. This level of additional resources injected over the years in social care is also reflected in the CIPFA resilience Index which shows the Social Care Ratio (spend on Adult and Children Social Care as a percentage of Net Revenue Expenditure) is the third highest 80% among our statistical neighbours. It also shows the level of spend on Adult and Children Social Care and is not considered to be sustainable in the future.

Housing Revenue Account Capital

158. The Housing Revenue Account (HRA) reflects the statutory requirement under Section 74 of the Local Government and Housing Act 1989 to account separately for local authority housing provision. It is a ring-fenced account, containing solely the costs arising from the provision and management of the Council's housing stock, offset by tenant rents and service charges, leaseholder service charges and other income. The Council has a statutory responsibility to set a balanced HRA budget (i.e. all budgeted expenditure must be matched by the income).

159. The Council currently owns and manages approximately 7617 homes. These include a mixture of houses and flats, both general needs and more specialist properties such

as sheltered accommodation. The Council also provides some shared ownership properties.

160. Under the current Right to Buy (RTB) legislation, Local Authorities are able to retain the discounted receipts to spend on replacement housing provided they can sign up to an agreement with the Government that receipts generated by the additional sales would be used to fund replacement social stock on one-for-one (1-4-1) basis. The Council has signed the contract and has been accumulating these receipts. One of the conditions set by the Government is that the level of such receipts must constitute no more than 40% of the total amount spent on the provision of social housing while the remaining 60% must be funded by the other resources within HRA or other funds. Such 1-4-1 receipts must be spent within 5 years (the timeframe and usable percentage were increased in 2021 from 3 years in and 30%) otherwise the authority will be compelled to return some or all of the 1-4-1 receipts, together with interest.

161. Current Government policy introduced in February 2019 is to increase rent levels by CPI+1% per year. In light of exceptional circumstances, the government capped the rent increase for 2023-24 at 7%. For 2024-25 the rent increase reverts back to CPI+1%. CPI in September 2023 was 6.7%. Luton is proposing a rent increase of 7.7%.

162. Set out in the table below is the draft HRA capital programme for 2023/24 to 2027/28:

	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Purchase of Ex RTB properties	4,000	4,000	4,000	4,000	4,000	20,000
Major Works (BTS Capital)	10,181	10,181	10,181	10,181	10,181	50,905
Additional New Affordable Home	33,598	26,926	34,961	36,342	18,870	150,697
Garage Refurbishment	105	76				181
Climate Change/Carbon Reduction	200	200	200	200	200	1,000
Total Expenditure	**48,084**	**41,383**	**49,342**	**50,723**	**33,251**	**222,783**

163. Set out in the table below is how the HRA draft capital programme is proposed to be financed:

Source of Finance	Budget 2024-25 £,000	Budget 2025-26 £,000	Budget 2026-27 £,000	Budget 2027-28 £,001	Budget 2028-29 £,002	Total £,000
Major Repairs Reserve	11,500	12,000	12,500	13,000	13,000	62,000
HRA General Balances	2,500	2,500	2,500	2,500	2,500	12,500
Capital Reserve (Other RTB receipts)	1,605	1,576	1,500	1,500	1,500	7,681
Capital Reserve (1-4-1 Receipts)	2,500	2,500	2,500	2,500	2,500	12,500
Borrowing	29,979	22,807	30,342	31,223	13,751	128,102

Total Financed	**48,084**	**41,383**	**49,342**	**50,723**	**33,251**	**222,783**

164. Delivery of the capital programme is dependent on affordability and it will be necessary to model the HRA 30 Year business plan with these items included in order to ensure that they are viable.

165. The draft HRA capital programme includes a range of new development sites as well as including capacity for the acquisition of land and properties to add to the HRA stock. To achieve our ambitions to add much needed affordable homes as set out in the HRA 30 year business plan, the HRA will need to add to borrowing – which is tested within the business plan. Alternative options to direct delivery include partnerships with local developers and social housing providers, and all options will be subject to scheme appraisal and a robust business case to demonstrate an adequate return on capital for the HRA and value for money.

166. Also included in the Major Works (BTS) provision are resources to fund carbon reduction initiatives on the housing stock, either directly or to enable grant and partnership working. This additional budget is targeted at solar PV, battery storage and triple glazing installations. This work is also subject to the Council wide strategy on electric charging points. Some Housing sites have already been identified and is subject to progression with a Provider who will install these.

Financial Strategy, Medium Term Financial Plan, Capital and Borrowing strategies

167. The existing strategy is set out in Appendix C but it is proposed (if necessary) to revise both it and the capital strategy in light of the outcome of the consultation on the government's proposals to amend the MRP regulations to require an MRP to be made on loans where a local authority incurs loss, or expects to incur loss, during a financial year in relation to a loan.

Medium Term Financial Plan

Introduction

1. The medium term financial plan sets out how resources will be prioritised in order to achieve the Council's objectives, including enabling the successful implementation of the Luton 2040 Vison to tackle poverty which was launched in October 2020.
2. For many years the Council has provided value to the taxpayers of Luton by setting a Council Tax per head of population below the national average, and considerably below the level of the council tax elsewhere in Bedfordshire.
3. The current medium term plan is based on the need to find additional efficiency savings and income and delivery of the revised Deficit Recovery Plans as each year the budget starts with a core budget gap of around £5m due the lack of proper funding for local government. This plan sets out the Council's overall objectives and priorities, and how the Council can seek to achieve them in the context of expected reductions and uncertainties in future Council funding (Finance settlement just for one year) as well as additional demand for services, challenge posed by the COVID-19 pandemic, inflation, the rising costs of living and looming recession.
4. The Council's mission statement as part of the 2040 vision is 'Luton will be a healthy, fair and sustainable town where everyone can thrive and no-one has to live in poverty', and its vision statement is that:

   As a leader and shaper of Luton we will:

   - deliver high quality services to improve the life opportunities of our people
   - work with our partners to ensure Luton is dynamic, prosperous, safe and healthy
   - celebrate our diversity and vibrancy and come together to build sustainable communities
   - provide strong leadership and a voice for the town.
5. The Council's strategic priorities, as agreed in October 2020, are as follows.
   - Securing a strong economic recovery from Covid-19, which protects jobs, incomes and businesses and enables us to build a more inclusive economy
   - Protecting the most disadvantaged in our town by prioritising services and interventions that alleviate the impact of poverty and reduce health inequalities
   - Making Luton a child-friendly town, where our children and young people grow up feeling happy, healthy and secure, with a voice that matters and the opportunities they need to thrive
   - Becoming a greener and more sustainable town, to meet our long-term ambition to be carbon neutral and climate resilient by 2040
   - A strong and empowered community supporting fairness, equality and local pride and speaking with a powerful voice
   - A future ready council, delivering modern and efficient services that help to deliver our vision for Luton 2020-2040.
6. The Medium Term Financial Plan should be read in conjunction with the following key strategies which are crucial in the delivery of the council's vision and priorities.
   - Financial Strategy

- Luton Investment Framework
- Housing Strategy
- Homelessness Strategy
- Asset Management Plan
- People Strategy – taking into account the potential impact of the transformation programme.
- Transformation Strategy – Luton Together and Council wide transformation programme (see separate Executive report on the agenda)
- ICT strategy (to reflect the service being brought back in-house)
- Procurement and Commissioning Strategies
- Energy Policy (to reflect the volatile nature of energy costs)

National Context

Introduction

16. Luton's financial and service planning takes place within the context of the national economic and public expenditure plans. This part of the Medium Term Plan discusses the broad assumptions within which the budget and Medium Term Plan are framed. The plan also reflect the financial challenge faced by the Council as a result of the impact the pandemic has had on the airport and the removal of dividend over the medium to long term. As a result of the pandemic, the weak economy, the Council is experiencing an increase in demand for services which has been exacerbated by the increase in interest, inflation and the Cost of Living Crisis.

The Economy and Public Expenditure, and Prospects for Local Authority Funding

17. The Office for Budget Responsibility (OBR) produced and overview of the economic and fiscal outlook in November 2023. The report highlights the economy has proved to be more resilient to the shocks of the Pandemic and Energy Crisis than anticipated. Notwithstanding this, they now expect the economy to grow more slowly than originally forecast, with GDP stalling in the third and fourth quarters of 2023/24 resulting in growth of only 0.6% in the financial year as a whole. Whilst CPI Inflation fell to 3.9% in November it is not expected to return to its 2% target rate until the first half of 2025. As a result, markets now expect interest rates will need to remain higher for longer to bring inflation under full control. The report also draws attention to the forecast increase in government debt, rising from 97.9% of GDP in 2023-24 to a peak of 98.6% of GDP in 2024-25. The OBR forecasts inflation to fall gradually over the next few years and to hit the 2% target in the second quarter of 2025 and then to dip below the target driven by further falls in energy costs and food prices ahead of returning to the target by the end of the forecast period.
18. EFO central forecast for 2024/25 have been revised as follows:
    - real GDP growth of 0.7%, compared to forecast contraction of 1.4% in 2023
    - unemployment to rise to 4.6% by the 2nd quarter of 2025.

- Public Sector net borrowing (Deficit) to be at £123.9bn (4.5% of GDP) compared to £177bn in 2023

19. OBR notes that the war in Ukraine and the recent conflict in the Middle East impact on the Global Economy, in particular regarding the supply of oil leading to price rises of between 56% to 75% and cautions there is considerable uncertainty as to the depth and duration these conflicts will have on the Global Economy.
20. OBR sees the legacy of Covid-19 and impact of global conflicts continuing to have adverse economic impact for two to three years. Its overview of the central economy forecast is provided in the table below:

Economy Forecast						
Year	2023	2024	2025	2026	2027	2028
Gross Domestic Product (GDP) %	0.6	0.7	1.4	2.0	2.0	1.7
Inflation (CPI) %	7.5	3.6	1.8	1.4	1.7	2.0
Employment (million)	32.9	32.9	33.1	33.4	33.8	34
Average Earnings Growth %	6.8	3.7	2.2	2.0	2.5	2.8
Unemployment Rate (million)	1.4	1.6	1.6	1.5	1.5	1.5
source: OBR forecast Nov 2023						

21. The 2024/2025 provisional finance settlement was as expected except for a further reduction in the LA Services Grant. It is quite concerning that the Fair Funding Review and d Business Rates Reset have all been deferred for at least another two years.
22. Previously government aimed to move to a local authority funding system based on 75% business rate retention in 2020/21. If this proposal is carried through, exactly how it is done will be key, as it was proposed to be accompanied by a resetting of the initial funding assessments for each authority, based on the technical consultations carried out in recent years. The previous Government was looking at formulae that recognised additional costs of sparsely populated rural areas, such as extra transport costs, rather than recognising costs that specifically arise in densely-populated areas like Luton or London.
23. It should also be noted that increased business rate retention brings with it additional ongoing financial risk, as well as the opportunities that should arise if the Council can successfully enable development in accordance with the aims of its Investment Framework. The risk not only relates to the health and development of the local economy, if businesses reduce their operations in Luton, but also to technical appeals by businesses against the recent business rate valuations made by HMRC's Valuation Office.

Financial pressures for Local Government Nationally

24. Spending Review 2020 (SR20) which was before the Ukraine war resulted in local government receiving an average core spending power increase of 4.5%. This increase in CSP is better than in any year for more than a decade and represents real terms growth. It will do very little to address local government's funding shortfall.

Analysis show that 87% of the increase in CSP is from council tax increases, and is accompanied by relatively low increases in grant funding. Very little of the new grant increases are funded with new money. Almost all of the increases are funded by raiding the New Homes Bonus returned surplus. Further analysis of the CSR and allocation for Luton is discussed in the Revenue Budget report, which shows that Luton allocation has been below England average. However as a result of the war in Ukraine, rising cost and interest rates, the landscape has changed over the second half of last year.

The Autumn Statement

25. The Autumn Statement set wider changes to public spending which will raise borrowing by an average of £5.8bn between 2024-25 and 2028-29. These include an uplift in Local Housing Allowances (LHA), aimed at addressing the increased cost of housing for benefit claimants, costing £1.7bn by 2028-29. Other resource spending is expected to increase by an average of £4.7bn a year, largely due to public sector pay increases.

26. The Autumn Statement also allows for higher capital spending in the near term, in line with Departmental Plans, but is £4.1bn lower in 2028-29 as the Post SR spending assumption is rolled forward..

27. The Band D “core” threshold has also increased, giving all local authority’s the opportunity to increase Band D by 2.99% in 2024-25 rather than the historic cap of 1.99%.

28. Capital receipts from the sale of land, buildings and council housing, which were the traditional source of funding for Council capital programmes, are difficult to realise outside London and the most affluent areas in the current property market. Overreliance on capital receipts to fund the Council’s capital programme is a risk and the Council will have to consider setting up a sinking fund to fund assets used in the delivery of Council’s services. Future capital receipts are not sufficient to fund the Council capital programme and reliance will be placed on additional borrowing which has to be both affordable and sustainable. The Council also has a high level of borrowing due to its involvement with the airport and Foxhall Homes in form of various loans to finance LLAL and Foxhall Homes capital programme (which creates valuable assets) and the LLAL stabilisation and recovery plan to deal with the impact of COVID-19 on the airport.

29. The costs of the local government pension scheme are reviewed every 3 years and for Luton, following the 2022 review, the employer contribution in respect of the deficit recovery for past service decreased by an average of £6m per annum in years 2023/24 to 2025/26. Unlike civil service pensions, which are funded by government on a pay-as-you-go basis, local government is required to account for, and make payments into the pension fund now, to cover the costs of all current and future pension entitlements that have been earned to date by its staff, past and present. Therefore, longevity estimates of pensioners and staff in the pension scheme are an important component in the Council’s finances, and are made by independent actuaries. In 2022 the Bedfordshire Pension Fund, of which the Council is a member, was estimated by the fund’s actuaries to be 91.8% funded (2019: 79.4%). Hence the Council’s current payments to the Pension Fund includes a lump sum each year to

pay for that past service deficit which has now reduced, as well as covering the estimated costs of the future pensions benefits currently being earned by existing staff, that are not covered by employees' own contributions

Inflation

30. The Consumer Price Inflation (CPI) index, is forecast to fall gradually over the next few years and to hit the 2% target in the second quarter of 2025 then to dip below the target driven by further falls in energy costs and food prices ahead of returning to the target by the end of the forecast period. This should help ease the impact of the Cost of Living Crisis. Public Sector Pensions from 2024 were inflated using the Consumer Price Inflation index as at September 2023 (6.7%) The retail price inflation index, or RPI, was 8.9% in September 2023. As RPI is higher than CPI, inflation remains a pressure on the Council's budget in the medium term, and good contract management will be required in order to mitigate any financial risks. The impact of inflation has been factored in the MTFP and any future changes will be closely monitored.

Education Funding

31. Schools and school-related funding is provided 100% by the Department for Education (DfE), in the form of the Dedicated Schools Grant (DSG), although Councils do have the power to make further contributions of their own, if they can afford to do so. The Government has now introduced a national funding formula. An explanation of the funding method is included in the main budget report.

Health Funding

32. Public Health is funded from a ring-fenced grant. While the budget is prepared on a net nil basis (the budget assumption being that the grant is fully spent) the importance of public health to the financial strategy is fundamental, in that successful public health campaigns and outcomes will in the long term reduce the numbers requiring care, as well as reducing hospital admissions. Under SR20 public health grant to local authorities are to be maintained. Local Government Association projects that the public health grant would have to increase to at least £3.9b by 2024/25 to match growth in overall NHS funding as part of long term planning. The grant for Luton has been maintained without any real terms increase.
33. The Council is of the view that Public Health has a key role to play in order to improve the well-being of the community. There are two Service Directors who have specific health responsibilities as well as holding commissioning roles.

Improved Better Care Fund.

34. The Improved Better Care Fund (iBCF) is paid directly to local authorities, whereas the original Better Care Fund is paid to Integrated Care Boards (ICBs), with priorities agreed jointly. A key issue for the financial future of local authorities is working effectively with the local Integrated Care Boards (ICBs)) to ensure both parts of the

Better Care Fund are used to improve outcomes and achieve savings across the health and care systems. Luton signed a contract with the Luton Clinical Commissioning Group (CCG) and pooled some budgets and joined up health and care services. Luton, Bedfordshire and Milton Keynes CCGs joined and form one single CCG with effect from April 2021.

New Homes Bonus

35. New Homes Bonus was designed to reward local authorities who encourage large-scale development in their areas, to enable the level of new build required to meet the projected housing need. The level of overall funding has reduced, initially as a result of a 2015 decision by Government to use funding previously allocated for this purpose to pay for support to Adult Social Care. The bonus, previously payable on all new home building, is now only available if the number of homes in an authority's area exceeds the national average level of increase, set at 0.4% of the existing number of homes. This 0.4% has become known as the 'deadweight', for which no bonus is received. For Luton this severely restricts the prospect of receiving additional bonus, as there are limited prospects for large-scale residential developments due to the lack of availability of land. New Homes Bonus allocations have been made for 2024/25 but continuation of the grant beyond March 2025 remains uncertain.

LUTON'S LOCAL CONTEXT

Partnerships

36. Officers have worked closely with the NHS Luton Integrated Care Boards (ICBs) to integrate the approach to health and social care for both Children and Adults as far as possible, for the benefit of the people of Luton. Staff have been co-located in Arndale House and a number of partnership agreements signed, some for pooled budgets.

    There are a number of other specific local public partnership bodies that provide joined up services between public sector organisations, such as in mental health services. The Council adopts a collaborative procurement approach using the Central Buying Consortium (CBC), Pro 4, and other national and local procurement groupings, as well as buying into contracts negotiated nationally by the Office of Government Commerce, and this continues to develop. One specific example where the Council's own contracting expertise is used by other public sector bodies is the temporary staffing and recruitment contract, where others buying in include Police and Fire, Bedford Borough, and Suffolk County Council. The Council has also entered into an arrangement with Hertfordshire County Council to deliver a joint Corporate Fraud service.

37. The Council continues to review options for a greater use of partnerships in the management and delivery of services, in order to achieve the levels of savings that will be required.

38. The Council's People Strategy notes that we are also 'planning future workforce requirements in collaboration with our main partners'. This will include developing joint strategies to overcome medium and long-term skills shortages and ensuring our workforce reflects the community it serves. Through its recruitment and retention policy, the Council aims to significantly reduce its reliance on agency staff, and achieve savings in the process.

39. The Council has set up a wholly owned housing company, Foxhall Homes, to which it lends funds and sells land in order that the company can develop housing in Luton. The majority of homes developed are sold on the open market with up to 30% held for Affordable Rent. This is in line with the Council's Housing Strategy. Each investment proposal is subject to a full viability appraisal as part of a wider business case, to ensure that any investment made offers value for money for the tax payer, and that the level of risk involved is reasonable. There must be robust governance arrangement in place to ensure decisions are properly made and there is proper monitoring, reporting and scrutiny.

Budget Approach

40. It is essential that the revenue budget and capital programme are considered together. Many resources, both capital and revenue, are only available to spend on specific projects. The Council no longer relies on the airport dividend to fund revenue expenditure. Any dividend in the future will be ring-fenced for capital expenditure. The key indicator in the prudential code of capital finance is the revenue effect of the capital programme on the level of council tax and housing rents over the medium term. The ongoing revenue impact of capital programme proposals is one of the key issues to be considered when reviewing the capital programme. The Prudential Code has a deliberate focus on the commercialisation agenda and will require additional disclosures and prudential indicators on the decision-making, reliance and monitoring of the commercial estate and investments in our wholly owned subsidiaries.

41. Looking at revenue and capital resources and spend decisions together therefore helps the council to ensure that its resources are used to best effect and that decisions are taken in a 'joined-up' manner.

42. The long-term aim is to have sustainable levels of revenue budget and capital programme focused on council priorities that will enable the council to achieve the targets of the sustainable community strategy and corporate plan, meet its statutory requirements, satisfy the aspirations of residents, demonstrate best value, and keep the Council Tax at affordable levels. This appeared a very demanding aim prior to this period of sustained reductions in Government grant, and is even more difficult now. However, budget setting in any one year cannot be seen in isolation from the medium–term projections and this long-term aim.

43. There are some limiting factors, and key ones are set out below.

- **Scope for increasing non-domestic (business) rates in Luton**. One of Luton's key issues in relation to the current local government finance system is that it is already very heavily developed, with limited amounts of land available for business development, and with major housing need that also has to be considered. These issues were fundamental to the development of the local plan, which was adopted in November 2017. Significant business expansion is now key to the delivery of additional funding for Council services, and the Council's aims in this area are set out in the 2040 Vision. It is worth noting that the pandemic has had significant impact of the income generated form business rates.

- **Demand-led Spend**. Many areas of the Council's spend are demand-led, and have to be provided in accordance with statute. Costs of service provision to the vulnerable are particularly an issue here, and the only way they can be managed down is by implementing effective preventive measures, such as re-ablement, and edge of care services. As life expectancy continues to increase, the numbers of the elderly also increases significantly.

- **The need to reduce the amount of residual waste**. This continues to be a major financial issue facing councils. The Council has produced a draft Waste Management Strategy, which discusses the need to make a step change to enable the town to 'WasteLess, RecycleMore'. There is a significant amount of waste currently put into black bins that could be recycled, which would save money as well as have a positive environmental impact, but there may be costs in achieving this. Also, all the Council's residual waste is currently disposed of outside Luton, 80% at Energy from Waste facilities. The draft strategy states that: 'Specialist disposal and treatment options and facilities may be needed to support future waste services in Luton. These take time to develop and commission and the strategy is needed to give direction to the development of appropriate facilities to meet local and regional needs.' It is important that when any such options are developed, robust business cases are produced to assess them, and this will include ensuring alignment with the requirements of the Government's Resources and Waste Strategy – 'Our Waste, Our Resources – A Strategy for England' published in December 2018. The Council is at present retendering the waste contact and should include targets to manage the low level of recycling rates.
- The need to produce a 5-year capital programme that is fully resourced, affordable and sustainable and meets the test of prudential borrowings and also deliverable given any capacity issues..
- The financial risks surrounding major capital schemes, both individually, and in terms of their combined effect. The draft programme includes schemes which are funded by way of capital grant. Any scheme spend in excess of the grant amounts will fall wholly on the Council. Moreover, the Council has plans for future capital projects in the near future which will add to the risk.
- The assumption that London Luton Airport Limited (LLAL) will continue to fund trusts and voluntary organisations subject to LLAL financial position via charitable donations that qualify for gift aid. The overall level of LLAL donations estimated for 2024-25 is £8.5 million.
- A level of Council Tax per head of population in 2024/25 that is below the average of unitary authorities, and the lowest in Bedfordshire.
- A relatively low yield from any increase in Council Tax, due to the fact that 85% of Luton's properties are in tax bands A, B, or C, and the number currently receiving single person discount is also above average. A 1% increase in the Council Tax now yields circa £900k.
- The Council cannot increase its part of the dedicated schools spend by more than the percentage increase in schools spend, without the agreement of the schools forum.

44. The Council needs to continue to ensure that all its human resource, pay, and recruitment and retention policies for the present and future are set up, maintained and managed in such a way that no new equal pay liabilities emerge.

Capital

45. The Capital Programme included in the Estimates Book is set out for 5 years, in line with the medium term revenue projections. The estimated revenue costs of the capital programme are included in the revenue projections set out below, with the following key assumptions as below.

46. The risks relating to the size of the programme and the overall level of loan finance proposed to London Luton Airport Limited by the end of the current programme period are addressed in the Budget Risk Management Strategy. This is a major issue for the Council, and, if the proposed level of loan finance is accepted as prudent, affordable and sustainable, excellent project management of the capital programme, to budget and to original specification, is fundamental to the Council's financial health, and therefore to its key objectives, particularly the one of being a financially sound and efficient council. In addition, it is essential that the schemes are built to minimise whole life running costs. The capital programme includes the funding and financing of LLAL stabilisation and recovery plan.

47. The resources used to fund the capital programme have been reassessed as part of the 2024/25 budget process. This includes assumptions relating to revenue contribution to capital to fund assets with shorter economic life and capital receipts which both require ongoing review as they are market-dependent. The programme, projects and potential for resources will need to be kept under regular review to ensure expenditure and resources remain in balance over the medium term.

48. The Council's wholly owned airport company, London Luton Airport Limited (LLAL), is the freehold owner, but not the operator, of London Luton Airport. The LLAL Board has approved major capital development, as a consequence of its long-term vision for the airport, published as 'London Luton Airport (LTN) Vision for Sustainable Growth 2020-2050' available at https://www.llal.org.uk/vision2050.html This requires major capital investment, with the resources provided by the Council, and the borrowing is included in the Council's capital programme. The Council takes its own independent advice as to the advisability and risks involved in making such an investment. Loans made by the Council to LLAL must be at a commercial rate, reflecting the nature of the risk, to avoid any question of state aid issues. Given the Council's ability to borrow at historically low rates, this is likely to generate a significant risk premium. However, the Council, as shareholder and as investor, must be confident of the commercial viability of the scheme, and of LLAL making such an investment, as well as of the impact of the proposed level of borrowing on its own balance sheet, before proceeding. Fundamentally, to protect taxpayers' interests, the Council must be confident that LLAL will be able to repay the amounts borrowed, with interest, over the life of the loans, whether or not LLAL is able to develop as quickly and as profitably as it envisages. As LLAL financial position recovers, any further loans should take LLAL financial position and its ability to service the debt which will be part of its business plan and also any declaration of dividend after 2024/25. LLAL is at present in advanced discussion with the airport company to consider the expansion of the airport and the future business plan will have to be reviewed once an agreement have been reached and the approval of the DCO.

49. The Capital programme includes borrowings to finance the acquisition of residential properties for Temporary Accommodation (TAPS). The final business case has been approved by the Executive and the Council has already engaged in the acquisition of those properties which should reduce the overspend on homelessness. The third phase of residential properties acquisition has to be supported by a detailed and robust business before the project is approved and also any investment for yield (this

excludes regeneration projects) only is no longer allowed under the new PWLB guidance.

50. It is worth noting that the inclusion of projects in the programme does not mean that the Council has already committed to spend the capital funds allocated. Any commitment for a major project is subject to a full business case and Executive approval is required. The Council will also ensure that proper and robust governance arrangements are in place to ensure proper monitoring, reporting and scrutiny of any decisions including benefits realisation.

Revenue

51. The 2 year Local Government Finance Settlement covered financial years 2023/24 to 2024/25 and gave the Council some certainty over a significant part of its income base for that period. This was important as the Council aimed to increase its trading income and make investments that are intended to generate significant additional income in return. There is no certainty beyond March 2024 and this needs to be considered when assessing the minimum reserve level.

52. It needs to be appreciated that the Council's financial profile is changing as it becomes more reliant on generating its own income, with grants reducing or ceasing and no reliance is placed on any dividend form LLA. Any future dividend form LLAL will go towards financing the Council capital programme. The level of risk associated with its income sources will increase, and hence there is a gearing effect as there is greater reliance on business rates and other income generation than grants.

53. The key assumptions in the base revenue model are as set out below.

    - The revenue support grant estimate and business rates top ups for 2024-25 have now been confirmed as part of the provisional settlement. For future years, the model assumes no major changes arising from changes to the Business Rates Retention scheme or rates revaluation, or the fair funding review. The assumption is that the increase in business rate income is offset by grant reduction, and any impact of the fair funding review is mitigated by 'floors and ceilings' on levels of annual loss or gain for individual authorities, in order to avoid sudden major funding changes. This has happened previously when there have been significant changes in the formulae used to determine local government funding.
    - As Local Government employees are not covered by public sector pay rises, any increase will need to go through the National Pay Body. Assumed Pay Awards built into the Medium Term Financial Plan are 4% for 2024/25, 3% for 2025/26 and 2% thereafter.
    - For 2024/25 a Council Tax referendum limit of 2.99% (Core Services) plus an additional 2% Adult Social Care precept, with a planning assumption that increases beyond March 2025 will be capped at 1.99% and 1% respectively. The overall increase in Council Tax income, known as the increase in yield, depends upon the number of properties, and the provision for non-collection, as well as the percentage increase in council tax). Provision for price increases are limited to specific contractual requirements where there have not been underspends in previous years. Contractual inflation of 4.7% has been provided for in 2024/25 with a 3% assumption for 2025/26 and 2% assumption thereafter.

- Interest rates stabilising in the short to medium term. SR20 reports that government will reform the Public Works Loan Board (PWLB) lending terms. The government will cut PWLB lending rates to gilts + 100bps for Standard Rate and gilts + 80bps for Certainty Rate. This will in the main reversed the increase in PWLB back in September 2019 to 2020 which at that time made borrowings from DMO more costly and the Council has been borrowings on a short-term basis. The rate at which the Council will lend to its subsidiary companies will have to be kept under review in order to reflect the future trend in interest rates and the business cases have to be adjusted accordingly. The lending to subsidiaries does enable the Council to mitigate the interest rate risk more effectively than most other Councils.
- The currently estimated revenue impact of the capital programme does not make provision for any un-programmed costs arising from major projects. However, the Council does have a Major Projects Reserve held to enable this risk to be addressed.
- No additional costs arising from risks shown in the budget risk management strategy apart from those listed here.
- New Homes Bonus payments ceasing after a couple of years.
- Allowance for Growth identified as part of the 2024/25 budget process, including growth in Adult Social Care limited to precepts, Better Care and Improved Better Care funding. Allowance for additional growth of £18.4m covers potential additional demographic/service demand pressures including social care, inflation and pay related increases in the supplier market Provision for Business Rate appeals continuing at their current financial cost including an allowance for future appeals arising from the 2017 and 2023 revaluations. (It should be noted that historically, more appeals have tended to be made towards the end of a valuation period, The slowing down of the economy may result in an increase in appeals costs as more business are closed and experiencing a reduction in their income.
- A £0.5m provision for additional costs that may arise from the revaluation of the pension scheme. This will be reviewed in two years' time based on the next Actuary Triennial Review.
- No real term increase in Business rates has been included in the MTFP as it is currently anticipated that most developments will take place within the Enterprise Zone.
- Dividend from London Luton Airport Limited (LLAL) is been removed from the Council's budget following the effect of travel restrictions on the aviation sector and no dividend has been included in the MTFP. LLAL requires further stabilisation, a recovery plan and additional loans. The situation has improved however needs to be monitored over the medium term. Luton airport planning conditions limit capacity to 18million commercial passengers and this capacity was reached in December 2019. LLAL is consulting as part of process to obtain a Development Consent Order to increase the passenger numbers to 32m. It is worth noting that over the next few years much of the additional income generated by LLAL will be utilised to service the high level of borrowings to fund the DART, the application for a Development Control Order, the stabilisation and recovery plan in line with the Vision for Growth, and other projects. LLAL has secured Planning Permission to increase the airport capacity up to 19million passengers per year

- Additional income generated (subject to the framework for the stabilisation and recovery plan for LLSAL) from the net effect of lending at commercial rates to enable London Luton Airport Limited to undertake its proposed development strategy.

54. No estimate has been included for significant increases in unfunded demand pressures in future years. Any such estimate would increase the savings requirement. If this is to be avoided, it is essential that positive preventive action continues to be taken, particularly in the care sector in terms of family support, and enabling people to live independently. Demand management plans will be required and any growth contained within budget.

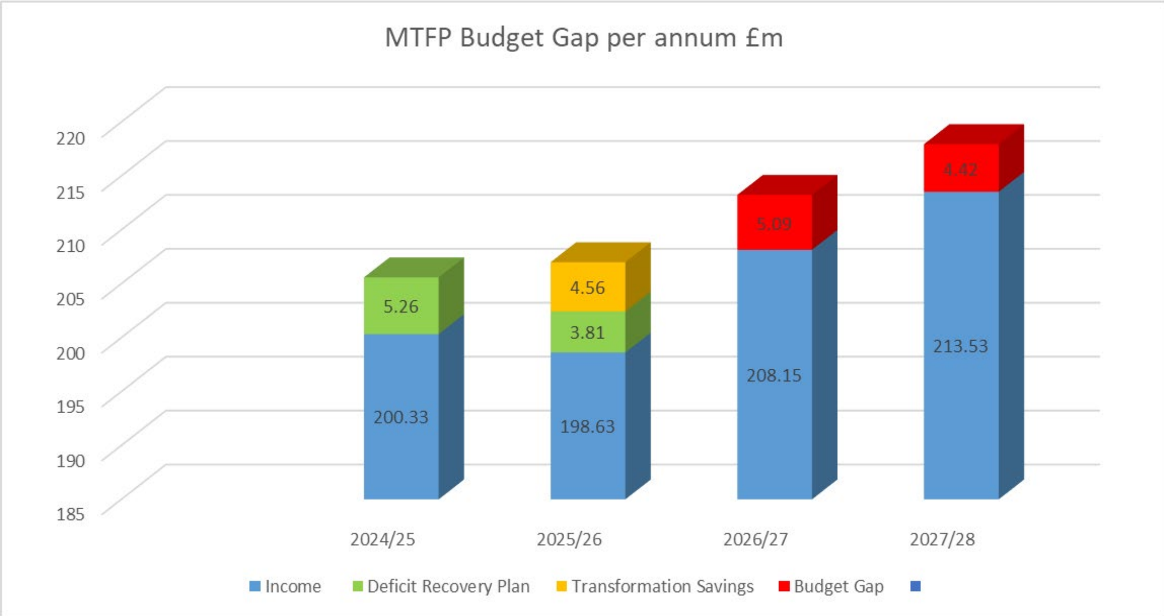
55. The delivery of the Housing and Homelessness strategy is key to manage the increase in demand in homelessness costs. This is a volatile area of the budget and remains a major cause of concern with additional demand associated with the pandemic likely to add pressure – the current General Fund overspend forecast for Homelessness is £3 million and growth of £0.7m has been factored into the 2024/25 Budget. It is assumed that the confirmed funding from the Improved Better Care Fund, along with the Council's share of the increase in the Better Care Fund, and additional Social Care grant in 2024/25 are wholly used to fund pressures in the Adult and Children Social Care budget. The Spending Review has confirmed that these are now part of the base funding. Hence, the MTFP assumes that these funding will continue in the foreseeable future and no reduction is anticipated as part of the next spending review. It is also assumes that the government will fully fund the gap in social care or allow Councils to levy and additional precepts of 2% to cover those budget pressures. Any reductions or changes top those assumptions will increase the funding gap and will exacerbate the pressure to continue to deliver vital services.

<u>Medium Term Financial Plan</u>

56. The MTFP has been prepared for the next four years as it is difficult to forecast beyond that time frame due to uncertainties over Local Government Finance Settlement and the outcome of the Fair Funding Review, both of which have been further delayed. The starting budget for each year is net of estimated changes in capital financing, etc., and the assumptions set out in the bullet points in paragraph 63.

57. The table below takes forward the Medium Term Financial Plan for the following 4 years - assuming that the net impact of underlying Business Rates growth is roughly in line with inflation, the equalisation method (yet to be determined) protects the Council against loss as a result of the introduction of the new system, the top-up and safety net arrangements are protected, and the investment framework is successful in delivering further business rate expansion. As per the chart and table below, further yearly savings as part of the deficit recovery plan and transformation programme (2024/25: £5.26m, 2025/26: £8.37m, 2026/27: £5.09m and £4.42m in 2027/28. This is based on the optimistic assumption no further long-term impacts of the covid-19 pandemic and/or the slowing down of the economy. The latest forecast shows that inflation is coming down and the Bank of England has not increased the base rate recently. Given the financial challenge facing local government and the impact of the costs of living crisis and increase in demand for services, all these assumptions are relatively high risk and hence the actual budget gap could be significantly more, as shown in the sensitivity analysis in Appendix B. Moreover a detailed savings delivery

programme has to be developed with benefits realisation plan and buy-in from departments which should promote responsibility and accountability. This has to be integral part of the Councils transformation and Future Ready agenda to address future budget gaps and deliver 2040 vision.



Sensitivity Analysis

58. There are a vast number of very possible events which could change the figures significantly. For example:

- Each 1% variation in the pay award would result in approximately £1.3m variation in costs for each year concerned;
- Each 1% variation in non-pay contractual inflation would result in approximately £1.0m variation in costs for each year concerned;
- Each 0.5% variation in the Council Tax yield would result in approximately £0.4m variation in income for each year concerned;
- Each 0.5% variation in the Council's business rates base would result in approximately £0.5m variation in income for the year concerned in the years to 2024/25.
- There could be significant new growth, due the slowing down of the economy and cost of living crisis over and above the amounts included in the plan.
- There could be significant additional spend pressure from demand-driven services, particularly care services, if prevention and edge of care services are not effective in keeping costs down.
- The dividend from LLAL has been removed from the Council's MTFP. There is a stabilisation and recovery plan to deal with LLAL financial pressures arising from the Pandemic

- If the fair funding review results in a new formula which reduces the Council's Business Rates Top-Up, and the 'floor' to limit the level of year on year reduction allows for a significant reduction, the Council's income could be significantly reduced.
- The plan assumes successful delivery of significant projects such as Foxhall Homes and investment in both commercial and residential properties which are largely dependent on the state of the market and economy, and are in compliance with the recent guidance issued by Treasury, MHCLG and CIPFA. Any deviation from the final business case and business plan will inevitably lead to additional pressure on the Council's budget.
- The full implementation of Government's welfare benefit changes could have a significant impact on the position. It is likely to make Council Tax debt collection more demanding, and could impact on non-collectable amounts. Further, the changes are likely to make historic housing benefit overpayments very difficult to collect. Many are being collected as direct deductions from current benefit payments at very low monthly levels. When the ability to make direct deductions is removed, the feasibility of further collection will have to be assessed.
- The overall economic position of the country when the next Spending Review takes place may impact on the levels of funding available to local authorities generally, including Luton. There are also opportunities as well as risk. The cost of new borrowing has been estimated to be 5% and falling gradually over the years, and it is possible that lower rates may be achieved, although rates remain uncertain and potentially volatile until the moment an agreement is signed.
- The base budget position could vary from that shown. It could be significantly worse if Deficit Recovery Plans fail to address the core deficit and /or if there major overspends on capital programme. It could be better than shown, if the savings are delivered and there is slippage in the capital programme, which will then improve the capital and interest position.

59. On this basis, when considering targets for planning purposes, the Council needs to bear in mind that the figures shown in the medium term estimates table are a single point in a range of potential outcomes. The level of savings required each year could easily vary by £2m per annum either way.
60. A number of the documents that are published with and alongside the 2021/22 Budget Report should also be seen as a vital part of the medium term financial plan. In particular, they are the Budget Risk Management Strategy (Budget Report Appendix B), the Financial Strategy (Budget Report Appendix C), the analysis of Government Funding (Budget Report Appendix D), the assessment of capital resources (Budget Report Appendix G) the assessed lists of proposed savings (Budget Report Appendix L), the unavoidable growth items (Budget Report Appendix M), and the Treasury Management and Investment Strategies.

Medium Term Financial Strategy

61. The medium term financial plan and sensitivity analysis above shows that the position for future years involves significant financial risks and uncertainties.
62. This strategy aims to maximise income generation and efficiency savings and keep down costs in order to minimise the impact on essential services to the public.

However, the extent of the savings that have already been made in previous years does mean that it is more challenging each year to find major further efficiencies.

63. The key principles in the Council's medium term financial strategy are as follows.

- Dividend from LLAL has been removed in the MTFP so that the airport company can meet its financial commitments. Any future dividend will be used to finance the Council's capital programme.
- A focus on affordable and sustainable service provision that accounts for environmental impact.
- Draw down on reserves to meet one-off increases in expenditure or loss of income with replenishment plan in future years.
- The transformation programme would require additional o investment both capital and revenue with savings and benefits to be realised in the near term. Any use of reserves have to be approved by the Executive with clear and robust delivery and benefits realisation plan supported by robust business case.
- Any additional costs or losses of income associated with Covid-19 will no longer be supported by government.
- New ways of working being consolidated given the learning from the pandemic as well as the flexibility enabled by technological advances.
- Officers will continue to embed the principles and practices of the 'lean' approach, in order to improve service provision and reduce costs on an ongoing basis. Delivery of a comprehensive a detailed transformation programme "Future Ready" and realisation of cashable benefits
- The potential for net additional income (over and above any additional costs incurred in raising that income) will be rigorously assessed and effort invested into viable schemes to improve the Council's financial position.
- Further efficiency savings will be continually sought and placed on the corporate savings list, with clear accountabilities for delivery by project managers, project leads, and project sponsors. This must take into account the lasted benchmarking figures produced as part of CIPFA resilience index and OFLOG
- The resources of the Strategic Change Team and Corporate Procurement support team will be focussed on areas where they can have the greatest corporate impact and return on investment. The structure and composition of the team has to be fit for purpose in light of the Council wide Transformation programme.
- Specific plans will continue to be developed and implemented within overall service commissioning strategies to address and try to use preventative measures to reduce budget growth in the key demand-driven services, such as caring for complex disabilities in both adults and children, home care and residential care for the elderly, homelessness and the costs of looked after children especially out of borough placement. This will focus on improving the life-experience and independence of the vulnerable, and ensuring that appropriate levels of care are provided. Each service plan has to demonstrate how services are meeting the "best value" principles.
- The Council will continue to seek ways to maximise recycling and minimise landfill as part of the Waste review which should form part of the new contract

- The Council will aim to work co-operatively with its public sector neighbours, and any other appropriate authorities, to develop a shared service approach to the provision of services, particularly back office services, in order to rationalise service provision and minimise costs. A benchmarking exercise will be carried out on a regular basis and best practice adopted.
- Every service will continue to focus on value for money, in terms of efficiency, effectiveness and economy, in order to minimise costs and improve services to the public by exploiting opportunities through procurement and commissioning.
- As the IT service is being brough back in-house, the council will aim to use information technology to support transformation, reduce long-term requirements for office accommodation, minimise manual administration and hence reduce costs. Resources allocated towards improvement programmes have to be supported by a robust business case with benefits realisation plan and a payback which reflects the risk associated with the project e.g. less than 5 years for IT projects. The aim is also to use human resources services as an agent of organisational development to improve service and minimise costs.
- The transformation of the council will continue be based on the design principles adopted which included, once opportunities for efficiency and service modifications have been optimised, determining which are essential services and prioritising non-essential services for cuts, and moving towards a commissioning approach as the default position for service provision.
- Officers will use e-procurement to ensure transparent procurement policies and the use of corporate framework contracts to minimise costs and achieve rebates where appropriate.
- Structures will continue to be assessed on a One Council basis to ensure that the organisation is focussed on excellent customer service at the minimum cost to the council taxpayer, and that structures facilitate rather than hinder achievement.
- Officers will continue to monitor budgets extremely closely, ensuring that outturn predictions reflect current realities, and that all variations are raised corporately on a timely basis in order that the budget can be managed effectively at an overall level, avoiding unexpected overspends and/or underspends so that the accounts can be closed in line with estimates. This remains key to managing budget risks, and avoiding the need to increase reserves.
- The council will continue to seek to develop its commercial approach, without impacting on the services to the vulnerable.
- The Council will use technology and connectivity to exploit digital opportunities and drive value for money as part of the modernisation programme.

64. A key aim is to continue to improve collection of Council Tax and Business Rates, including arrears, in order to maximise the income available to the Council, and to ensure that those who do pay their tax are not subsidising those who can afford to pay, but try to avoid paying. This may prove to be a challenge due to the cost of living crisis. However every effort has to be made to ensure that of collection rates and debt recovery are comparable with other statistical neighbours..
65. The Council will strongly encourage appropriate business development in the town and in the Enterprise Zone.

66. The Council will strive to minimise costs and maximise income from treasury management, but this will be within the context of the overriding importance of minimising risk to the Council's investments.

67. The Council will continue to develop sites, and consider marketing for sale non-operational land and buildings which do not yield significant rental income in order to generate capital receipts to pay for capital expenditure on the maintenance of buildings, highways and street lighting, including work required for health and safety reasons. The state of the property market is currently being assessed and will be subject to further detailed reports.. Foxhall Homes gives the Council an opportunity to develop its land for residential purposes through its wholly owned subsidiary company.

68. The scale of the Council's current capital programme brings with it risks and risk management requirements, particularly in terms of managing the level of financial risk and commitment made at any one time across the programme as a whole, rather than simply managing the risk of a single project, or a single department's projects. The Council is addressing this at officer level through its Major Projects Group, which takes an overview of those major projects.

69. Constant monitoring of the level of borrowings an assessment of financial reliance of the Council and its subsidiaries to ensure that the level of borrowings are prudent, affordable and sustainable taking into account the projects financed by those borrowings. This has to be constantly monitored to reflect the recovery of the airport post pandemic. A disproportionate level of borrowing may have an adverse impact the Council credit ratings and future rates at which the Council can borrow and /or refinance existing borrowings.

70. The other general principles guiding the strategy will be:

    - To maintain a balanced budget position which is robust, affordable and sustainable without the ongoing use of reserves, and as part of the budget process, to set a medium term financial plan demonstrating how that position will be maintained. Any use of reserves in the short-term has to be replenished over the medium–term.
    - Spending plans will be aligned with the Council's aims and objectives and also the Luton 2040 vision.
    - The Council will maintain a prudent level of reserves on an ongoing basis. The level of reserves have to be increased to reflect the change in the level of risks as the Council has significant income generated form commercial activities which is at present quite volatile and the landscape has changed as a result of the pandemic – more people working from home and lees need or retail and office premises .
    - Revenue and Capital budgets will be continually reviewed and modified where necessary to ensure that resources are used effectively and targeted to achieve key objectives and offers value for money.

Cost of change

71. A key issue for forthcoming budgets is the cost of making the levels of change that will be required to make the budget reductions necessary. For the 2024/25 budget there may be some redundancies and associated costs of pension strain to the

authority for those able to claim their pension early as a result of redundancy (those between 55 and their standard retirement age). The planning figures assume this cost being met from revenue provision.

Budget Risk Management Strategy

Introduction

1. The Council's total net General Fund annual service expenditure including capital programme for 24/25, will be close to £331 million, and these funds provide an extremely wide range of very different services, many of them demand-led. As a result, the Council faces a great variety of risks, many of which could adversely affect the overall budget. It is important in terms of corporate government and the continuing review of the risk management strategy that the Council undertakes ongoing assessment of the risks it faces and takes steps to manage and mitigate, as far as is practicable, those that cannot be eliminated or avoided.

2. Key strategic risks have been identified on the corporate risk register. In addition, each department has its own risk register, and all reports to Executive have to consider risk implications. This is intended to ensure that new risks are analysed and where necessary risk management plans developed. It has to be accepted that new risks can arise at any time. The major budget risks apparent at the moment, and the methods of risk management being adopted, are set out in the table below, which will be used as a basis for managing and monitoring the risks.

3. The Council created a Covid Transition Fund, which held a contingency sum of £3.5m to act as a safeguard against many of the risk areas likely to be affected by continued cost rises and income losses as a result of the on-going impact of the pandemic on Council budgets. For 2024/25 the fund has reduced to £0.5m, reflecting the extent to which the impact of Covid has now levelled off and no longer considered an ongoing major risk.

4. **As an overview the ongoing major risks can be categorised into 2 main areas:**

A. Risks associated with Local Government Finance Settlement:

i. Inability to adequately plan ahead due to the short term nature of the finance settlement (one year at a time inhibits forward planning) and uncertainty regarding the future of some specific grants, making the MTFP estimates more challenging to forecast and potentially less robust;
ii. Further delays to the Fair Funding Review and the Business Rates reset also present uncertainty into the future.
iii. The inevitable future squeeze on local government funding as the government looks at ways to redress the escalation in government borrowing due to the provision of Covid related grants and concessions and additional support provided to help with households budget and businesses.
iv. Adequate Funding of the Schools High Needs Block

B. Ongoing risk of service pressures and the delivery of the Deficit Recovery Plans and the Transformation Programme

i. Revenue budget overspends or reductions in income due to demand pressures and/or demographic changes;
ii. The loss of major business ratepayers from the area;

iii. Appeals against VOAs business rates valuations being successful and resulting in significant reductions in business rates;
iv. The prospect of future changes in the business rate system and central government's methods of funding local government;
v. Pressures on Council Tax income and care budgets following the full introduction of Universal Credit alongside other welfare reforms and impact of rising cost of living;
vi. Increases in the number and cost of those requiring social care (adults and children);
vii. The costs of redundancies and pension strain being greater than estimated;
viii. Personalisation of care services resulting in clients not buying those services from the Council and impact of fair cost of care;
ix. Capital projects overspending including subsidiaries' capital programmes (a particular issue for Luton currently because of the scale of the capital programme which includes LLAL projects and "The Stage");
x. Expected grant income not being received Estimated capital receipts not being realised (future receipts being required to fund the current capital programme);
xi. Risks (and opportunities) relating to Airport funding, which could impact on amounts available to donate to local groups or provide dividend to the Council in the foreseeable future;
xii. Legal risks, including any residual equal pay issues;
xiii. A combination of significant revenue and capital overspends putting the Council's finances under particular pressure;
xiv. Delivery of revised Deficit Recovery Plans and Efficiency Savings from the Transformation Programme.
xv. Maintaining the 96% Collection Rate for Council Tax.
xvi. Temporary Accommodation costs, due to the escalation in Homelessness

5. Following this description of risk, there is an attempt to quantify potential risk levels and probabilities, in order to derive an appropriate level of specific and general contingencies, and to contribute towards the assessment of the appropriate level of reserves.

6. The airport risk is a unique one for the Council and deserves specific appraisal. The Council wholly owns London Luton Airport Limited, LLAL, the freehold owner of the airport who leases the airport to London Luton Airport Operations Limited, LLAOL (owned by Aena and AMP Capital), under a concession agreement whereby LLAL receives income (a concession fee) based on the numbers going through the airport, with a minimum fee level. The concession agreement (a document to which the Council is not a party) includes clauses relating to 'force majeure events', that is, events outside the control of the parties. Where those force majeure events are ongoing, the risks fall principally on LLAL and the minimum fee level does not apply.

7. LLAL makes substantial donations to charitable organisations who carry out functions in relation to social care, health, advice, sport and leisure. If those donations were not made, it is likely that many if not most of those organisations would try to request some replacement funding from the Council.

8. The LLAL board has allocated a provisional amount of £8.5 million in 2024/25 to make gift aid donations to charitable organisations. PricewaterhouseCoopers, the leading accountancy and Taxation advisors, have previously advised that the payment of gift aid by LLAL to support organisations in this way is reasonable.

9. The risks in relation to this include the following:

   - The government could cease the gift aid scheme. This is highly unlikely. Should it happen, the Tax impact would mean that there would be £~~1.~~1.9 million per annum less funding available for Luton
   - The ability to claim the gift aid Tax deduction would be disallowed should LLAL, or the Council, be seen to benefit commercially from a gift aid donation, or if the tainted donation rules were to be interpreted in a way that impacted on the Council.
   - That LLAL's net income reduces to the degree that it is unable to make the gift aid payments. This could result in appeals for Council funding from some of the organisations affected. If this happens, use of the Airport Specific Risk Reserve could be considered by the Council on a one-off, case by case basis. .

10. The key long-term risk relating to passenger numbers would be one of the major airline users of the airport (currently EasyJet, Ryanair and WizzAir) moving away from Luton. It is worth noting that a reserve has been created re Funding Equalisation Account to partly cover this specific risk. However any use of reserve is a short term measure until on-going sources of income or savings can be found to make up for any shortfall in income and/or grant.

11. For planning purposes, the Council is not expecting any dividend from LLAL in 2024/25 or the foreseeable future, and the impact on LLAL is such that the Council has already approved its financial stabilisation plan.

12. It is important to understand the legal and financial background when considering such requests. LLAL was created because a government direction under the terms of the Airports Act 1986 prevented the Council from continuing to be the freehold owner of the airport land. Therefore, should LLAL's financial position deteriorate to the point where it could no longer be a going concern, it does not appear that the Council could buy back the ownership of the airport land. A forced sale of assets would have significant implications for the Council and it is important for the Council to work with LLAL in order to ensure LLAL is a going concern and at the same time any support provided is affordable and sustainable from the Council's view point. This was considered as part of a separate report – EX/02A/21 – agenda item no. 14.

13. However, at the same time the Council also needs to review the risks arising from its ownership of LLAL, in terms of the extent of its reliance on income from the airport to fund the revenue budget. This risk was highlighted by the impact on LLAL of the Covid-19 epidemic, resulting in the need for the July 2020 emergency budget and the application to MHCLG for a potential capitalisation direction to address the dividend shortfall without a major reduction in reserves.

14. A review of options to reduce reliance on dividend has been undertaken, and so the Council now aims to focus the use of dividend on the capital programme and one-off items only when this can be achieved without adversely affecting core services to the vulnerable. For this reason, the refreshed MTFP places no reliance on dividend income, which has been removed until the pandemic recovery is measurable.

15. Other impacts of the current economic position also require specific attention in a review of budget risk.

16. Building control, development control, land charges and property rental income are dependent on a vibrant property market. Off-street car parking is dependent on the strength of the local economy and visits to local shops, and in addition income from other charges is at risk when individuals do not have the disposable income to pay to use chargeable Council services. Further, when the numbers on benefits increase, the proportion of people who pay for services reduces, and the numbers entitled to free provision increases. In addition, the collection of Council Tax and Council rents is more difficult in hard economic times.

17. There is also an impact on demands for service provision, particularly in housing benefit, homelessness and prevention, regeneration, care and education services.

18. Balances of around £156 million of the current Capital Financing Requirement are financed by internal borrowing. There is a risk that interest rates could increase further over the medium term and if this happens, and internal cash reserves reduce, the Council may have to borrow at higher rates of interest and this would have an impact on the Revenue budget in the future.

19. The ongoing level of reduction in Government grant from 2010 to 2022/23 had a fundamental impact on the Council's financial position and the long term funding of local government finance is still uncertain.

20. The number of expensive placements in social care, both for children and adults, is volatile. An increase in the numbers requiring complex care puts a major pressure on the Council's budget.

21. The Council has developed trading activities, largely with other public sector bodies and schools. This work is dependent on the Council continuing to win contracts.

No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
1.	Revised Departmental Deficit Recovery Plans and Efficiency Savings from the Transformation Programme might not be achieve, in full or one time , (medium likelihood, significant impact).	a. Identification of volatile and risky budgets (including items 3 to 5 below) for particular attention in budget monitoring by Executive and Corporate Improvement Board.	Corporate Accountancy	2024/25 Lists by May 2024
		b. Identification of proposals for Efficiency Savings requiring specific plans and project management & identification of an individual accountable for the proposal as part of the deficit recovery plan.	Corporate Directors	May 2024
		c. Regular reviews of the overall budget position and budget deficit recovery plan by Executive and Corporate Leadership Management Team	Leader, Chief Executive & Service Director, Finance, Revenues & Benefits	Ongoing
		d. Further savings actively sought in year	CLMT/Transformation Board	Ongoing
		e. Active management in accordance with the cash limit scheme by all cost centre managers. New savings required in year where there is an overspend.	All Cost Centre Managers	Ongoing
2.	Potential Costs of Implementing Efficiency Savings greater than estimated	a. As part of the final accounts process, double check that post-holders at risk as at 31.3.2024 are all identified and ensure costs are accrued, provided for, or have reserves earmarked as appropriate in accordance with proper practice.	All Finance Business Partners	By 30th April 2024

No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
	(low likelihood, noticeable impact).	b. Apply the principles of the organisational development policy to redeploy affected staff and keep the number and costs of redundancies to a minimum.	Service Director, Customer and Organisation Development	Ongoing
		c. Put underspends into the reorganisation reserve to provide funding for the costs of implementing change	Service Director, Finance, Revenues & Benefits	Ongoing
3.	Demand-led spend in Community Care is well above budget levels (medium likelihood, critical impact).	a. Include in volatile budgets list for specific financial and performance monitoring.	Corporate Accountancy	2024/25 Lists by May 2024
		b. Pro-active work with potential clients with learning and/or physical disabilities about to leave school to enhance their ability to live independently. c. Move more towards direct payments, assessing impact on directly provided services d. Continue enablement work to increase prevention and independence.	Social Work Teams	Ongoing
4.	Spend on children requiring care is above budgeted levels, particularly when there is a major national focus on the 'at risk' registers (medium likelihood, critical impact)	a. Include in volatile budgets list for specific financial and performance monitoring.	Corporate Accountancy	Lists by May 2024
		b. b. Continue utilising risk-based approach and prevention team. Continue to increase fostering and care capacity within Luton.	Social Work Teams	Ongoing

No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
5.	Interest Rates on investments reduce still further/investments at risk due to recession (Medium likelihood, critical impact).	Ensure continuing active management of the Council's Treasury Management portfolio, using specialist advice as necessary	Service Director, Finance, Revenues & Benefits	Ongoing
	Managing the Council's Investment Property Portfolio to ensure returns from it meet expectations (Medium likelihood, medium impact)	Officers are currently making a detailed assessment of the Council's portfolio of commercial properties and the result of that exercise will be reported to Executive.	Service Director, Property & Infrastructure	May 2024
6.	Failure of key supplier and partners	Review key suppliers credit worthiness on an ongoing basis. Begin planning for alternative provision at the warning stage.	Corporate Procurement Manager	ongoing
7.	Combined impact of a number of individual risks (e.g., additional spend pressures, income reductions, capital programme overspends) (Low likelihood, critical impact).	Ensure individual risks appropriately managed. Focus on prompt monitoring and active management. Base reserves available should a major combination of events occur which cannot be actively managed, but the use of the core reserves will require building them back up in future years, adding to the savings target	CLMT, Executive and Service Director, Finance, Revenues & Benefits	ongoing

No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
8.	Need to hold Council Tax referendum in relation to the Council's own Tax level (low likelihood, medium impact).	Set a budget with a Tax increase below the maximum level (increase to 4.99% in the Autumn Budget Statement) set by the Secretary of State or a zero Tax increase.	Council & Service Director, Finance, Revenues & Benefits	February 2024
9.	Airport Income reduces significantly (low likelihood, critical impact).	a. Maintain a prudent minimum reserve balance.	Full Council & Service Director, Finance, Revenues & Benefits	February 2024
		b. Regular review of the airport situation by the airport client function.	Airport Client function	Ongoing
		c. Readiness for a radical reappraisal of the Council's budget and capital programme should there be any long-term impact on airport income.	Service Director, Finance, Revenues & Benefits with CLMT	Ongoing
10.	The Airport Company is unable to make charitable donations to organisations on an ongoing basis (low likelihood, critical impact).	a. Maintain sufficient levels of reserves to enable payment from the Council in the short term. b. Re-appraise the Council's budget to ensure it aligns with the revised resource situation in the medium term.	Full Council & Service Director, Finance, Revenues & Benefits	Ongoing
11.	Pressure for Additional Expenditure/New Growth during 2024/25	Continuous monitoring of budgets to ensure early identification of problems and finding of alternative budget reductions to keep service within budget including the delivery of Revised Deficit Recovery	All Finance Teams	Ongoing

No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
		Plans amounting to £5.3m to be delivered within 2024/25		
12.	Inflation increases substantially (Medium likelihood, significant impact), or spend on certain services is higher than the service-specific inflation allowance, e.g. in Care services.	a. Ensure use of corporate contracts to minimise the opportunity for price rises. Review prices for care services as key volatile budgets and address corporately if there is a major problem.	Service Directors,	Ongoing
		b. Monitor expenditure carefully as part of the monthly budget monitoring process. Apply cash limit scheme if specific areas begin to overspend. Set sufficient contingency budget.	All Finance Teams, energy budgets with Energy Manager.	Ongoing
13.	Grant Repayment (low likelihood, significant impact).	Ensure grant conditions are complied with and that grant-giving bodies are contacted when circumstances change, explaining the reasons for those changes.	Relevant Finance Teams	Ongoing
14.	Slippage of Capital Programme spend (medium likelihood, noticeable impact).	Regular monitoring of the capital programme spend and the interest estimates.	Property & Construction & Corporate Finance	Ongoing
15.	Slippage of spend on projects where grant is time-limited (medium likelihood, critical impact).	Review specific schemes and structure to minimise risk, seeking mitigation schemes where necessary	Corporate Director Inclusive Economy, Service Director, Sustainable Development	Current and ongoing

No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
16.	Slippage/reduction of Capital Resources (high likelihood, significant impact). Capital programme is based on capital receipts from land and property, Council House sales, and developer contributions (S106), particularly in the medium term.	Monthly reviews of resources & review of programme if pattern of expected receipts changes significantly	Property & Construction & Corporate Finance	Ongoing
17.	The scale of the Capital Programme and Major Projects (medium likelihood, potentially critical impact needs to be managed down as shown). Projects include: The Stage London Luton Airport Ltd.-DART and Foxhall Homes Ltd.	a. Ensure that the terms of any external funding for projects, and the responsibility for cost overruns are clear prior to commitment. Risk assess where Council is responsible for cost overruns prior to any commitment.	Project Teams	Before Projects are committed
		b. Corporate Major Projects Group consider the potential impact of a major capital scheme and make recommendations to Executive in line with agreed protocol prior to commitments.	Corporate Major Projects Group	Before Projects are committed
		c. Consider potential revenue impact of major capital schemes as part of any decision.	Corporate Major Projects Group	Before Projects are committed

No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
		d. Consider resource requirement for projects in the light of risk assessment of cost overrun, and budget for potential prudential borrowing accordingly.	Capital and Asset Forum	Before Projects are committed
		e. Employ expert project management techniques and carry out regular gateway reviews.	Project Teams	Ongoing
18.	Residual Equal Pay risk (low likelihood, significant impact).	Continue to consult unions and aim to reach agreement on issues. Address any claims based on legal advice. Ensure all managers comply with the terms of the single status agreement.	Service Director, Customer and Organisation Development CLMT	Ongoing
19.	Claims against the Council, (medium likelihood, significant impact).	Ensure that the Council, its officers and members continue to act appropriately, and not in any way that could result in legitimate claims.	Executive, CLMT & all Service Directors.	Ongoing
20	Demand for free services increases and income falls as numbers able to pay reduce (medium likelihood, high impact).	Review pressures on care budgets, school meals, etc. throughout the year	Finance Business Partners	Ongoing

No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
21.	Partnerships result in unbudgeted/increased cost (low likelihood, significant impact).	a. Ensure that all officers follow guidance issued by Finance, that all partnerships are registered with the Service Director, Policy, Communities & Engagement. The Council's risk officer assesses each potential new partnership and that the partnership assesses its risk and maintains a risk register.	Service Directors,	Ongoing
		b. Where partners fail, it is essential that Council officers assess the situation, keep all funding bodies informed throughout, and develop plans to minimise the cost to the Council while trying to maximise the benefit to the people of Luton	Service Directors,	As situations arise
22.	Joint Arrangements and Pooled Budgets result in unbudgeted cost (medium likelihood, significant impact).	a. Ensure that legal agreements are in place clearly documenting each participant's contribution and the method of calculation.	Service Directors,	Prior to commencement of P'tnership
		b. Send bills out quickly and pursue them vigorously, up to and including legal action if necessary.	Finance Business Partners	ongoing
		c. Ensure that procedures for ending joint arrangements are carried out in accordance with the contracts, and that future arrangements do not adversely affect the Council.	Service Directors,	As situations arise
23.	Emergencies and extreme weather events require significant expenditure	Emergency Expenditure to be separately recorded to enable the Council to apply to use the Bellwin Scheme of emergency financial assistance if expenditure is above the 0.2% threshold.	Finance Business Partners	As situations arise

No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
	(medium likelihood, significant impact).			
24.	Schools in deficit (high likelihood, significant impact).	a. Work closely with schools in deficit to introduce good financial management to enable them to remain viable and break even in the longer term.	Children, Families & Education Finance Team	Ongoing
		b. Set out clear parameters for when delegation will be withdrawn.	Corporate Director, Children, Families & Education	Ongoing
		c. Ensure that any schools who fall into special measures do not resort to unbudgeted spending to buy their way out of those measures at the cost of a significant deficit.	Children, Families & Education Finance Team	Ongoing
25.	Schools no longer using LBC services (medium likelihood, noticeable impact)	Continue to provide good services to LBC schools and academies, and review on an ongoing basis. Where income from schools reduces, reduce expenditure in line.	Relevant Service Directors,	Ongoing
26.	Non-schools trading contracts are not renewed	Provide quality services, continue to review, and if contracts are not renewed, seek other opportunities or reduce expenditure in line.	Service Directors	Ongoing
27.	Local organisations request additional funding from Council (medium likelihood, significant impact)	Enable local developments by providing support in non-monetary ways wherever possible, and advising on alternative funding sources Ensure requests are assessed consistently in line with Council and community objectives, and	Economic Growth, Property & Construction, Housing CLMT, Executive	Ongoing

No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
		prioritised consistently against all other Council commitments		
28.	Pupil number increases causing demands for transport and new build (high likelihood, significant impact).	Assess numbers accurately Lobby for national funding for new build to proceed without impact on LBC resources	Education Directorate	Ongoing Immediate
29.	Population increases no longer recognised in Government grant cause additional service demands, e.g. waste, schools, care (high likelihood, significant impact).	Try to achieve additional income from Business Rates and Council services and assets to help pay for additional costs.	Service Director, Sustainable Development, Service Director, Citizen Engagement & Legal Services	Ongoing
30.	Income budgets not achieved (e.g. building regulations, land charges, development fees, rent income, use of facility fees, parking) (Medium likelihood, noticeable impact). The impact of the pandemic may worsen the situation further.	Identify key areas for inclusion in critical and volatile budget monitoring. Review income v budgets regularly.	Finance Business Partners Cost centre managers	May 2024 ongoing

No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
31.	In year reductions in grants, particularly specific grants such as Benefit Admin, Independent Living Fund, Trouble Family Grant, New Homes Bonus, Services Grant. (high likelihood, significant impact)	Review Government announcements on an ongoing basis. The general principle adopted has been that where a specific grant supporting a particular service is reduced or withdrawn, the service should produce plans to manage within the reduced funding total. It is then for Executive to determine whether or not: 1) that grant reduction is made, or 2) if additional funding can be found – with the consequential impact on savings targets – to continue to fund the service.	Service Director, Finance, Revenues & Benefits and Service Directors,	Ongoing
32.	Changes in service provision by organisations, such as Active Luton and the Luton Culture Trust, trigger provisions for LBC to pay redundancies or staff to return to LBC (medium likelihood, noticeable impact).	Work co-operatively with the Trusts to ensure their continued viability is a key consideration alongside LBC needs	Health & Wellbeing client officer	Ongoing
33.	Audit qualification of grant claims resulting in grant repayment (Low likelihood, noticeable impact).	Grant claims to be prepared in line with grant requirements, and regulations closely followed. All issues raised in previous audit are addressed promptly.	Service Director, Revenues, Benefits and Customer Services & Service Director, Finance, Revenues & Benefits	Ongoing

No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
34	Council Tax and Housing Rent collection rate do not continue to improve as planned (medium likelihood, significant impact)	Focus on ensuring that people are able to claim benefits to which they are entitled. Monitor both Tax and rent incomes closely (key issues for C&C department)	Service Director, Finance ,Revenues & Benefits & Service Director, Housing	Ongoing
35	Pay award above budget - (low likelihood, significant impact)	Input to Local Government Employers negotiations re affordability. Provision of a specific Central Contingency for Pay Award Uncertainty	Service Director, Customer and Organisation Development	Ongoing
36	Pay costs above budget as turnover provisions put pressure on managing budgets. (low likelihood, noticeable impact)	All finance and cost centre managers to ensure that turnover provisions and budgeted employee savings are actively managed, and that in services other than directly customer facing, vacancies are held to cover the provision plus advertising etc.	All cost centre managers with Finance Business Partners	Ongoing
37.	The personalisation of care budgets leaves the Council with increased costs if individuals choose to use their budgets on services other than those that the Council is currently providing, and the service cannot be reduced in the short term.(medium likelihood, significant impact)	Ensure services are of appropriate quality and value to encourage people to buy them. Assess trends on an ongoing basis and react quickly to any reductions in levels of service purchased	Service Director, Adult Social Care	Ongoing

No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
38.	Implementation of savings proposals is later than estimated due to the scale of HR and management work required in terms of organisational change, interviews with staff affected etc. (medium likelihood, noticeable impact)	Clear project plans developed – steps set out timescales and accountabilities clearly identified	HR business partners, project leads	Immediate
39.	Council share of Better Care Fund allocation less than anticipated	Ensure that outcome measures in Better Care Fund bid are met. Agree basis of the share of allocations with Clinical Commissioning Group. Also use of any one off funding is optimised with robust exit strategy.	Service Directors of Adult Social Care, Service Director, Health Care & AC, Service Director, Service Director, Finance, Revenues & Benefits, Health and Wellbeing Board	April 2024 Ongoing
40.	New spend pressures emerge in year, either locally or nationally (high likelihood, significant impact)	Monitor and try to manage and minimise. Report any potential issues early to CLMT along with proposals of how the cost can be managed within existing budgets	CLMT and Service Directors	Ongoing
41.	Court costs income reduces further (medium	Seek alternative income sources	Service Director, Finance,	Ongoing

No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
	likelihood, noticeable impact)		Revenues Benefits	
42.	Medium and Long Term Risk: Income from Business rates and Council Tax does not increase. This could be from lack of new developments in town, businesses becoming bankrupt, as well as from successful valuation appeals. (low likelihood, critical impact)	Development of investment strategy and action plans to implement that strategy. Encourage and enable sustainable development where there is a clear business case for that development. Work with businesses where possible. Promote Enterprise Zone and work closely with partner organisations to ensure additional business rates are ploughed back to promote economic growth in Luton. Monitor impact of LUF Phase II and ensure outcome are realised.	Corporate Director Inclusive Economy, Service Director Sustainable Development,	Ongoing
43.	Medium and Long Term Risks - Pension Costs, with those in the scheme able to take a pension at any time from 55 (actuarially reduced) to 70	Minimise early retirements. VSS scheme includes financial test and affordability. Review pension position on an ongoing basis	Service Director, Customer and Organisation Development, CLMT Service Director, Finance, Revenues & Benefits	Ongoing
44.	Medium and Long Term Risks - Grant loss/reduction (specific grants)	Exit strategies for one off grants	Finance Business Partners	As grants are initially given and ongoing
45.	Medium and Long Term Risks - Funding levels not linked to need, as the Revenue Support Grant	Develop the Town's infrastructure so that more businesses can develop in Luton and business rates increase.	Service Director Finance, Revenues & Benefits	Ongoing Ongoing

No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
	system ends and Business Rates Retention is increased		Service Director, Sustainable Development, Service Director, Inclusive Growth	
46.	Medium and Long Term Risks – third sector groups providing services under service level agreements may have funding issues	Work positively with third sector service level agreement providers to support them wherever possible within the context of reduced funding available to all.	Service Directors	Ongoing
47.	Medium and Long Term Risks - Third Party funding of the Capital Programme	No commitments to be given until the funding is guaranteed, including matched funding agreements.	Capital and Assets forum	Before Projects are committed
48.	Medium and Long Term Risks – pupil number increases requiring new school build when funding from Government is not available	Discuss funding needs with Government/EFA on an ongoing basis. Work with potential free school providers	Corporate Director, Children, Families & Education Services	Ongoing
49.	Medium and Long Term Risks to the Council's service provider role arising from the personalisation of care budgets	Continue to ensure all care, transport and support services are as efficient and effective as possible to enhance the chances of buy-back. Review the likelihood of buy-back given the relative prices of LBC and other providers. Plan the provision of future services based on realistic assumptions about individual choices	Service Director, Adult Social Care, Service Director, Sustainable Development , Corporate Director of	Ongoing

No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
		Review the provision on an ongoing basis given choices that are made in future. Adapt the size of in-house service provision to match the level of buy-back, to ensure no unnecessary costs remain to be met by the Taxpayer.	Population Wellbeing	
50.	Medium and Long Term Risks - Collection fund performance levels decrease	Monitor actual collection performance and reassess basis of Tax-base calculation. Consider potential returns from more investment in debt collection.	Service Director, Finance, Revenues & Benefits	Ongoing
51.	Medium and Long Term Risks - Trusts requesting support when external funding ceases	Monitor any requests which would need to be carefully prioritised against existing spend and demands for current Council services.	Service Director Finance, Revenues & Benefits	As they arise
52.	Medium and Long Term Risks - Costs of Waste Disposal	Develop a Municipal Waste Strategy focussed on minimising waste. As part of the strategy assess the costs and benefits of alternative approaches to dealing with waste, and the options for partnership working.	Service Director, Neighbourhood Services	Ongoing
53.	Medium and Long Term Risk – transfer of responsibilities from other public sector bodies to the Council	Review funding options, and lobby if it appears that the transfer will result in significant additional costs to the Council	Service Director Finance, Revenues & Benefits	Ongoing
54.	The ongoing implementation of the Fair cost of care reforms requires substantially more financial assessments, and	Review the local requirements for assessments and the levels of deferred payments on an ongoing basis. Ensure that the administration is efficient, effective and economic.	Service Director, Adult Social Care and Service Director Finance,	Ongoing

No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
	greater volumes of deferred payments, than provided for.		Revenues & Benefits	

Mitigating against these risks, opportunities include:

1) The potential for underspend in corporate budgets, given that this has occurred in most recent years;
2) The potential for Deficit Recovery Plan proposals to deliver greater levels of saving than have been included in the budget, when they are fully implemented;
3) The potential for further efficiency savings to be developed as officers seek to bring forward more proposals during 2024/25 that can be implemented during the year;
4) Prevention work undertaken in conjunction with health reduces spend on those coming into social care;
5) Prevention work undertaken to reduce the number of homelessness;
6) Robust monitoring and reporting and timely action and mitigation plan put in place.

Adequacy of Reserves

1 The adequacy of reserves depends upon:

- The budget proposed for 2024/25
- The delivery of unachieved savings in 2023/24 now rolled forward to 2024/25
- The scale of budget risks, both revenue and capital – and the Budget Risk Management Strategy being rigorously applied and monitored
- The medium term financial situation
- The level of reserves remaining at 31 March 2024.

2 The budget proposed for 2024/25 is challenging but appears to be generally robust, taking into account the plan to address the existing budget pressures and delivery of unachieved savings rolled forward.

3 The key issues currently, are the position of LLAL, discussed in paragraphs 6 to 14 above, and the following:

a) In areas where spend is largely demand-driven, such as homelessness, adult social care and looked-after children, the requirement to keep within budget is challenging. This year additional funding (social care grant) has been allocated in order to address any ongoing budget pressure.
b) Uncertainty regarding future grant funding.
c) Identification and delivery of efficiency savings via the Transformation Programme.
d) The general fund capital programme for 2024/25 amounts to £164m which is high for a Council of Luton's size. This brings with it risks in relation to overspends.
e) The business rates retention scheme continues to carry a large risk in terms of appeals, and any proposed new scheme will undoubtedly result in winners and losers at an individual Council level.
f) The opportunity to increase Council Tax income is likely to continue to be limited by the prospect of a referendum over any significant increase, with the risks and cost that involves.

4 Based on the risks set out above and given the level of Deficit Recovery Plans to be achieved in 2024/25 , my calculation of the minimum reserve required by Luton Borough Council is as follows:

Risk Assessment of Reserves	Probability	Amount p.a.	Reserve
General Reserve inc. future liabilities		£	£
Risk of call on reserves from overspend in excess of contingency	0.1 p.a. for 5 years	500,000	2,500,000
Collection Fund risks – appeals/demolitions/Council Tax support caseload/collection risks on the introduction of universal credit	0.1 p.a. for 5 years	5,000,000	2,500,000
Minimum working capital requirement in view of the range of financial risks facing the Council as set out in the report.			5,000,000
Contingency for Revenue funding loss, loss of trading contracts and potential costs arising from any unforeseen events			4,000,000
Total			**14,000,000**

5 While £14 million is an estimate of the minimum general fund reserve required on an ongoing basis in times of normal operation, it should also be noted that:

a) The total amount of capital spend over the next five years amounts to £471m. Hence it is advisable to maintain the Major Projects reserve at its current level.
b) The specific risks relating to Airport funding, set out in paragraphs 6 to 14 above, require the maintenance of a specific risk reserve. This continues to be required even though the 2024/25 budget does not include airport dividend.
c) The insurance reserve is an essential business tool to enable the Council to self-insure specified risk including claims resulting from potential breaches in law.

RISK	£000's	£000's	CURRENT INITIATIVES	Probability of increased cost and no alternative saving	Risk Level times probability (£000s)
	Estimated risk level with current management	Estimated risk left unchecked			
				General	
Additional risks	0	0	As shown in the detailed savings list	0	0
Impact of Covid on income - SF&C -deficit recovery plan	2,100	2,500	Regular review, appraisal and balance sheet management	0.15	315
Loss of income, from charges, grant loss, collection issues etc. and this not covered by government support.	2,000	2,500	Accountable management of each income line, strategic overview by Finance	0.2	400
Additional spend pressures due to demographic issues/inflationary pressures/extreme weather etc.	5,000	8,000	An allowance for contractual inflation pressures has been built into the 2023/24 Budget. Growth has been built into the 2023/24 Draft budget to address demographic pressures.	0.25	1,250
National issues and macro-economic factors have an adverse effect on local economy	2,000	3,000	Active management of Council budgets potentially affected	0.2	400
Collection Fund/Tax collection issues	1,000	1,500	Active management and monitoring. Council Tax collection rate has been reduced from 96% to 95% to reflect the likely impact on debt collection due to cost of living crisis.	0.2	200
General Fund total re 2024/25	**12,100**	**17,500**			**2,565**

The likelihood of all these risks occurring in 1 year is minimal, though this is taken into account to a degree in the probabilities used.
There are also potential underspends and one off gains that occur in various services.

General Contingency	**2,250**
Specific Contingencies	
Provision for Redundancy & Pension Strain costs	700
Potential financial support for subsidiary companies	965
Insurance	857
Pay Award Uncertainty	970
COVID Risks	500
Total Contingencies	**6,242**

Luton Borough Council
Financial Strategy 2024/25

Purpose

1. To show how the Council intends to structure and manage its finances over the medium term, to support the achievement of the sustainable communities strategy, the corporate plan, the aims of the Council's prospectus, and those of the Council's Investment Framework.

Strategy Statement

2. The Council has previously approved the following 4 aims as the principles behind its medium term financial strategy. This overall financial strategy confirms those aims and sets out how these dovetail with the Council's wider policy and planning aims.

   i) To maintain a balanced budget position, and to set a medium term financial plan demonstrating how that position will be maintained.
   ii) Spending plans will be closely aligned with the Council's aims and objectives
   iii) The Council will maintain a prudent level of reserves
   iv) Budgets will be continually reviewed and modified to ensure that resources are targeted on key objectives.

Strategy Statement Review in light of the Covid-19 Epidemic

3. The terms of the strategy statement remain essential and relevant. However, the way in which a balanced budget is maintained needs review. The best way to manage a balanced budget is to keep it balanced every year, with no contributions from reserves. However, general reserves are maintained for exceptional circumstances when they may be needed on a one-off basis, and a time when airport dividend has reduced from £19million to nil is certainly exceptional in financial terms. Therefore, when there are times that the Section 151 officer deems truly exceptional, it is reasonable to develop an approach to balancing the budget over the medium term, rather than in a single year. However, it is essential that this approach involves maintaining a prudent level of reserves at all times, and it is vital that any sustained reduction in income, or increase in expenditure, must be met by a realignment of the budget, rather than by any attempt to use reserves on an ongoing basis. The plan should also include ways by which any the reserves can be replenish to a level which is considered prudent taking into account the level and nature of risks and uncertainties.

4. The impact of the reduction in airport dividend on the Council's budget does make very clear the extent of the risk of reliance on this income source, as has been set out in the Council's budget risk management strategy for many years. The Council does need to reduce that reliance, and proposals are set out in this strategy to do so.

Achieving the Aims of the Corporate Plan, the Luton Investment Framework and the Luton 2040 Project

5. The Corporate Plan and Luton Investment Framework are key documents setting out the Council's vision, aims and objectives for the future. To this, the Council has now added the Luton 2040 project, with its vision of Luton as a place where, by 2040, no one lives in poverty. They are all linked, and focus on improving the town for the benefit of its residents, by building economic growth and prosperity, enhancing skills and education, improving health and wellbeing, developing quality homes and infrastructure, supporting safe, strong, and cohesive communities, and creating a 'One Luton' approach to service delivery. There are specific projects and targets in terms of key areas such as job creation. The focus of the Financial Strategy is on enabling the achievement of the aims and objectives of the Corporate Plan, the Luton Investment Framework and Luton 2040 within the necessary context of maintaining a healthy financial position, as set out in the Strategy Statement above, while also ensuring that the principles set out in the Council's People Strategy are maintained.

Budget Implications – Revenue and Capital

6. The Council needs to balance its budget. The focus has to be:
   a) On the successful implementation of the action plan to achieve the aims of the Luton Investment Framework and Vision 2040;
   b) On the continued development of viable options to increase income from commercial activities and collection of debts, and optimise income from fees and charges and ensure that the Council receives its fair share of government grants;
   c) On the development of effective preventive mechanisms to minimise demand for high cost care, homelessness and other demand led services, and.
   d) On the economy, efficiency and effectiveness of services – focusing on outcome including benefits realisation

7. The Government has previously announced its intention to move away from the revenue support grant system, and to replace this with a system based on 75% retention of increases in business rates. It is therefore critical that the Council is successful in its strategy to become less grant dependent, which requires increasing income from other sources. Where rigorously assessed, viable plans can be developed, reserves can be used to make investments necessary to achieve those improvements in income. However, the review of business rates has been further delayed.

8. The Council's corporate planning framework includes the following, recently refreshed core values:
   - Collaborative
   - Ambitious
   - Respectful
   - Empowering
   - Supportive

9. It is essential that the financial strategy empowers, supports, and collaborates with service providers and Councillors in an ambitious and respectful way in order to deliver the Council's objectives on behalf of the people of Luton.

10. Benchmarking information will continue to be used to assess service areas, and those that are shown to be above average in cost when compared with other 'nearest neighbour' authorities will be challenged and reviewed, and if there is not a clear policy-driven reason for the above average level of spend, will be prioritised for budget reductions. Departments will also have to look into service delivery models to ensure value for money. Members and Directors also take on board findings and recommendations from the LGA driven Corporate Peer Challenge, a key review undertaken every 5 years

11. The Council seeks to improve its own services and deliver savings through the work of its Strategic Change team and the advice of Corporate Procurement. Intelligent commissioning is also key to the council's drive to improve services and reduce costs, and to finding efficiency savings to meet the targets set in the medium term financial plan.

12. Corporate and Service Directors work corporately to achieve the maximum possible efficiency savings in all of their service areas, and approach this as a year-round task, not one that is limited to the traditional budget-setting time. This is essential if significant change projects with a long lead time are to be developed successfully. Options are considered corporately by Corporate Leadership Management Team (CLMT) in conjunction with executive members. Those options remain confidential while they are subject to draft assessment and prioritisation, to enable officers and executive members to consider options without affecting the motivation of staff working in potentially affected areas, until they are clear that the options are to be realistically considered. Once the options to be considered are clarified, they will be assessed in terms of their impact on Council priority objectives, equality impact, and values, and prioritised by CLMT and the Executive based on the budget plan and detailed consultation if necessary.

13. The budget put to Executive will be based on the Executive's assessment of the relative priorities for unavoidable expenditure pressures, and options for savings, to aim to meet the requirements of the Strategy Statement Aim 1, *to maintain a balanced budget position, and to set a medium term financial plan demonstrating how that position will be maintained*.

14. In outline, this also shows how *Spending plans will be closely aligned with the Council's aims and objectives* (Strategy Statement aim 2), and how *Budgets will be continually reviewed and modified to ensure that resources are targeted on key objectives* (Strategy Statement aim 4). This will be complemented by the Annual Budget Guidelines and Capital Programme Instructions, the Budget Report, and the Scheme of Devolved Financial Management, which, along with other documents (see below), form a core part of the Council's financial strategy process.

Capital Programme Prioritisation

15. Capital programme prioritisation is based on the Council's capital investment strategy and asset management plan. The method used and approval requirements are outlined in the Budget Report. New schemes must be robustly assessed in accordance with the principles and guidance set out in HM Treasury's 'Green Book' using the Five Case Model for the development of a project business case as described there.

16. Expenditure on major capital schemes (£10m and over) will be subject to specific review and monitoring requirements, including estimating cash flows, to enable an overall assessment of the total potential financial impact (whole life costs) of the capital programme as a whole, in order to limit the Council's exposure at any one time to schemes where an overspend could have a significant impact on the Council's overall financial health.

Resource Limitations and the Financial Strategy

17. The basis of the financial strategy is determined by the Council's current financial position. The medium term projections show that savings continue to be required in future years. The 2024/25 provisional local government settlement has been announced. For 2024/25 authorities are once again able to increase the level of Council Tax by up to 3% plus an additional Adult Social Care precept of 2% without needing to hold a referendum. This means that the maximum the Council can raise from Council Tax is an additional 5% in 2024/25. The Standard Business rates Multiplier currently increases annually each April in line with the previous September's CPI and is expected to increase by similar amounts based on CPI in the future. The Small Business Rates Multiplier is frozen for a fourth consecutive year.

18. The capital programme is largely funded by specific resources, in particular proceeds from asset disposals and external grants. . However, the core programme – basic maintenance of buildings, highways and lighting, and part of the funding for disabled facilities grants – has to be found principally from the Council's own resources. This means that there has to be a major focus on developing opportunities to achieve capital receipts without affecting revenue income. This requires commercial development of property opportunities available to the Council, where this can be achieved in line with the Council's policy on property disposal. Over the years the Council has used receipts from disposal of Council land and buildings to fund a major part of the capital programme. As a result it is proving more challenging to generate additional capital receipts as the asset base shrinks. Moreover, a likely long-term outcome of the Covid-19 epidemic is a much greater emphasis on working from home, which is likely to have a negative impact on the price and marketability of commercial property. Therefore the Council has set up a Capital Reserve to enable infrastructure funding. In future the Council may need to consider whether this should become a sinking fund with regular contributions in order to ensure future funding of the capital programme is affordable and sustainable. This would

have an impact on the revenue budget and hence has to be considered in line with the Council's other priorities.

19. The Council's resource position also means that the Council will need to take a commercial approach to increase funding wherever possible and seek alternative funding sources that will fund schemes in line with the Council's vision and values.

20. At all times however the Council's success in achieving external resources needs to be risk assessed, to ensure that the council can manage the risks taken on if the resource is accepted. In particular, as stated in paragraph 16 above, when large schemes are proposed, the risk of the overall size of the capital programme needs detailed consideration and regular monitoring and corrective measures put in place to address any overspend.

21. It is vital for the financial health of the Council that all accept the limitations and work within them to optimise the Council's position by careful prioritisation. The capital programme will principally comprise schemes funded by specific grants, replacement vehicles and equipment, plus funding up to the level of grant provided by the Government.

22. These limitations on resources mean that the Council must consider very carefully indeed every choice to spend money. They also mean that the Council can no longer afford to accept that increased demand, even for statutory services, automatically means budgets will be increased in line with that demand. Ways have to be found to provide demand-driven services within the parameters of the medium term financial plan.

Airport Funding

23. The Council normally receives an annual dividend, interest on debentures and rental income from its wholly owned subsidiary, London Luton Airport Limited (LLAL). That revenue income supports both capital projects and the revenue budget. The MTFP assumes that no dividend will be received form LLAL for the foreseeable future.

24. The extent of the funding from LLAL, and its link to passenger numbers going through the airport, means that since 1998 the airport funding has been both the Council's greatest financial asset and its greatest risk. The Council has maintained a specific risk reserve as a consequence, and its general reserve minimum level has been higher than many other Councils for the same reason. Prior to Covid-19, the underlying pattern was of substantial increased income for over 20 years.

25. However, the impact of Covid-19 and the potential operation of the force majeure clauses in the commercial contract between LLAL and the airport operator,

LLAOL, has shown that in the circumstances of a pandemic impacting drastically on aviation, further action needs to be taken.

26. A Government direction under the terms of the Airports Act 1986 prevented the Council itself from being the freehold owner of the airport, hence the creation of LLAL. The Council now requires the development of a strategy that:
    a) ensures the financial stability of LLAL, and;
    b) seeks to reduce the risk to the Council's financial position arising from the extent of its reliance on airport income.

27. As a result of Covid-19 an Airport Stabilisation Plan was agreed and put in place. As part of this, in the short term LLAL profits will be used to fortify its balance sheet and build up its reserves rather than paid as dividends the Shareholder. The Budget report will include a recommended aim to focus the use of any future Airport dividend on the capital programme and one-off schemes, and it is proposed to undertake a review of potential options to reduce reliance on airport dividend.

28. It is also key to note that the Council's borrowing requirement has been substantially affected by the strategy of the Council providing loan financing to LLAL to enable the company to finance its capital projects, which in recent years have been very large, e.g. the DART project and the Development Control Order. Those schemes were are all subject to the production of business case, and rigorous assessments of their viability, deliverability, affordability, sustainability and risks from a shareholder viewpoint. As a consequence, the overall level of borrowing is high for a Council of Luton's size. The Council has added a margin (a risk premium) to the debenture loan rate payable by LLAL, and also takes a fixed charge on the company's assets as security for the loan. Thus the underlying financial stability of LLAL is a key issue for the Council.

Housing Finance Strategy

29. The Housing Revenue Account is self-financing, and the aims are as follows:-

a) To maintain a financially healthy, balanced Housing Revenue Account, with rent levels that are affordable for tenants.
b) To ensure council-owned homes are properly maintained to at least the decent homes standard.
c) To develop new stock wherever possible within Luton that is affordable within the Housing Revenue Account and this will be part of the new Business plan.
d) To work with others to generate further housing developments outside the Housing Revenue Account wherever possible without adversely affecting the general fund; for example with Foxhall Homes.
e) To work with partners and neighbouring authorities to ensure that Luton's housing need is properly recognised and urgently addressed as a regional issue.
f) To manage the service effectively and ensure that the HRA is sustainable within the rent-setting parameters set by Government, which are currently a maximum rent increase of CPI plus 1%.

g) To address the long-term sustainability of the HRA in view of the challenges that arise from right to buy sales and the tight controls on the use of receipts, the rent reductions, and the lack of any provision in the account for repayment of principal on HRA loans.

Fees and Charges Strategy

30. The Executive's current fees and charges framework is based on the principles of viability, fairness and inclusion.

31. The following principles will be used when setting charges:

Viability	Fairness	Inclusion
The Council will aim to maximise income from fees and charges by ensuring that charges to users reflect the full cost of the service provision, unless otherwise required.	Fees and charges should be set at a level that is fair to users and council tax payers and in line with the Council's principles of equality, cohesion and inclusion. Commercial organisations should always pay the full cost for services received unless there is a statutory reason why not.	Concessions should ensure that the disadvantaged are not denied access to services.
Charging levels should take account of market demand, competition from other service providers and comparisons with charges made by other comparable local authorities.	A tough stance should be taken on fee dodging so that other users do not pay more to compensate for non-payers.	New charges should be subject to an equality impact assessment

32. The Council has to look very seriously at every option to increase income from fees and charges, but also must ensure that increasing or introducing charges is not in conflict with policy objectives, including the Council's objectives for social inclusion.

Trading Strategy

33. The Council aims to optimise trading opportunities with other public sector bodies, as defined by the Local Authority (Goods and Services) Act 1970, where such trading can be certified by the relevant Finance Business Partner to make a positive contribution towards the Council's finances, and where the service manager can certify that it does not adversely affect the service to the people of Luton.

34. The Council has set up a trading company, Luton Traded Services Limited, to trade outside the confines of the 1970 Act, again where such trading can be certified by the relevant finance and service managers as making a positive contribution to the Council's finances without adversely affecting services to the people of Luton. Trading of any scale requires a full robust business case based on the Five Case Model, with the level of detail and analysis required in the private sector. Both the economic and financial case have to be robust and adopt the concept of whole life cost**.**

Commercialisation

35. The Council has embarked on various projects with view to generate additional income. These projects have ranged from investing in commercial properties to providing services to other authorities. Since the Government's announcement that Councils investing for yield will not have access to loans from the Public Works Loans Board (PWLB) the Council has suspended its commercial investment strategy and will not include any such investments in its capital programme. The Council is investing in residential properties with a view to reduce the cost of homelessness. This is subject to a robust business case and was approved by Executive. The capital programme also includes the provision of additional loans to Foxhall Homes, again subject to a robust business case appraised by the Council as shareholder as well as by Foxhall Homes as developer and potentially for "The Stage" project.

Value for Money

36. Each service is subject to review to maximise the savings potential, and is expected to adopt lean principles in all its activities in order to ensure that services are delivering value for money. Benchmarking and adoption of best practice will have to become the norm and regular assessments have to be carried out to ensure the Council is delivering value for money.

Council Tax Strategy

37. The Council will aim to achieve the lowest level of council tax per head of population that will provide the level of services the people of Luton need and deserve over the long term, in accordance with the Council's overall objectives.

38. Within that overall aim, the Council will seek if at all possible to keep the average tax per household below the unitary authority average, maintain the lowest level of tax within Bedfordshire, (average tax per household), and set the tax at a level that will avoid triggering a referendum.

39. 85% of the Council residential properties are at band C or below. The cost of homelessness has shown that there is a lack of properties in Luton designed for larger families. The Council will aim to encourage the development of properties which are valued at band D and above in order to meet the growing demand and also to ensure that the mix of properties is fairly balanced. Also the Council has been acquiring properties in order to meet the demand for such properties and hence reduce the level of overspend in the homelessness budget.

General Government Funding Strategy

40. The Government's strategy has been to encourage authorities to become self-financing, with the aim of switching from revenue support grant to increasing business rates retention, previously announcing a target of moving from the current 50% business rate retention scheme to a 75% retention scheme. Implementation was initially pushed back from 2021 to 2023 due to the Pandemic and Government has recently signalled implementation will be delayed further for another two years.

41. A point that arose during an earlier funding consultation was that a majority of respondents proposed that 'high risk' properties, particularly power stations and airports, should be removed from local rating lists and placed on the central list. The government proposed further consideration of this option. Should this happen, it would have a very significant impact on Luton, as London Luton Airport is a major part of the Council's current rating list. It would make Luton far more reliant on the business rates 'top up', and remove the potential link between future development of the Airport providing additional business rates income for the town. However this year the assets of Virgin media group has moved to the central list and the council has been compensated for the loss of business rates.

42. The previous Government confirmed its intention to continue with a system of equalisation, based on fixed periods for system resets, with the potential for partial resets. The method used for equalisation will be very important for Luton. The Council currently relies on significant top-up funding and the Revenue Support Grant, whereas some Councils will have no business rates and revenue support grant. Hence it is very important to try to ensure the move to a new system does not have a significantly negative distributional impact on the Council. The Section 151 Officer will continue to be an active member of the Unitary Treasurers Group, who are represented on the Settlement Working Party that discusses potential changes to local government funding from central government. He will ensure that the Unitary Treasurers representative is briefed on any specific issues of concern to Luton, and will check agendas and minutes accordingly.

43. The Section 151 officer will also liaise with the Local Government Association (LGA) regarding their general lobbying strategy, where required to promote Luton's interests.

44. The Chief Accountant will check that the details of the provisional grant settlement are correct prior to the end of each annual consultation period, and respond to the Department for Levelling Up, Housing and Communities (DLUHC) if there are any specific issues. The Section 151 officer will assess responses to any proposed changes by the LGA and unitary treasurers, contribute as required to protect Luton's interests, and determine whether a Luton-specific response should be made.

Pensions Strategy

45. The Council's non-teaching staff are entitled to enter the Bedfordshire Pension Fund according to statute, and all employers are required by law to encourage staff to join their workplace pension scheme, using an automatic enrolment process. Employees in the scheme are required to make contributions at nationally set percentages of their pay, and the Pension Fund is required to invest the funds it receives for the benefit of current and future pensioners. The total of employees' contributions and investment profits is not sufficient to meet the combined cost of current pensions in payment, plus the estimated future pension liability that has been earned to date by non-pensioner members of the scheme. The Council is legally required to fund the shortfall on an ongoing basis, and the amount required is determined by the Fund's actuaries, Barnett Waddingham appointed as from 1 September 2018.

46. There are 2 parts of the Council's contribution to pension costs. The first is an employer's contribution to cover the estimated value of the pension earned to date by each current employee, based on the actuary's estimates of how long current employees are likely to live and hence have a pension entitlement. This is calculated as a percentage of each current employee's pay, and the new rate is 20.2%. The second is a contribution towards recovering the estimated deficit on the costs of past service. This is dealt with as a lump-sum payment certified by the actuary as being the amount required to address the deficit as part of a 17 year deficit recovery plan. For 2023/24 this has been reduced to £4.5m.

47. The level of deficit is not only influenced by the value of, and the return on, fund investments, but is also affected by:
    1) the increasing life-expectancy of Scheme Members, which means they receive a much greater level of payments over their lifetime than did their predecessors, and
    2) the low level of long-term bond rates, which are used to discount the value of future payments to pensioners. If bond interest rates increase, the pension liability will decrease.

48. The Council's strategy is to pay the annual contributions to the pension fund as certified to be required by the fund's independent actuary and also to consider making additional revenue payments when funds are available, provided that actuarial estimates of likely fund returns are greater than the level of investment returns achievable by the Council. (Pension funds can invest in a wider variety of financial instruments than are open to the Council, including the stock market, so rewards – and risks – are potentially greater).

Reserves

49. As part of the annual budget report, the Council's Section 151 officer will estimate an adequate minimum general reserve level for the general fund, and an amount that may be required to pay towards reorganisations included in the budget. The Council will strive to maintain reserves at that level, with any additional one off surplus/gains being transferred to the Invest to Save reserve and Funding Equalisation Account, to be used in accordance with the rules of that reserve for the direct benefit of the town. It is worth pointing out that the level of reserves held by the Council is below the average when compared with statistical neighbours.

50. The minimum level of reserves for the Housing Revenue Account (HRA) was for some time set at £1.5 million in the business plan, in line with the level recommended previously by PriceWaterhouseCoopers. In view of the Grenfell Tower tragedy it was felt necessary to revise this reserve to £3m.

51. The consistent application of this part of the strategy will ensure that the Strategy Statement Aim 3 is achieved; the Council will maintain a prudent level of reserves.

Capital Receipts

52. The Director – Property and Infrastructure is responsible for managing the council's property estate, in accordance with the Asset Management Plan, in order to create development opportunities, to maximise the potential for capital receipts without losing significant revenue income from asset disposals.

53. Such management will be in accordance with national and local plan guidance.

54. In special cases, members will earmark receipts from specific sites to specific projects. This will be kept to a minimum, since the general aim of achieving capital receipts is to enable the Council to maximise its capital programme, which

is prioritised to enable the Council and the community to achieve their key objectives in accordance with the Local Investment Framework. For example, receipts (other than the sale of council houses) achieved as a result of the implementation of the Marsh Farm Masterplan were earmarked for the Marsh Farm development. Further areas for earmarking will require the approval of the Capital Assets Forum, Corporate Leadership Management Team, and the Executive.

55. The Council's general fund capital programme is partially funded by projections of future capital receipts. A plan to achieve the required level of receipts with no significant loss of rent (with the exception of car park income) has been produced by the Director, Property and Infrastructure. However, in order to develop the value of sites to avoid rent loss, many of these receipts require some years to be developed as is the case with Foxhall Homes. Options such as a joint venture to create an asset backed vehicle will also be considered if they can generate a greater level of receipts.

56. The development of potential receipts is difficult and subject to delay, changes in value, and uncertainty as the market changes, adjacent properties which would add value become available or unavailable, etc. The longer term aim is to be able to move to a position where the next year's capital programme is based on receipts actually achieved, rather than projected receipts. However, the impact of Covid-19 on the commercial property market makes this even more difficult to achieve

57. Should receipts not be produced in line with the timetable due to delay in selling the properties or shelving of projects, the programme may need further realignment and/or curtailment based on affordability.

Baseline Position

58. The Medium Term Financial Plan is a specific appendix to the Budget Report. Significant effort continues to be required to balance the budget in the medium term, hence the effort that needs to be put into developing viable income generating opportunities that are in line with the Council's priorities and values.

59. Council Tax levels per head of population remain the lowest in Bedfordshire by some distance and are currently below average for unitary authorities.

Risk Management

60. The Council produces, monitors and maintains a budget risk management strategy, and has a specific treasury risk management policy to minimise financial risks.

Documents that are also key parts of the Financial Strategy

61. The strategy depends upon the Council's Corporate Plan, and the Annual Service Plans. Other key documents that are also part of the Financial Strategy are set out below.

- Luton 2040 Vision – A place thrive
- Corporate Plan and Prospectus
- Luton Investment framework
- Asset Management Plan and Capital Strategy
- Treasury Management Strategy
- Budget and Capital Programme Report, including Budget Risk Management Strategy, Medium Term Plan and Strategy, Prudential Indicators, Protocol for the management, control and use of reserves, and Model for Assessing Levels of Affordable Borrowing
- Procurement Strategy
- Budget Monitoring timetable and reports
- Annual budget guidelines
- Capital programme instructions
- Scheme of Devolved Financial Management
- Financial Regulations
- Scheme of Cash Limits
- Housing and Homelessness strategy.
- ICT Strategy
- Transformation and Digitisation strategy

Government Grant Funding (Excluding Specific Grants)

1. General Government grant funding for Luton currently comprises the Revenue Support Grant.

2. The business rates top up is guaranteed to be increased by an inflation factor each year. The Revenue Support Grant calculated by Government is shown below.

Revenue Support Grant for Luton	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000	2024-25 £000
Upper Tier Services (Children, Adults, etc)	10,333.70	10,704.50	10,560.20	10,887.40	11,983.05	13,015.70
Lower Tier Services (Waste Collection, etc,)	370.7	172.3	378.8	390.3	666.85	472.07
Total	**10,704.40**	**10,878.80**	**10,939.00**	**11,277.70**	**12,649.89**	**13,487.77**
Percentage Reduction / (Increase)	32.90%	-1.60%	-0.60%	-3.10%	-12.20%	-6.60%

3. Lower tier services are those provided by district councils. Upper tier services are those provided by county councils. As a unitary authority, Luton is required to provide both.

   a) The level of grant increases in recent years have been marginal and this has created a significant challenge for the Council. It should also be noted the Institute for Fiscal Studies (IFS) has stated that, over previous parliaments cuts in spending power were much greater for poorer Councils, because DCLG effectively cut everyone's grant by around the same percentage. A standard percentage cut has a much greater effect on those Councils who rely more on grant income than on Council Tax to fund their spending. The real term reductions in overall spending power for the most grant-reliant authorities is examined in more detail in the wider revenue budget report.

   b) Compared to the 2023-24 Revenue Support Grant Settlement, the funding has increased by £0.838m (6.60%) in 2024-25. The actual net increase is £0.6m (4.7%) when taking in consideration that the Council Tax Support Administration Grant is no longer be paid separately.


Class
UNITARIES COUNCIL TAX PER DWELLING
2500
2000
1500
1000
500
0
Kingston-upon-Hull
Stoke-on-Trent
Blackpool
Blackburn with Darwen
Portsmouth
Halton
Middlesbrough
Leicester
Derby
Nottingham
Southampton
Hartlepool
Telford & Wrekin
North East Lincolnshire
Plymouth
Peterborough
Durham
Redcar & Cleveland
North Lincolnshire
Luton
Southend-on-Sea
Cumberland
Thurrock
Darlington
Torbay
Stockton-on-Tees
Bristol
Medway
North Northamptonshire
Warrington
York
Northumberland
Slough
Milton Keynes
Bournemouth, Christchurch & Poole
East Riding of Yorkshire
Swindon
Brighton & Hove
Somerset
Westmorland & Furness
Cornwall
Shropshire
North Somerset
Bedford
Isle of Wight Council
West Northamptonshire
Cheshire West and Chester
Windsor & Maidenhead
Bath & North East Somerset
Reading
North Yorkshire
Bracknell Forest
South Gloucestershire
Herefordshire
Cheshire East
Central Bedfordshire
Isles of Scilly
Wiltshire
Dorset Council
West Berkshire
Buckinghamshire
Rutland
Wokingham

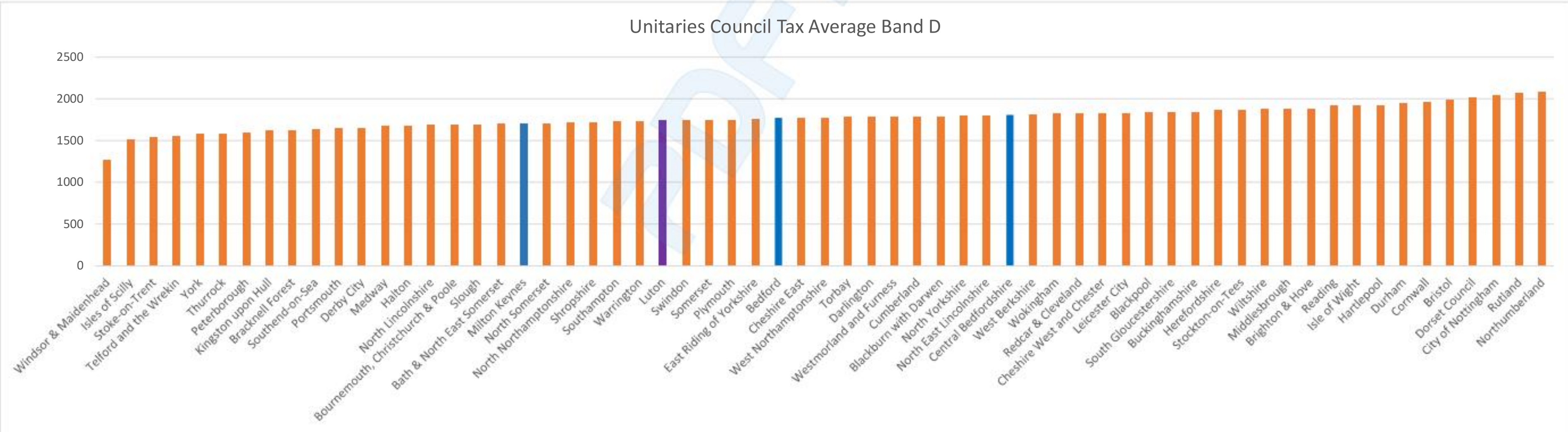

Unitaries Council Tax Average Band D
2500
2000
1500
1000
500
0
Windsor & Maidenhead
Isles of Scilly
Stoke-on-Trent
Telford and the Wrekin
York
Thurrock
Peterborough
Kingston upon Hull
Bracknell Forest
Southend-on-Sea
Portsmouth
Derby City
Medway
Halton
North Lincolnshire
Bournemouth, Christchurch & Poole
Slough
Bath & North East Somerset
Milton Keynes
North Somerset
North Northamptonshire
Shropshire
Southampton
Warrington
Luton
Swindon
Somerset
Plymouth
East Riding of Yorkshire
Bedford
Cheshire East
West Northamptonshire
Torbay
Darlington
Westmorland and Furness
Cumberland
Blackburn with Darwen
North Yorkshire
North East Lincolnshire
Central Bedfordshire
West Berkshire
Wokingham
Redcar & Cleveland
Cheshire West and Chester
Leicester City
Blackpool
South Gloucestershire
Buckinghamshire
Herefordshire
Stockton-on-Tees
Wiltshire
Middlesbrough
Brighton & Hove
Reading
Isle of Wight
Hartlepool
Durham
Cornwall
Bristol
Dorset Council
City of Nottingham
Rutland
Northumberland

Table 7a: 2023 to 2024 Council tax (average Band D) and percent change on 2022 to 2023: Individuall local authorities

Local Authority	Average council tax for the authority including adult social care, excluding parish precepts (Band D)		Average council tax for the authority including adult social care and parish precepts (Band D)		Adult social care element of Average Band D council tax	
	£	% change	£	% change	£	% change
	Columnn 1	Columnn 2	Columnn 3	Columnn 4	Columnn 5	Columnn 6
Bath & North East Somerset	1,653.90	4.99	1,702.94	5.08	31.50	1.85
Bedford	1,737.92	2.90	1,770.85	2.89	33.78	1.91
Blackburn with Darwen	1,782.58	4.99	1,787.15	4.97	33.96	1.90
Blackpool	1,837.23	4.99	1,837.23	4.99	34.99	1.90
Bournemouth, Christchurch & Poole	1,683.23	4.99	1,690.33	4.97	32.06	1.90
Bracknell Forest	1,539.36	4.99	1,621.56	4.91	29.32	1.81
Brighton & Hove	1,883.95	4.99	1,884.55	4.99	35.87	1.90
Bristol	1,996.09	4.99	1,996.09	4.99	38.02	1.90
Buckinghamshire	1,760.74	5.00	1,843.41	5.05	33.42	1.81
Central Bedfordshire	1,669.02	-	1,808.22	0.43	-	-
Cheshire East	1,707.39	4.99	1,771.10	5.07	32.52	1.84
Cheshire West and Chester	1,794.52	4.99	1,831.53	5.07	34.18	1.87
Cornwall	1,802.79	4.99	1,959.83	5.24	34.34	1.75
Darlington	1,777.33	4.99	1,783.03	4.98	33.86	1.90
Derby	1,656.67	4.99	1,656.67	4.99	31.56	1.90
Dorset Council	1,905.93	4.00	2,022.80	3.99	36.63	1.81
Durham	1,842.25	4.99	1,946.20	5.00	35.09	1.80
East Riding of Yorkshire	1,701.46	4.98	1,760.71	4.95	32.34	1.84
Halton	1,675.29	4.99	1,679.88	4.98	31.91	1.90
Hartlepool	1,926.81	4.90	1,929.42	4.91	36.74	1.90
Herefordshire	1,786.61	4.99	1,862.50	4.94	34.03	1.83
Isle of Wight Council	1,817.61	4.99	1,926.51	5.41	34.62	1.80
Isles of Scilly	1,507.62	4.99	1,507.62	4.99	28.72	1.90
Kingston-upon-Hull	1,618.83	4.99	1,618.83	4.99	30.84	1.91
Leicester	1,833.00	5.00	1,833.00	5.00	34.90	1.90
Luton	**1,745.10**	**4.99**	**1,745.10**	**4.99**	**33.24**	**1.90**
Medway	1,671.23	4.99	1,678.11	5.00	31.83	1.90
Middlesbrough	1,881.86	3.99	1,882.82	3.99	36.19	1.92
Milton Keynes	1,596.43	4.99	1,712.68	5.10	30.41	1.78
North East Lincolnshire	1,788.27	3.98	1,807.10	4.03	34.40	1.90
North Lincolnshire	1,654.96	1.74	1,688.96	1.74	28.26	1.67
North Northamptonshire	1,657.51	4.99	1,722.82	5.12	31.57	1.83
North Somerset	1,627.38	4.99	1,712.96	5.10	31.00	1.81
Northumberland	1,985.34	4.63	2,078.79	4.55	37.95	1.83
Nottingham	2,052.89	4.99	2,052.89	4.99	39.11	1.91
Peterborough	1,587.08	4.99	1,598.97	4.97	30.23	1.89
Plymouth	1,753.21	4.99	1,753.21	4.99	33.40	1.90
Portsmouth	1,648.87	4.99	1,648.87	4.99	31.40	1.90
Reading	1,921.02	4.99	1,921.02	4.99	36.59	1.90
Redcar & Cleveland	1,809.45	3.99	1,823.89	3.94	34.74	1.90
Rutland	2,013.04	4.99	2,069.06	5.16	38.35	1.85
Shropshire	1,639.01	4.99	1,725.00	4.95	31.22	1.81
Slough	1,688.19	9.99	1,692.00	9.90	30.70	1.81
South Gloucestershire	1,752.11	4.99	1,842.16	4.85	33.38	1.81
Southampton	1,726.47	4.99	1,726.47	4.99	32.89	1.91
Southend-on-Sea	1,631.88	4.99	1,639.61	4.96	31.07	1.89
Stockton-on-Tees	1,851.18	4.90	1,867.63	4.88	35.29	1.89
Stoke-on-Trent	1,541.34	4.99	1,541.34	4.99	29.36	1.90
Swindon	1,612.80	4.99	1,745.50	5.08	30.72	1.76
Telford & Wrekin	1,463.93	2.00	1,559.94	1.91	28.70	1.84
Thurrock	1,585.17	9.99	1,585.17	9.99	28.80	1.82
Torbay	1,774.39	4.99	1,782.85	4.98	33.80	1.90
Warrington	1,694.79	4.98	1,732.00	4.89	32.29	1.86
West Berkshire	1,743.11	4.99	1,817.42	4.98	33.21	1.83
West Northamptonshire	1,693.73	4.99	1,779.34	5.02	32.26	1.81
Wiltshire	1,719.90	4.99	1,875.59	5.40	32.76	1.75
Windsor & Maidenhead	1,241.60	4.96	1,268.61	5.00	23.29	1.84
Wokingham	1,751.84	4.99	1,822.12	4.88	33.37	1.83
York	1,570.42	4.99	1,583.93	5.00	29.92	1.89

Protocol for the Management & Use of Reserves

1. CIPFA's Guidance Note on Local Authority Reserves and Balances states that 'it is important that local authority councillors take responsibility for ensuring the adequacy of reserves and provisions when setting the budget'. The Guidance Note requires the Section 151 Officer (the Service Director Finance Revenues & Benefits) to advise members about the level of reserves they should hold and to ensure that there are protocols for their establishment and use.

2. The Council's Financial Regulations state that for each reserve established, the purpose, usage and basis of transactions should be clearly identified, and that authorisation and expenditure from reserves is by the appropriate Corporate Director or Service Director in consultation with the Service Director Finance & Audit.

3. When a reserve is to be established, the Service Director Finance Revenues & Benefits must be satisfied:
   a) Of the reason for the reserve, and its purpose.
   b) That setting up the reserve complies with the latest version of the Code of Practice on Local Authority Accounting in the United Kingdom

4. Contributions to and from reserves shall be included in the Council's accounts, which are approved by the Service Director Finance Revenues & Benefit and the Audit and Governance Committee.

5. Control of Reserves shall involve:
   a) An annual review of the relevance and adequacy of reserves, as part of the Service Director Finance Revenues & Benefit budget report.
   b) Monthly budget monitoring of the Council's overall revenue position to assess the potential extent of the use of general reserves in any year.
   c) A year end assessment by the Service Director Finance Revenues & Benefit of the potential use of reserves in order to optimise the Council's financial position, with any such use reported to the Audit and Governance Committee as part of the report on final accounts.
   d) It should also be noted that the External Auditor may wish to review the level of reserves at any time, and that the Service Director Finance Revenues & Benefit will take into account any views expressed by the External Auditor on reserves as part of the budget report.

6. This report takes into account the assessment of reserve requirements in Appx B.

7. The estimated levels of reserves shown in the table below remains subject to any final adjustments required from the final closure of the 2023/24 Accounts.

8. It should be noted that this table only includes usable reserves. Unusable reserves by definition are not cashable – they relate for example to notional gains or losses from annual revaluations of assets that are not intended to be sold, such as London Luton Airport.

Reserves (usable reserves only)	Reason/Purpose	Management & Control	Use	Estimated Balances
General Reserve (including future liability)	To fund any overspend on the Council's annual budget. To ensure that the Council has funds to cover unexpected events in the short and medium term. To provide a prudent basis for operating.	As per 5 (a) to (d) above	To fund any overspend on the Council's annual budget – in which case, if the level goes below the minimum shown in Appendix B, the reserve will need to be replenished the following year	31.03.24 £14.0m 31.03.25 £14.0m Adequate, See Appendix B, Adequacy of Reserves
General Reserve – Specific Risk Management	In recognition of the specific risk resulting from reliance on donations from the Airport Company to fund charitable partners of the Council whose work would have to be funded by the Council if Airport funding was not available.	As per 5 (a) to (d) above	To fund key partners if the Airport Board is unable to provide make donations in future – in which case, the base budget and reserve requirement will need urgent reassessment to determine future requirements	31.03.24 £3.0m 31.03.25 £3.0m Adequate at minimum level, see Appendix B Adequacy of Reserves
General Reserve – Invest to Save	To provide funds to enable invest to save schemes that deliver service improvements and ongoing revenue reductions essential to balancing the budget in future years – see invest to save scheme	As per 5 (a) to (d) above, plus report to CLMT and Exec on specific proposals in accordance with approvals as set out within the ITS scheme	In accordance with the governance arrangements and the invest to save scheme	31.03.24 £7.5m Use of £0.1m 31.03.25 £7.4m Invest to save funding is essential to develop new efficiencies
General Reserve – Reorganisation etc.	To ensure that the Council can fund the costs of ongoing organisational change and any claims that may arise and for investment in Luton 2040	Approved by Executive on the recommendation of the Service Director Finance & Audit	To fund costs arising from organisational development including claims that may arise	31.03.24 £1.4m 31.03.25 £1.4m
Luton Investment Framework & Luton 2040 Reserves	Promotion of skills, economic development and other priority projects	Release of funds subject to detailed business case and robust monitoring of benefits realisation.	To fund skills and economic regeneration programmes	31.03.24 £0.1m 31.03.25 £0.1m
General Reserve – Service Provision & Pressures	To enable underspends and advance grant income to be carried forward for use in the following financial year	Use approved by Executive and implemented by Service Director Finance & Audit	To fund carry forwards and to fund unexpected in-year pressures	31.03.24 £12.6m 31.03.25 £12.6m

Reserve (usable reserves only)	Reason/Purpose	Management & Control	Use	Estimated balances
General Reserve – Funding Equalisation Reserve	To provide funding if the revenue support grant or business rates income is reduced by more than estimated in the medium term financial plan. To also hold business rate discount compensation grant received in advance of use	As per 5(a) to (d) above	To provide one-off substitute funding to replace core income streams and to equalise the impact of business rates discounts introduced by government	31.03.24 £21m 31.03.25 £21m (GF £15.4m)
Major Projects Reserve – Capital Reserve	To fund infrastructure and other major projects, and to address the risk that grant-funded schemes could require some repayment.	As per 5 (a) to (d) above	Established in recognition of the scale of current and future major construction projects being undertaken by the Council	31.03.24 £9.4m 31.03.25 £9.4m
Central Insurance Reserve	To enable the Council to self-insure risks where no external cover is obtainable, and/or where self insurance is better value	As per Insurance procedures	To pay claims by departments for items/incidents which are met by self-insurance, subject to validation and to any excess	31.03.24 £1.7m 31.03.25 £1.7m
Planning Reserve including development plan	To allow for unpredictable costs of enquiries/income reductions in planning, and in development plan production	As per 5 (a) to (d) above	To fund any overspend of the Council's overall budget resulting from a reduction in planning fees pressures on the development plan or a major planning enquiry.	31.03.24 £0.1m 31.03.25 £0.1m
Pension Reserve	To fund future pension-related liabilities	Review by Service Director Finance & Audit on receipt of pensions information plus annual reviews	Funding of Council liabilities in respect of pensions costs including actuarial changes given deficit levels on pension fund any early retirement costs.	31.03.24 £6.8m Contributions £0.5m 31.03.25 £7.3m In line with medium term strategy
Investment Reserve	To enable projects intended to improve the councils longer term position.	As per 5(a) to (d)	To enable investments in services	31.03.24 £0.2m 31.03.25 £0.2m
Cremators Reserve	To hold contributions from annual fee income received, toward future plant replacement	As per 5(a) to (d)	To meet the cost of replacement plant	31.03.24 £1m 31.03.25 £1m
Welfare Reform & Recession Reserve	To enable the Council to respond positively to priority local issues where there is significant impact on the Luton population and/or the Council's own financial situation.	As per 5 (a) to (d) above	To provide short term funding that may be needed for: a) key local economic and social pressures as a result of the economy or welfare reform b) further reductions in government grant	31.03.24 £1.4m 31.03.25 £1.4m

Reserve (usable reserves only)	Reason/Purpose	Management & Control	Use	Estimated Balances
Butterfield Reserve	To share the benefits from Butterfield Business Park	As per 5(a) to (d)	For additional spend on economic development activity, over and above the Council's base budget	31.03.24 £0.4m 31.03.25 £0.4m
Neighbourhood Governance Reserve	To fund Neighbourhood Projects from contributions received	As per 5(a) to (d)	To meet the operational expenditure of projects	31.03.24 £0.4m Use of £0.1m 31.03.25 £0.3m
Public Health Reserve	Funding for Public Health activity	As per 5(a) to (d)	To hold any underspends from the ring fenced funding for use in the following year.	31.03.24 £2m 31.03.25 £2m
Property and Commercialisation Sinking Fund and Income Management Reserve	To maintain the investment estate and secure and optimise the management of all commercial income	As per 5(a) to (d)	Improvements to optimise lettings	31.03.24 £4.7m 31.03.25 £4.7m
Interest Equalisation Reserve	To provide risk cover for future fluctuations in commercial returns, including the impacts from the stabilisation plan for the airport company	As per 5(a) to (d)	To equalise fluctuations in commercial returns	31.03.24 £9.5m 31.03.25 £9.5m
Covid-19 Emergency Funding Reserve	To hold specific grant funding received in advance for coronavirus control measures and financial impacts	As per 5(a) to (d)	Outbreak Management, Test and Trace and other support to vulnerable citizens	31.03.24 £4.6m 31.03.25 £4.6m
Transformation Reserves	To hold specific reserve to invest/spend in transformation projects during the transition period while efficiency savings are developed and delivered	As per 5(a) to (d)	One off in order to finance the Transformation Programme over 2 years subject to robust business case, deliverability and benefit realisation plan	31.03.24 £0m 31.03.25 £3.74m
Schools Reserves	To enable schools to carry forward funds not spent in any particular year for use on future projects	As per 5 (a) and (b) above, with detailed assessments by Children & Learning	Schools-specific reserves for their expenditure (also used for inter-schools loan scheme). Central funds limited to DSG spend.	31.03.24 £24.6m Schools Reserves £18.5m+Central DSG Reserves £6.1m Drawdown £0.9m from DSG Reserves 31.03.25 £23.7m Budget pressures and funding limitations may require the use of reserves
Housing Revenue Account – General Revenue Reserve	To fund additions or improvements to the Council's housing stock. To ensure sufficient funds are	As per 5 (a) to (d) above with consultation with the Housing	To fund capital spend on improvements to the stock and meet any overspend on the HRA's annual budget.	31.03.24 £10.9m 31.03.25 £10.9m Adequate

	available to cover unexpected events. And to meet any overspend on the HRA budget. To provide a prudent basis for operating.	Portfolio Holder	Use of the reserve to meet overspends would need to be replenished in subsequent years.	
Housing Revenue Account – Legal Disputes Reserve	To make provision in case there are legal claims in relation to HRA funds	As HRA general revenue reserve	To cover legal costs that may arise if there are disputes or legal claims against the Council	31.03.24 £0.1m 31.03.25 £0.1m

Appendix G

CAPITAL PROGRAMME 2024-2029
EXPENDITURE / RESOURCE ASSESSMENT

General Fund Capital Programme Summary

New Capital Programme	2023/24 Gross Budget £000	2024/25 Gross Budget £000	2025/26 Gross Budget £000	2026/27 Gross Budget £000	2027/28 Gross Budget £000	2028/29 Gross Budget £000	Total Gross Budget £000
Total General Fund Expenditure	**75,410.0**	**150,955.5**	**156,936.5**	**95,043.1**	**21,579.0**	**19,018.5**	**518,942.6**
General Fund Financing							
Grants & Contributions	31,120.0	98,034.0	86,804.0	15,399.0	8,204.0	8,204.0	**247,765.0**
Revenue	5,000.0	5,000.0	4,370.0	4,420.0	255.0	255.0	**19,300.0**
Dividend	0.0						**0.0**
Capital Receipts	4,058.0	2,916.0	250.0	250.0	0.0	0.0	**7,474.0**
Corporate Projects Borrowing	35,232.0	45,005.5	65,512.5	74,974.1	13,120.0	10,559.5	**244,403.6**
Total General Fund Financing	**75,410.0**	**150,955.5**	**156,936.5**	**95,043.1**	**21,579.0**	**19,018.5**	**518,942.6**

Housing Revenue Account Capital Programme Summary

New Capital Programme	2023/24 Gross Budget £000	2024/25 Gross Budget £000	2025/26 Gross Budget £000	2026/27 Gross Budget £000	2027/28 Gross Budget £000	2028/29 Gross Budget £000	Total Gross Budget £000
Housing Revenue Account Expenditure	**21,398.0**	**67,579.0**	**41,382.0**	**49,342.0**	**50,723.0**	**33,251.0**	**263,675.0**
Housing Revenue Account Financing							
1-4-1 Capital Receipts							**0.0**
Other Capital Receipts	8,500.0	4,105.0	4,076.0	4,000.0	4,000.0	4,000.0	**28,681.0**
Revenue Contributions	12,898.0	14,000.0	14,500.0	15,000.0	15,500.0	6,181.0	**78,079.0**
HRA Reserve							**0.0**
HRA Borrowing	0.0	49,474.0	22,806.0	30,342.0	31,223.0	23,070.0	**156,915.0**
Total HRA Financing	**21,398.0**	**67,579.0**	**41,382.0**	**49,342.0**	**50,723.0**	**33,251.0**	**263,675.0**

CAPITAL EXPENDITURE PROGRAMME 2024 - 2029

CONTENTS

CAPITAL PROGRAMME SUMMARY 2024-2029

Summary	Total Budget £000 (from GB 22/23)	Spend to 31/03/2023 £000	Remaining budget £000	2023-24 (Estimates) £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-2029 £000
Inclusive Economy	598,546	188,095	410,451	44,448	109,434	140,905	85,121	16,552	13,992
Children, Families and Education	130,358	79,356	51,002	6,982	11,802	14,137	8,027	5,027	5,027
Population & Wellbeing	95,777	63,687	32,089	11,780	16,519	1,895	1,895	-	-
Total Services	*824,681*	*331,138*	*493,543*	*63,210*	*137,756*	*156,937*	*95,043*	*21,579*	*19,019*
Commercial	534,372	508,972	25,400	12,200	13,200	-	-	-	-
Total General Fund	*1,359,053*	*840,110*	*518,943*	*75,410*	*150,956*	*156,937*	*95,043*	*21,579*	*19,019*
Housing Revenue Account	461,008	197,334	263,675	21,398	67,579	41,382	49,342	50,723	33,251
Total Projects	***1,820,061***	***1,037,444***	***782,617***	***96,808***	***218,534***	***198,319***	***144,385***	***72,302***	***52,270***
Less: Major Projects									
Library Road Car Park	137,800	2,251	135,549	3,210	20,000	50,000	62,339	-	-
LUF/The Stage	86,000	-	86,000	100	25,900	60,000	-	-	-
Invest to Save	15,511	-	15,511	975	14,506	30	-	-	-
Total Budget	***1,580,750***	***1,035,193***	***545,557***	***92,523***	***158,128***	***88,289***	***82,046***	***72,302***	***52,270***

Projects subject to Full Business Case and Approval									
Vauxhall Way Dualling of Carriageway						35,000			

INCLUSIVE ECONOMY

Item No.	Proj. No	Details Of Project	Project Subject to Business Case	Resource Code	Total Budget (from GB 2022/23) £000	Spend to 31/03/2023 £000	Remaining budget	2023-24 (Estimates) £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-2029 £000
Energy													
88	EN05	Sustainable Tree Planting Programme		RCCO	50.00	-	50.00	50.00	-	-	-	-	-
					50.00	***-***	***50.00***	***50.00***	***-***	***-***	***-***	***-***	***-***
Highways													
2	HW02	Luton Dunstable Busway - Works		PB	83,161.10	82,161.10	1,000.00	6.00	994.00	-	-	-	-
5	HW14	Digitalisation of existing safety camera		RCCO	1,408.42	1,002.97	405.45	75.00	330.45	-	-	-	-
6	HW18	Street Lighting LED Lantern Conversion		PB	3,577.87	3,571.62	6.25	6.25	-	-	-	-	-
12	HW35	Improving & Regulating ON-Street Parking		CR	349.94	137.82	212.12	212.12	-	-	-	-	-
15	HW38	Electric Vehicle Infrastructure		CR	105.27	24.00	81.27	81.27	-	-	-	-	-
24	HW45	Road Restraint Systems		PB	821.00	-	821.00	821.00	-	-	-	-	-
145	HW56	EV Charging points-	*	PB	1,100.00	-	1,100.00	-	450.00	300.00	350.00	-	-
146	HW17	Traffic Calming Measures		RCCO	2,616.91	1,616.91	1,000.00	-	200.00	200.00	200.00	200.00	200.00
155	HW44	Average Speed Cameras		CR/PB	1,731.80	-	1,731.80	65.00	466.80	300.00	300.00	300.00	300.00
1	HW01	LTP Package for Integrated Transport		CG	18,727.14	9,913.14	8,814.00	1,469.00	1,469.00	1,469.00	1,469.00	1,469.00	1,469.00
3	HW09	LTP Highway Maintenance		CG	24,404.30	13,249.30	11,155.00	2,400.00	1,923.00	1,708.00	1,708.00	1,708.00	1,708.00
4	HW11	Replacement Highway Lighting		CR/PB	10,333.95	7,278.83	3,055.12	587.12	492.00	492.00	492.00	492.00	500.00
8	HW28	Congestion Management		RCCO/PB	3,494.63	794.63	2,700.00	700.00	400.00	400.00	400.00	400.00	400.00
9	HW29	Highway Structures		RCCO/PB	3,388.00	688.00	2,700.00	500.00	1,200.00	500.00	500.00	-	-
13	HW36	Chaul End Lane Hatters Way-Dunstable Rd		PB	3,236.00	69.00	3,167.00	767.00	200.00	1,100.00	1,100.00	-	-
16	PR36	Surface Water Drainage		RCCO/PB	1,250.07	345.82	904.25	554.25	350.00	-	-	-	-
17	HW12	Resurfacing		RCCO/PB	26,155.37	3,571.37	22,584.00	2,400.00	2,992.00	4,298.00	4,298.00	4,298.00	4,298.00
20	HW25	Footway Upgrades		PB	3,375.00	-	3,375.00	375.00	-	750.00	750.00	750.00	750.00
22	HW26	Traffic Exclusion Zones		RCCO/PB	660.00	14.00	646.00	146.00	100.00	100.00	100.00	100.00	100.00
23	HW47	Local Cycling & Walking Implementation		PB	2,500.00	-	2,500.00	150.00	350.00	500.00	500.00	500.00	500.00
154	HW48	Improve & Regulate On-Street Parking		PB	1,350.00	-	1,350.00	350.00	200.00	200.00	200.00	200.00	200.00
156	HW46	Vehicle Actuated Signs		RCCO/CR/	180.00	-	180.00	30.00	50.00	50.00	50.00	-	-
219	HW43	Bus Service Improvement Plan		CG	3,331.00	-	3,331.00	1,611.39	1,719.61	-	-	-	-
220	HW34	Traffic Signal Upgrades - New Bedford Road		PB	2,200.00	-	2,200.00	-	-	2,200.00	-	-	-
					199,457.77	***124,438.51***	***75,019.26***	***13,306.40***	***13,886.86***	***14,567.00***	***12,417.00***	***10,417.00***	***10,425.00***
Investment Properties													
65	IVP01	Investment Properties Project		RCCO	1,246.23	2,000.00	- 753.77	-	- 753.77	-	-	-	-
66	IVP03	Investment Properties Refurbishment		CR/PB	1,820.01	3,552.79	- 1,732.78	822.93	- 2,555.71	-	-	-	-
67	IVP04	Farley Hill Redevelopment		PB	1,000.00	-	1,000.00	1,000.00	-	-	-	-	-
68	IVP05	Lewsey Park Development Project		PB	200.00	-	200.00	200.00	-	-	-	-	-
69	IVP08	Preservation House Refurb		RCCO	685.81	430.61	255.20	255.20	-	-	-	-	-
70	IVP09	Eureka Park 100, Ashford Refurbishment		PB	540.00	-	540.00	540.00		-	-	-	-
71	IVP10	Abbeywood Rd 2 West Malling Refurb		CR/PB	4,161.20	-	4,161.20	975.00	3,186.20	-	-	-	-
72	IVP06	Creative Quarter Regeneration		RCCO	269.00	207.50	61.50	61.80	- 0.30	-	-	-	-
					9,922.25	***6,190.90***	***3,731.35***	***3,854.93***	***- 123.58***	***-***	***-***	***-***	***-***
Neighbourhood Services													
7	HW23	Lane Watch Bus Lane Cameras		CR	45.00	-	45.00	45.00	-	-	-	-	-
18	HW41	Redeployable CCTV Neighbourhood Delivery		PB	70.00	33.97	36.03	36.03	-	-	-	-	-
19	HW39	Upgrade Public Surveillance CCTV		RCCO	155.00	121.27	33.73	33.73	-	-	-	-	-
148	HW31	Mobile enforcement solution		RCCO	85.00	-	85.00	85.00	-	-	-	-	-
150	HW40	Lean, green traffic enforcement machine		PB	58.50	20.30	38.20	-	38.20	-	-	-	-
151	HW42	Moving Traffic Violation Park Enforce		PB	130.00	93.06	36.94	36.94	-	-	-	-	-
153	HW49	CCTV infrastructure Future Proof System		PB	200.00	-	200.00	200.00	-	-	-	-	-

157	HW22	Parking enforcement equipment refresh		RCCO	100.00	-	100.00	50.00	-	-	50.00	-	-
200	24-25NEW10	Street Cleansing Transformation Programme – Required additional street cleansir		PB	268.00	-	268.00	-	268.00	-	-	-	-
204	24-25NEW14	Replacement hardware within the CCTV control room		PB	135.00	-	135.00	-	135.00	-	-	-	-
218	24-25NEW02	The Vale Cemetery Memorial Garden Refurbishment		PB/RCCO	150.00	-	150.00	-	120.00	30.00	-	-	-
					1,396.50	***268.60***	***1,127.90***	***486.70***	***561.20***	***30.00***	***50.00***	***-***	***-***
Parks													
85	PK16	Access to our Chiltern Countryside		CR/PB	60.00	-	60.00	20.00	20.00	20.00	-	-	-
89	PK12	New Childrens Play Area Leagrave Park		CR	75.00	45.79	29.21	29.21	-	-	-	-	-
90	PK02	Stockwood Park Veteran Tree Measures		RCCO	50.80	12.79	38.01	38.01	-	-	-	-	-
91	PK03	Town centre Tree management programme		RCCO	340.24	77.39	262.85	-	262.85	-	-	-	-
92	PK07	Play Equipment Replacement		RCCO	400.00	224.86	175.14	175.14	-	-	-	-	-
93	PK08	Wardown Lake and Terrace Restoration	*	PB	1,467.50	3.40	1,464.10	-	1,311.60	152.50	-	-	-
96	PK10	Upgrade Footways Parks & Open Spaces		RCCO	200.00	29.38	170.62	26.86	63.76	40.00	40.00	-	-
97	PK05	Child Friendly Town Playground Imps		RCCO/PB	1,500.00	16.00	1,484.00	-	884.00	300.00	300.00	-	-
98	PK11	Wardown Park Lake silt removal		RCCO	125.00	-	125.00	-	125.00	-	-	-	-
99	PK09	Safe Access- Park Lighting & CCTV		RCCO	775.00	105.98	669.02	4.34	354.68	155.00	155.00	-	-
					4,993.54	***515.59***	***4,477.95***	***293.56***	***3,021.89***	***667.50***	***495.00***	***-***	***-***
Property													
27	PR02	Library Buildings - Refurbishment Progra		PB	657.60	599.60	58.00	58.00	-	-	-	-	-
28	PR03	Vale Crematorium and Chapel Upgrade		PB	6.00	-	6.00	6.00	-	-	-	-	-
30	PR07	Alterations to Town Hall to support TWTP		CR	4,786.56	4,800.89	-14.33	1.82	-16.15	-	-	-	-
35	PR14	Silver Street Car Park Culvert Repairs		CR	2,047.00	1,784.70	262.30	100.00	162.30	-	-	-	-
39	PR24	Stockwood & Chalk Hills Fire Prevention		CR/PB	288.58	14.00	274.58	274.58	-	-	-	-	-
41	PR30	Apex House - Replacement Windows		PB	390.00	59.73	330.27	100.00	230.27	-	-	-	-
43	PR33	Boiler Replacement Programme		RCCO	299.84	130.41	169.43	169.43	-	-	-	-	-
44	PR34	Depot Former Street Services Building -		PB	624.56	28.23	596.33	200.00	396.33	-	-	-	-
45	PR40	Vale Landscaping Enhancements		PB	529.00	429.00	100.00	100.00	-	-	-	-	-
46	PR41	Vale Stockwood Park Masterplan		PB	199.86	62.44	137.42	137.42	-	-	-	-	-
47	PR42	Lifts Refurbishment Programme-Corporate		RCCO	899.95	356.03	543.92	303.92	240.00	-	-	-	-
49	PR44	Roof Renewals Programme - Corporate Buil		RCCO	600.00	-	600.00	681.35	-81.35	-	-	-	-
51	PR47	Automatic Door Barriers/Roller Shutter		RCCO/CR	999.91	932.55	67.36	67.36	-	-	-	-	-
52	PR53	Town Hall Main Bld Lift Refurb & Replace		PB	699.84	186.40	513.44	163.44	350.00	-	-	-	-
53	PR57	Wigmore Hall & SEND-		CG/PB	1,717.65	1,056.27	661.38	612.17	49.21	-	-	-	-
54	PR58	Women’s Aid Houses Refurbishment		PB	400.00	-	400.00	30.00	370.00	-	-	-	-
55	PR50	Stockwood Pk Academy Water Booster Works		CR/PB	300.00	250.00	50.00	50.00	-	-	-	-	-
56	PR51	Stockwood Pk Academy Roof Pipe update		PB	50.00	-	50.00	50.00	-	-	-	-	-
57	PR63	Stuart Street Public Realm Improvements-		CG	1,000.00	-	1,000.00	-	1,000.00	-	-	-	-
58	PR64	Market Hill Park-		CG	750.00	-	750.00	150.00	300.00	300.00	-	-	-
63	PR68	Bury Pk Community Centre Major Works		PB	875.00	-	875.00	-	875.00	-	-	-	-
64	PR69	Lewsey Community Centre Major Renovation		PB	1,773.00	-	1,773.00	-	1,773.00	-	-	-	-
73	PR39	Town Centre Delivery		CG	1,000.00	-	1,000.00	157.00	843.00	-	-	-	-
75	PR74	Stockwood Park Regeneration Scheme-		CG	2,000.00	-	2,000.00	2,000.00	-	-	-	-	-
78	PR72	Silver St Mixed Use Development-		CG/PB	2,500.00	-	2,500.00	-	2,500.00	-	-	-	-
79	PR77	LRSC Remedial Works-		PB	250.00	-	250.00	250.00	-	-	-	-	-
80	PR73	George St Revamp-		CG/PB	1,500.00	-	1,500.00	-	1,500.00	-	-	-	-
87	PR59	LUF The Stage - Bute St Redevelopment		CG/PB	137,800.00	2,251.00	135,549.00	3,209.94	20,000.00	50,000.00	62,339.06	-	-
95	PR26	Napier Park - East of Luton 106		PB	213.00	97.54	115.46	240.00	-124.54	-	-	-	-
142	PR48	Carbonisation Project	*	PB	8,361.52	8,086.75	274.77	274.77	-	-	-	-	-
143	PR31	Depot Electric Vehicles Charging Points		RCCO	500.00	-	500.00	160.00	100.00	120.00	120.00	-	-
152	PR60	Inspire Overflow Car Park		PB	300.00	-	300.00	300.00	-	-	-	-	-
26	PR01	Property Maintenance - Priority Programm		RCCO/PB	19,204.69	10,204.69	9,000.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00
29	PR04	Asbestos Management and Removal		RCCO/PB	4,932.80	3,242.31	1,690.49	440.49	250.00	250.00	250.00	250.00	250.00
31	PR08	Depot - Major Refurbishment	*	PB	5,592.34	2,879.41	2,712.93	112.93	450.00	1,000.00	950.00	100.00	100.00

32	PR09	BSF Life Cycle costs 25 yrs		RCCO/PB	6,460.20	4,180.20	2,280.00	380.00	380.00	380.00	380.00	380.00	380.00
33	PR10	Community Centres Maintenance		PB	1,830.17	1,335.54	494.63	94.63	400.00	-	-	-	-
38	PR21	Waste Transfer Station - Fire Safety Wor		PB	3,736.38	591.38	3,145.00	300.00	2,845.00	-	-	-	-
40	PR25	Apex House Refurbishment to Floor 3		RCCO	790.80	90.80	700.00	300.00	400.00	-	-	-	-
42	PR32	The Vale Cemetary Extension		PB	4,431.17	526.41	3,904.76	3,504.76	400.00	-	-	-	-
48	PR43	Main Town Hall Building - Replacement Wi		PB	1,460.00	-	1,460.00	-	1,460.00	-	-	-	-
50	PR45	Town Hall Extension recladding		RCCO	1,000.00	12.00	988.00	738.00	250.00	-	-	-	-
60	PR66	Pavilion Refubishment		RCCO/PB	975.00	-	975.00	225.00	150.00	150.00	150.00	150.00	150.00
140	PR35	Energy Management Programme Buildings	*	PB	1,730.00	149.90	1,580.10	280.10	100.00	100.00	100.00	500.00	500.00
197	24-25NEW07	Town Centre District Heat Network Feasibility Study and Project Development		PB	280.00	-	280.00	-	185.00	95.00	-	-	-
198	24-25NEW08	UKPN Local Electricity Supply Upgrades		PB	1,200.00	-	1,200.00	-	400.00	400.00	400.00	-	-
203	24-25NEW13	UK Shared Prosperity Fund (UKSPF)		PB	425.34	-	425.34	-	425.34	-	-	-	-
206	24-25NEW16	Town Hall – Roof Renewals.		PB	750.00	-	750.00	-	750.00	-	-	-	-
217	24-25NEW09	Kingsway Depot – Photovoltaic Panel system installation programme		PB/RCCO	700.00	-	700.00	-	700.00	-	-	-	-
					229,817.76	***44,338.18***	***185,479.58***	***17,723.11***	***41,512.41***	***54,295.00***	***66,189.06***	***2,880.00***	***2,880.00***
Property (Foxhall Homes)													
77	22-23New38	Cheapside Mixed Use Development-		CG	3,500.00	-	3,500.00	-	200.00	1,500.00	1,800.00	-	-
					3,500.00	***-***	***3,500.00***	***-***	***200.00***	***1,500.00***	***1,800.00***	***-***	***-***
Regeneration													
10	HW30	Train Station Regeneration	*	CG	2,000.00	-	2,000.00	-	500.00	1,000.00	500.00	-	-
21	HW50	Town Centre Multi Modal Transport Hub-	*	CG	2,000.00	-	2,000.00	-	2,000.00	-	-	-	-
59	PR65	Bute Street Pedestalisation- (Pedestrianisation)	*	CG	300.00	-	300.00	-	300.00	-	-	-	-
61	PR70	Lewsey Farm LC & Chantry Academy Heating	*	PB	300.00	-	300.00	50.00	250.00	-	-	-	-
62	PR67	Wigmore Hall Ph 2 Children’s Residential	*	CR/PB	1,200.00	-	1,200.00	600.00	600.00	-	-	-	-
76	PR76	Central Library Relocation-	*	CG	10,000.00	-	10,000.00	100.00	4,900.00	5,000.00	-	-	-
81	22-23New49	St George Sq. Revamp-	*	CG	3,000.00	-	3,000.00	-	3,000.00	-	-	-	-
82	New Code	Chapel Street Viaduct-	*	CG	1,200.00	-	1,200.00	-	1,200.00	-	-	-	-
86	PR75	Library Road Carpark Redevelopment-	*	CG	86,000.00	-	86,000.00	100.00	25,900.00	60,000.00	-	-	-
190	HW53	St Marys Road		CG	300.00	-	300.00	-	300.00	-	-	-	-
					106,300.00	***-***	***106,300.00***	***850.00***	***38,950.00***	***66,000.00***	***500.00***	***-***	***-***
Replacement/Status Quo													
105	RP01	Application Software		CR	8.00	7.74	0.26	-	0.26	-	-	-	-
107	RP04	Corporate Wifi		CR	21.00	-	21.00	-	21.00	-	-	-	-
108	RP05	Sharepoint replacement		CR	30.00	-	30.00	-	30.00	-	-	-	-
110	RP07	Intranet Replacement		CR	44.00	-	44.00	-	44.00	-	-	-	-
111	RP09	Mobile Telephony Estate Hardware Refresh		CR	2,057.97	570.98	1,486.99	729.05	257.94	250.00	250.00	-	-
115	RP14	Website - refreshing/replacing digital p		RCCO	190.00	11.04	178.96	100.00	78.96	-	-	-	-
119	RP18	APP Replacement		RCCO	150.00	-	150.00	150.00	-	-	-	-	-
133	RP19	APP Replace Regulatory Services S.ware		RCCO	519.00	-	519.00	-	519.00	-	-	-	-
					3,019.97	***589.76***	***2,430.21***	***979.05***	***951.16***	***250.00***	***250.00***	***-***	***-***
Sustainable Development													
208	24-25NEW18	Local Electric Vehicle Infrastructure (LEVI) Fund		PB	1,273.00	-	1,273.00	-	1,273.00	-	-	-	-
					1,273.00	***-***	***1,273.00***	***-***	***1,273.00***	***-***	***-***	***-***	***-***
Transformation													
120	TF01	Digital Inclusion		CR	36.00	5.69	30.31	30.31	-	-	-	-	-
121	TF02	Transition PS for Data Centre Refresh		CR	510.34	54.41	455.93	444.03	11.90	-	-	-	-
122	TF03	W2 Improvement		CR	3.95	5.75	- 1.80	-	- 1.80	-	-	-	-
123	TF06	New ICT Software - Technology		RCCO	249.46	219.70	29.76	-	29.76	-	-	-	-
124	TF09	Additional public wi fi to support BYOD		CR	40.00	-	40.00	40.00	-	-	-	-	-
125	TF10	File Store management software		CR	175.00	-	175.00	175.00	-	-	-	-	-

126	TF11	Avaya Unified Communications		RCCO	31.00	-	31.00	31.00	-	-	-	-	-
127	TF12	Break Fix Network Infrastructure		RCCO	100.09	57.98	42.11	42.11	-	-	-	-	-
129	TF14	Future Ready Programme		CR	518.50	118.00	400.50	400.50	-	-	-	-	-
130	TF15	Liquid Logic Early Years & Education Sof	*	PB	854.06	852.84	1.22	1.29	- 0.07	-	-	-	-
131	TF16	Digital 360 Development		RCCO	529.51	266.19	263.32	161.52	51.80	50.00	-	-	-
132	TF04	Contact Centre & Telephony replacement		RCCO/CR	310.00	0.17	309.83	-	309.83	-	-	-	-
134	TF19	ICT Strategy	*	PB	4,461.00	116.25	4,344.75	1,952.63	1,937.12	290.00	165.00	-	-
135	TF20	ATS - The Digital Switchover		PB	300.00	-	300.00	300.00	-	-	-	-	-
136	TF21	ICT Bids	*	CR/PB	3,245.00	-	3,245.00	-	3,245.00	-	-	-	-
137	TF23	LL Virtual Sch Replace Hosted eGov EPEP	*	PB	237.76	-	237.76	55.00	182.76	-	-	-	-
138	TF24	LL NCCIS NEET Replace Hosted Cognisoft	*	PB	217.55	-	217.55	55.00	162.55	-	-	-	-
139	TF22	PSTN Shutdown		RCCO	100.00	-	100.00	70.00	30.00	-	-	-	-
					11,919.22	***1,696.98***	***10,222.24***	***3,758.39***	***5,958.85***	***340.00***	***165.00***	***-***	***-***
Transport													
103	TS01	Transport Replacement Programme - Budgets only		RCCO/CR/PB	23,565.79	8,494.29	15,071.50	2,640.00	3,000.00	3,000.00	3,000.00	3,000.00	431.50
					23,565.79	***8,494.29***	***15,071.50***	***2,640.00***	***3,000.00***	***3,000.00***	***3,000.00***	***3,000.00***	***431.50***
Waste													
101	WS02	WCSS Implementation		RCCO	191.00	-	191.00	191.00	-	-	-	-	-
100	WS01	Recycling Centre & Bins		RCCO	2,982.96	1,544.24	1,438.72	313.72	225.00	225.00	225.00	225.00	225.00
102	WS04	Replacement Litter Bins		RCCO	156.00	17.50	138.50	1.00	17.50	30.00	30.00	30.00	30.00
					3,329.96	***1,561.74***	***1,768.22***	***505.72***	***242.50***	***255.00***	***255.00***	***255.00***	***255.00***
		Departmental Total For Inclusive Economy			**598,545.76**	**188,094.55**	**410,451.21**	**44,447.86**	**109,434.29**	**140,904.50**	**85,121.06**	**16,552.00**	**13,991.50**

CHILDREN, FAMILIES & EDUCATION

Item No.	Proj. No	Details Of Project	Resource Code	Total Budget (from GB 2022/23) £000	Spend to 31/03/2023 £000	Remaining budget	2023-24 (Estimates) £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-2029 £000
Children												
158	CD05	Profile Replacement System	CR	43.00	-	43.00	43.00	-	-	-	-	-
159	CD07	Healthy Pupil Capital Grant	CG	78.29	66.35	11.94	11.94	-	-	-	-	-
				121.29	***66.35***	***54.94***	***54.94***	***-***	***-***	***-***	***-***	***-***
Schools												
161	SC02	Development of Putteridge Playing Fields	PB	5.00	-	5.00	5.00	-	-	-	-	-
162	SC04	Special Units and Resourced Provision SE	CG	1,823.73	1,325.90	497.83	497.83	-	-	-	-	-
165	SC07	BSF Phase 1 Barnfield South Construction	CG	28.00	-	28.00	28.00	-	-	-	-	-
160	SC01	School Expansions Basic Needs	CG	66,554.05	40,098.05	26,456.00	2,831.00	7,515.00	10,110.00	4,000.00	1,000.00	1,000.00
163	SC05	Devolved Formula Capital Grant	CG	15,912.94	13,314.61	2,598.33	233.33	473.00	473.00	473.00	473.00	473.00
164	SC06	School Conditional Funding	CG	45,653.34	24,551.34	21,102.00	3,332.00	3,554.00	3,554.00	3,554.00	3,554.00	3,554.00
223	24-25NEW:	Childcare Expansion Capital Grant.	CG	259.90	-	259.90	-	259.90	-	-	-	-
				130,236.96	***79,289.90***	***50,947.06***	***6,927.16***	***11,801.90***	***14,137.00***	***8,027.00***	***5,027.00***	***5,027.00***

POPULATION AND WELLBEING

Item No.	Proj. No	Details Of Project	Resource Code	Total Budget (from GB 2022/23) £000	Spend to 31/03/2023 £000	Remaining budget	2023-24 (Estimates) £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-2029 £000
Housing General Fund												
171	HG01	Grants for the improvements to private h	CG	38,571.91	29,480.55	9,091.36	3,406.36	1,895.00	1,895.00	1,895.00	-	-
172	HG02	Temporary Accomm Purchasing Scheme TAPs	PB	30,665.05	29,771.59	893.47	893.47	-	-	-	-	-
173	HG06	Modernise Mobile Park & Travellers Site	PB	262.35	188.00	74.35	10.00	64.35	-	-	-	-
174	HG07	Mobile Homes and Caravan Sites	PB	5.00	-	5.00	-	5.00	-	-	-	-
175	HG09	Empty Homes	PB	400.00	-	400.00	400.00	-	-	-	-	-
176	HG12	TAPS Phase 2	RCCO/PB	11,167.27	4,247.10	6,920.17	6,920.17	-	-	-	-	-
177	HG13	Learning Disability & Autism Housing	PB	3,350.00	-	3,350.00	-	3,350.00	-	-	-	-
178	HG15	Plait Court Refurbishment-	PB	800.00	-	800.00	150.00	650.00	-	-	-	-
179	HG14	Gas Main St Thomas’ Rd Mobile Home Park	CR	55.00	-	55.00	-	55.00	-	-	-	-
216	24-25NEW23	TAPS3	PB/RCCO	10,500.00	-	10,500.00	-	10,500.00	-	-	-	-
				95,776.58	**63,687.24**	**32,089.35**	**11,780.00**	**16,519.35**	**1,895.00**	**1,895.00**	**-**	**-**

CORPORATE PROJECTS

Item No.	Proj. No	Details Of Project	Resource Code	Total Budget (from GB 2022/23) £000	Spend to 31/03/2023 £000	Remaining budget	2023-24 (Estimates) £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-2029 £000
Commercial Projects												
166	CP01	LLAL Investment	PB	507,533.00	487,133.00	20,400.00	12,200.00	8,200.00	-	-	-	-
169	CP06	Foxhall Homes Investment	PB	26,839.00	21,839.00	5,000.00	-	5,000.00		-	-	-
				534,372.00	**508,972.00**	**25,400.00**	**12,200.00**	**13,200.00**	**-**	**-**	**-**	**-**

HOUSING REVENUE ACCOUNT

Item No.	Proj. No	Details Of Project	Resource Code	Total Budget (from GB 2022/23) £000	Spend to 31/03/2023 £000	Remaining budget	2023-24 (Estimates) £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-2029 £000
Housing Revenue Account												
180	HRA01	Purchase of Ex RTB properties	CG	22,566.80	4,590.03	17,976.77	1,795.00	4,181.77	4,000.00	4,000.00	4,000.00	4,000.00
182	HRA04	Highway Agency Properties	CG	29.00	-	29.00	-	29.00	-	-	-	-
183	HRA10	Buckle Close	CG	18,502.25	4,205.21	14,297.04	5,650.00	8,647.04	-	-	-	-
184	HRA11	Freemans Green Land Adj Sherd Lodge	CG	7,564.50	334.97	7,229.53	2,600.00	4,129.53	500.00	-	-	-
185	HRA16	Pond Close/Butely Road/	CG	238.00	-	238.00	-	238.00	-	-	-	-
186	HRA21	HRA Extensions to Dwellings	CG	1,679.29	1,586.76	92.53	509.06	-416.53	-	-	-	-
187	HRA24	Climate Change Reduction Initiative	CG	1,599.85	533.99	1,065.86	265.86	200.00	200.00	200.00	200.00	200.00
188	HRA29	Housing Management System - Hosted	PB	679.00	290.10	388.90	774.46	-385.56	-	-	-	-
189	HRA23	Additional Affordable Housing (HRA)	CG/PB	139,381.00	-	139,381.00	983.00	40,669.00	26,426.00	34,961.00	36,342.00	18,870.00
181	HRA03	Major Works (BTS Capital)	CG	245,517.81	185,792.49	59,725.32	8,820.32	10,181.00	10,181.00	10,181.00	10,181.00	10,181.00
193	24-25NEW03	Housing Garage Site Refurbishment	PB	180.77	-	180.77	-	105.28	75.49	-	-	-
				437,938.27	**197,333.55**	**240,604.72**	**21,397.70**	**67,578.53**	**41,382.49**	**49,342.00**	**50,723.00**	**33,251.00**

INVEST TO SAVE PROJECTS

Item No.	Proj. No	Details Of Project	Project Subject to Business Case	Resource Code	Total Budget (from GB 2022/23) £000	Spend to 31/03/2023 £000	Remaining budget	2023-24 (Estimates) £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-2029 £000
Invest to Save													
71	IVP09	Abbeywood Rd 2 West Malling Refurb	*	CR/PB	4,161	0	4,161	975	3,186	0	0	0	0
216	24-25NEW23	TAPS3	*	PB/RCCO	10,500	0	10,500	0	10,500	0	0	0	0
217	24-25NEW09	Kingsway Depot – Photovoltaic Panel system installation programme		PB/RCCO	700	0	700	0	700	0	0	0	0
218	24-25NEW02	The Vale Cemetery Memorial Garden Refurbishment		PB/RCCO	150	0	150	0	120	30	0	0	0
					15,511	***0***	***15,511***	***975***	***14,506***	***30***	***0***	***0***	***0***

ABBREVIATIONS AND SYMBOLS USED IN CAPITAL REPORTING & RESOURCING

Resource Code

CG	=	Capital Grant
CR	=	Corporately Resourced: Capital Receipts, LLAL Dividend Received or Prudential Borrowing
PB	=	Prudential Borrowing
RCCO	=	Revenue Contribution
RTB	=	Right to Buy One for One Capital Receipts
TP	=	Third Party Contribution
MRA	=	Major Repairs Allowance
EF	=	External Financing

Resource Code	Service	Sub-Group		Bid Status	Excp Report	Total Budget £000	Spend to 31/03/2023 £000	Remaining budget	2023-24 (Estimates) £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-2029 £000	Check Zero	REC to V3
						1,820,060.86	1,037,443.59	782,617.28	96,807.66	218,534.07	198,318.99	144,385.06	72,302.00	52,269.50	-	
CG	HRA	HRA	Poverty & Health Inequality	Original		26,566.80	4,590.03	21,976.77	1,795.00	4,181.77	4,000.00	4,000.00	4,000.00	4,000.00	-	- 4,000.00
CG	HRA	HRA	Green & Sustainable Town	Original		1,799.85	533.99	1,265.86	265.86	200.00	200.00	200.00	200.00	200.00	-	- 200.00
CG/PB	HRA	HRA	Poverty & Health Inequality	Original		158,251.00	-	158,251.00	983.00	40,669.00	26,426.00	34,961.00	36,342.00	18,870.00	-	- 18,870.00

Variations in Spend and Income between 2023/24 and 2024/25

Appendix I

	£'000	£'000
General Fund (excluding Schools)		
Net Expenditure Budget 2023/24		158,537
Net Expenditure Budget 2024/25		167,367
Net Increase in Service Costs		**8,830**
Net increase in expenditure represented by:		
Cost Increases / Income Reductions		
Contractual Inflation		3,922
Non Contractual Inflation		2,445
Employee Costs (Pay Award, Increments, ER NI and Pension Contributions)		4,048
Growth (Demographic/Demand Led pressures and impact of new regulations)		4,158
One off transitional provision to aid recovery of 2022-23 overspend/structural deficit to be recovered over two years as part of revised Deficit Recovery Plans		
Chief Executive	341	
Childrens Families & Education	1,625	
Inclusive Economy	689	
Population Wellbeing	1,155	
		3,810
Reduction in LA Services Grant		1,025
Net increase in planned appropriations to Earmarked Reserves		4,420
Increase to Contingency Budget (Pay Award Uncertainty)		968
		24,796
Cost Reductions / Increased Income		
Returns on Investments - Debenture Loans & Other Investments		-466
Increase in Traded Service Income		-2,506
Net decrease in Debt Servicing and MRP		-1,735
Specific Grants and Funding for Social Care		-3,868
Section 31 Business Rates Discretionary Relief		-5,681
Increase in New Homes Bonus Grant		-230
Review of sales, fees and charges - additional Income to Services		-375
Inter-fund Movement in Support Service Recharges		-409
Airport Adjustments		-70
Other minor cost decreases (Net)		-626
		-15,966
Net Increase in Service Costs - 2024/25 budget		**8,830**

Appendix J

Local Authority Funding Reform Proforma

LA Name:	Luton
LA Number:	821

Primary minimum per pupil funding level	Secondary (KS3 only) minimum per pupil funding level	Secondary (KS4 only) minimum per pupil funding level	Secondary minimum per pupil funding level	Disapplication number where alternative
£4,610.00	£5,771.00	£6,331.00	£5,995.00	

Pupil Led Factors

	Reception uplift	No	Pupil Units	0.00			
	Description	**Amount per pupil**	**Pupil Units**	**Sub Total**	**Total**	**Proportion of total pre MFG funding (%)**	**Notional SEN (%)**
1) Basic Entitlement Age Weighted Pupil Unit (AWPU)	Primary (Years R-6)	£3,619.65	22,659.00	£82,017,730	£166,004,042	36.61%	13.00%
	Key Stage 3 (Years 7-9)	£5,103.28	9,385.00	£47,894,327		21.38%	13.00%
	Key Stage 4 (Years 10-11)	£5,752.63	6,274.00	£36,091,985		16.11%	13.00%

	Description	Primary amount per pupil	Secondary amount per pupil	Eligible proportion of primary NOR	Eligible proportion of secondary NOR	Sub Total	Total	Proportion of total pre MFG funding (%)	Primary Notional SEN (%)	Secondary Notional SEN (%)
2) Deprivation	FSM	£497.97	£497.97	5,453.00	4,307.00	£4,860,210	£24,026,543	10.72%		
	FSM6	£833.34	£1,219.52	5,619.00	4,712.00	£10,428,942			10.00%	10.00%
	IDACI Band F	£238.82	£345.53	4,794.80	3,281.06	£2,278,820			30.00%	30.00%
	IDACI Band E	£289.64	£457.32	3,702.09	2,648.59	£2,283,516			30.00%	30.00%
	IDACI Band D	£452.24	£640.25	1,190.07	821.27	£1,064,018			30.00%	30.00%
	IDACI Band C	£492.89	£701.23	1,042.19	841.25	£1,103,595			30.00%	30.00%
	IDACI Band B	£523.38	£752.04	891.32	593.10	£912,532			30.00%	30.00%
	IDACI Band A	£691.06	£960.38	924.13	475.10	£1,094,910			30.00%	30.00%

	Description	Primary amount per pupil	Secondary amount per pupil	Eligible proportion of primary NOR	Eligible proportion of secondary NOR	Sub Total	Total	Proportion of total pre MFG funding (%)	Primary Notional SEN (%)	Secondary Notional SEN (%)
3) English as an Additional Language (EAL)	EAL 3 Primary	£599.60		6,733.10		£4,037,163	£6,346,612	2.49%	10.00%	
	EAL 3 Secondary		£1,610.79		956.27	£1,540,343				10.00%
4) Mobility	Pupils starting school outside of normal entry dates	£975.62	£1,402.45	516.54	189.07	£769,105		0.34%	10.00%	10.00%

	Description	Weighting	Amount per pupil (primary or secondary respectively)	Percentage of eligible pupils	Eligible proportion of primary and secondary NOR respectively	Sub Total	Total	Proportion of total pre MFG funding (%)	Primary Notional SEN (%)	Secondary Notional SEN (%)
5) Low prior attainment	Primary low prior attainment		£1,189.04	35.56%	8,056.68	£9,579,677	£16,180,733	7.22%	30.00%	
	Secondary low prior attainment (year 7)	55.77%	£1,803.88	23.02%	3,659.37	£6,601,056				30.00%
	Secondary low prior attainment (year 8)	54.47%		21.40%						
	Secondary low prior attainment (year 9)	54.47%		21.29%						
	Secondary low prior attainment (year 10)	64.53%		25.59%						
	Secondary low prior attainment (year 11)	64.53%		25.53%						

Other Factors

Factor	Lump Sum per Primary School (£)	Lump Sum per Secondary School (£)	Lump Sum per Middle School (£)	Lump Sum per All-through School (£)	Total (£)	Proportion of total pre MFG funding (%)	Notional SEN (%)	
6) Lump Sum	£136,586.69	£136,586.69			£8,058,615	3.60%	13.00%	13.00%
7) Sparsity factor	£58,029.02	£84,350.41	£84,350.41	£84,350.41	£0	0.00%		

Rows 45 to 48 are populated with the NFF methodology, please leave this as is if you wish to follow the NFF. As per the Operational Guidance, the distance thresholds can be increased or the year group size thresholds decreased and the distance threshold taper

Primary distance threshold (miles)	2.00	Primary pupil number average year group threshold	21.40	Apply primary distance taper	Yes	NFF, tapered or fixed sparsity primary lump sum?	NFF
Secondary distance threshold (miles)	3.00	Secondary pupil number average year group threshold	120.00	Apply secondary distance taper	Yes	NFF, tapered or fixed sparsity secondary lump sum?	NFF
Middle schools distance threshold (miles)	2.00	Middle school pupil number average year group threshold	69.20	Apply middle school distance taper	Yes	NFF, tapered or fixed sparsity middle school lump sum?	NFF
All-through schools distance threshold (miles)	2.00	All-through pupil number average year group threshold	62.50	Apply all-through distance taper	Yes	NFF, tapered or fixed sparsity all-through lump sum?	NFF

8) Fringe Payments			Fringe multiplier	1.0000	£0	0.00%	
9) Split Sites	Basic eligibility funding	£54,573.70	Distance funding rate	£27,337.66	£245,734	0.11%	
10) Rates					£1,947,418	0.87%	
11) PFI funding					£245,531	0.11%	
12) Exceptional circumstances (can only be used with prior agreement of ESFA)							

Circumstance	Total (£)	Proportion of total pre MFG funding (%)	Notional SEN (%)	
Additional lump sum for schools amalgamated during FY23-24	£0	0.00%	13.00%	13.00%
Additional sparsity lump sum for small schools	£0	0.00%		
BSF	£720,245	0.32%		
Shared Use	£209,902	0.09%		
Exceptional Circumstance5	£0	0.00%		
Exceptional Circumstance6	£0	0.00%		
Exceptional Circumstance7	£0	0.00%		

Total Funding for Schools Block Formula (excluding minimum per pupil funding level and MFG Funding Total)	**£223,985,374**	**99.98%**
13) Additional funding to meet minimum per pupil funding level	**£55,456**	0.02%
Total Funding for Schools Block Formula (excluding MFG Funding Total)	**£224,040,830**	**100.00%**

14) Minimum Funding Guarantee	0.50%	**£1,250,764**
Where a value less than 0% or greater than 0.5% has been entered please provide the disapplication reference number authorising the value		
Apply capping and scaling factors? (gains may be capped above a specific ceiling and/or scaled)		No
Capping Factor (%)	Scaling Factor (%)	
Total deduction if capping and scaling factors are applied		£0

	Total (£)	Proportion of Total funding(%)	Notional SEN (%)
MFG Net Total Funding (MFG + deduction from capping and scaling)	£1,250,764	0.55%	
Total Funding for Schools Block Formula	**£225,291,594**		**£31,781,138**

Notional SEN	**Top-up - proportion of NOR** 2.25%	**SEN support plus EHCP minus Top-up - proportion of NOR** 13.70%	**Notional SEN funding per eligible pupil**	**£5,072**

High Needs threshold (only fill in if, exceptionally, a high needs threshold different from £6,000 has been approved)	
Additional funding from the high needs budget	£54,000.00
Growth fund (if applicable)	£1,396,863.00
Falling rolls fund (if applicable)	

Other Adjustment to 23-24 Budget Shares	**£0**
Total Funding For Schools Block Formula (including growth and falling rolls funding)	**£226,688,457**
% Distributed through Basic Entitlement	**74.10%**
% Pupil Led Funding	**94.87%**
Primary: Secondary Ratio	**1 : 1.35**

24-25 NFF NNDR allocation, excluding prior year adjustments	**£1,947,418**
Total Funding For Schools Block Formula (including growth and falling rolls funding) after deduction of 24-25 NFF NNDR allocation	**£224,741,039**

1. Dedicated Schools Grant & Centrally Retained Budgets 2

Appendix K

Central School Services Block

Item No	Line	Description	Budget
1	1.4.2	School Admissions	£514,171
2	1.4.3	Schools Forum	£19,793
3	1.4.9	Equal Pay Reserve	£176,718
4	1.4.10	Pupil Growth Fund (Primary & Secondary funded by Schools block)	£1,396,863
5	1.4.13	School Licenses (Arranged by DfE for all state funded schools	£198,275
6	1.5.1	Education Welfare	£227,331
7	1.5.2	Asset Management	£21,592
8	1.5.3	Statutory/Regulatory Duties	£405,093
9	1.5.3	Standing Advisory Council for Religious Ed	£15,118
10	1.5.3	EYES Software	£49,118
			£3,024,072

Early Years Block

Item No	Line	Description	Budget	Description
11	1.3.1	Early Years - Support and Intervention	£341,943	Provides advice, support, guidance and training for early years providers to ensure that they meet statutory requirements, including safeguarding and deliver high quality care
12	1.3.1	Family Support	£77,761	Commissioning support for under 2, 2, 3 & 4 year old Nursery education provision
13	1.3.1	Non delegated Nursery General	£775,491	Estimated balance of Nursery Supplementary Funding
14	1.3.1	Imporovement and Monitoring	£1,617	School Improvement
15	1.3.1	Other	£30,154	Excess Pension costs
			£1,226,966	

2. Make up of Dedicated Schools Grant for 2024-25

DSG Funding

	£000
Schools Block Funding	224,741
Early Years Funding	28,225
High Needs Funding	47,591
Central School Services Block	1,627
Total Provsional DSG	**302,184**

UNAVOIDABLE COST GROWTH INCLUDED IN THE 2024/25 DRAFT GENERAL FUND BUDGET

Appendix L

Dept.	Service	Proposal	Budget Growth (annual cost) 2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Corporate Cost Increases						
All	All Services	Necessary to cover Contractual Inflation	3,922			
All	All Services	Required to cover Non Contractual Inflation pressures	2,445			
All	All Services	Employee Costs - Pay Award, Increments and ER NI and Pension Contributions	4,048			
		Sub Total	**10,415**			
Specific Service Cost Increases						
CEX	Community Engagement and Legal	To enable 2 x Community Coordinator Posts, fixed term contracts for 3 years	90			
CEX	Community Engagement and Legal	Increase in Insurance and Business Rates on LBC Property. Small increase in Member Allowances.	459			
CEX	Finance Revenues & Benefits	Unsustainable pressure on Housing Benefit Subsidy due to increase in homelessness and supported living	1,900			
CFE	Children's Social Care	To address pressure within Legal Team supporting Children Families and Education Dept. and reduce reliance on external contractors	100			
CFE	Children's Social Care	Council Tax support to Foster Carers	107			
IE	Property & Infrastructure	To add capacity to Town Centre Project Team key to delivery of 2040 vision	151			
IE	Neighbourhood Services	Reinvesting in the provision of grounds maintenance services within the public realm	200			
IE	Sustainable Development	to reflect unavoidable costs of implementing new Building Control Regulations	132			
PWB	Adult Social Care	Learning & Development Transitions, Home Care Demographic, Mental Health Purchased Care	1,019			
		Sub Total	**4,158**			
All	All Services	Impact of 2022-23 Overspend / Structural Deficit - to be recovered over two years as part of revised Deficit Recovery Plans	**3,810**			
		Total	**18,383**			

Deficit Recovery Plan Savings **Appendix M**

Deficit Recovery Savings required in 2024/25 & 2025/26	Forecast 2023/24 overspend	Re 2023/24 Overspend/ Deficit expected to be delivered in 2024/25	Re 2023/24 Overspend/ Deficit expected to be delivered in 2025/26	Comments
	£000	£000	£000	
Chief Executive's	847	507	341	• Overspend pressure in Legal Services. • Adult Social Care income shortfall in 2023/24. • Accountancy services - recruitment continues to be challenging requiring some reliance on agency staff.
Children Families & Education	3,250	1,625	1,625	• Rising costs for Children Placements and Children Disability areas - number of children in care increasing, cost going up but also due to very expensive care of some children with very complex need •Agency Staffing -ongoing challenges with recruitment of permanent staff and the use of more expensive agency staff across the social work teams. •Home to School Transport - demand for SEND transport continue to rise+ further overspend due to the use of external provider for Education Psychology assessments in order to meet increased demand.
Inclusive Economy	1,859	1,170	689	• Procurement Income deficit. • Property Investment Income shortfall – more properties becoming vacant and the Council, as landlord, is liable for costs that tenants would otherwise cover like Service charges and Business Rates. •Repairs and Maintenance of Council properties and additional costs for reinforced concrete (RAAC). • Refuse Collection's extra costs following essential repairs to the hopper floors of the refuse trucks plus hiring costs of replacement vehicles and the extra costs of using agency staff to cover vacant posts. •Parking Income shortfall. •Crematorium - Target number not met plus additional on essential repairs to the second cremator. •Street Cleansing service vacant posts are being covered by more expensive agency staff at an increased cost and the service is also unable to achieve the turnover provision. •Building Controls cost to recruit a consultant company and agency staff to work on key developments such as the airport, hospital and upgrades to the existing football stadium. •Development Control service needed to bring in consultancy support to provide specialist advice - airport advice •Fleet Trading - service unable to gain new contract.
Population Wellbeing	3,111	1,956	1,156	• Homelessness - usage of expensive B&B and nightly paid accommodation. • ASC purchased care services
Total Deficit Recovery Plan savings	**9,067**	**5,257**	**3,810**	

SUMMARY OF REVENUE ESTIMATES

Appendix N

2022-2023 Actual (subject to Audit clearance) £000		**2023-2024 Estimate £000**	**2024-2025 Estimate £000**
	GENERAL FUND DEPARTMENTS		
-59	Airport	14	-52
14,091	Chief Executive	12,808	13,822
52,523	Children Families and Education Services	57,294	62,606
30,909	Inclusive Economy	33,046	34,609
65,723	Population Wellbeing	63,397	65,739
36,166	Capital Financing Charges	37,548	33,214
199,353	Total Service Cost	204,107	209,937
	CENTRAL ACCOUNTS		
1,664	Contingency & Other Corporate Costs	5,115	6,242
-15,181	General Grants & Other Corporate Income	-11,707	-15,503
-38,537	Interest on Investment	-41,804	-42,270
-14,144	Capital Financing	-17,052	-11,828
15,031	Borrowing & Treasury Management	17,922	16,137
125	Environmental Agency Levy	125	125
148,311	**GENERAL FUND NET EXPENDITURE BEFORE MOVEMENTS IN RESERVES**	156,707	162,840
1,148	**HOUSING REVENUE ACCOUNT** (before rent increase)	-1,970	-2,400
	SCHOOLS		
160,499	Schools Budget	167,395	176,921
-160,499	Dedicated Schools Grant	-167,395	-176,921
0		0	0
	Appropriations to / (-) from Operational Reserves		

0	Schools Balances	0	0
-1,148	Housing Revenue Account Balances	1,970	2,400
0	Public Health	0	0
57	Transfer to Specific Operational Reserves	107	4,527
148,368	**TOTAL NET EXPENDITURE**	**156,814**	**167,367**
	Contributions to (+) or from (-) Collection Fund		
-3,614	Council Tax Surplus (-) / + Deficit	-1,443	-4,550
682	Business Rates Surplus (-) / + Deficit	0	812
	Income from Local Taxation & Funding Settlement		
-11,278	Revenue Support Grant	-12,427	-13,488
-31,991	Business Rates	-34,177	-33,758
-14,508	Business Rates Top Up Funding	-13,208	-13,371
-10,344	Council Tax Precept - Adult Social Care	-10,344	-12,643
-77,315	Council Tax Precept - Other Services	-85,214	-90,370
-148,368	**FUNDING OF NET EXPENDITURE**	**-156,814**	**-167,367**
	Tax base (number of Band D equivalent properties)	54,758	56,224
£	Council Tax (Band D)	£	£
1,466.03	Borough Purposes	1,515.73	1,567.92
196.14	Borough Purposes - Social Care Precept	229.38	264.28
237.09	Bedfordshire Police Authority	252.09	265.09
104.45	Beds & Luton Fire Authority	109.45	112.72
2,003.71		2,106.65	2,210.01

Note on amendments to 24/25 estimates from those in Budget Report to 15th January Executive
1. Budget re-alignment as a result of Capital Financing Charges which will not change the funding of the net budget requirement
2. Budget re-alignment as a result of support service charges which is not significant and will not change the funding of the net budget requirement
3. Schools Funding announced after the 1st Executive meeting which will not change the funding of the net budget requirement
4.The budget has been adjusted to reflect the additional grant for Social Care (£0.75m Adult and £0.75m Children services)
5. Precept Rates added for Bedfordshire Police Authority and for Beds & Luton Fire Authority.

Minimum Revenue Provision (MRP) Policy

1 In accordance with suggestions in the statutory guidance, a variety of approaches will be used for the differing types of capital expenditure. In view of the significant level of investments and borrowings, the Council is currently reviewing its Capital Strategy in order to reflect the latest guidance issued by DLUHC and CIPFA as appropriate.

2. In terms of recent developments, since November 2021 the government has run 3 consultation processes to gage views on proposed regulatory changes on how councils are required to make their minimum revenue provision. The government has taken on board comments made by various organisations to seek views on the proposed changes to the regulations to ensure the wording of the proposed regulation changes meets the policy intent, does not have any unintended consequences and provides additional flexibilities with respect to capital loans. The draft regulations states that “where a local authority incurs loss, or expects to incur loss, during a financial year in relation to a loan given by that authority to any person, the local authority must, net of any existing MRP provision, charge to a revenue account a sum equal to the amount of that loss, as recognised under proper practices, in that financial year.” This new proposal allows flexibility to Council and any provision has to be based on proper accounting principles and prudence. Once the final regulations are enacted, officers will make regular assessment of the risk to the loans and make any necessary MRP provisions as appropriate.

3. The purpose of the current consultation is to seek views on the revised Guidance and final proposed amendments to the Regulations. The proposed changes to the Regulations remain substantively the same as previously consulted on in the June-July 2022 consultation, with some minor changes to reflect responses. The Guidance provides detailed interpretation and outlines the government’s expectations of how the Regulation requirements should work in practice. Respondents should consider the Guidance (including the informal commentary in its annex) and Regulation changes together.

4. The government will work with the sector and relevant stakeholders through this consultation to ensure that the objectives are met while avoiding unintended consequences. No changes will be put in into effect before April 2024.

5. Where the Council makes secured capital loans, for example to London Luton Airport Limited, Council Wholly Owned Company and potentially to other public sector bodies and registered social landlords, no MRP will be charged. This is because the stated aim of the MRP is to make prudent provision, which is to ensure that debt is repaid over a period broadly commensurate with the period over which the capital expenditure provides benefits. If the loan is properly secured and repayable over or at the end of the period in which it provides benefits, then the loan repayment ensures that the debt is repaid, and MRP would double-up the provision. It is however essential that proper accounting practice is followed, and an appropriate provision is made should any doubt emerge about whether a loan will be repaid. This may have a significant impact on the revenue budget in the year this risk is materialised.

6. For some capital spend, known as supported capital expenditure, the Government includes an element within the Council’s formula grant to help pay off the debt each year.

7. For any new supported borrowing, the Council will use the Regulatory Method, as set out in option 1 of the statutory guidance.

8. For capital expenditure prior to 31 March 2007 the Minimum Revenue Provision policy will be changed to a straight line method using an assumed average 50 year life (as at 1 April 2007).

9. For existing and new borrowing after 31 March 2007 the Council uses the annuity method to calculate the applicable annual charge of MRP. For each asset the annuity calculation is based on the expected life of asset being financed. If an equal instalment loan was used to finance the expenditure then the total MRP and interest payment would be consistent for the life of the asset. The amounts of principal repayments are calculated so that by the end of the asset's life the principal is fully repaid.

10. Freehold land without a structure on it will be written off over 50 years, in accordance with the guidance.

11. In the case of major new assets with an extended construction period, the Council will only begin requiring an MRP to be made in the year following the asset being brought into use. However the Council may take a view based on materiality that there is a need to set aside additional voluntary contribution to reflect the debt servicing and income profile of individual projects. This is in accordance with paragraph 13 of the statutory guidance and prudence concept, which describes this option as an 'MRP holiday'.

12. For any finance leases, embedded leases, and any on-balance sheet public finance initiative (PFI) schemes, the MRP charge required in accordance with proper practices will equal to the principal repaid in year.

13. Should the Council apply for, receive, and use any capitalisation directions in the year, it will use the 'Equal Instalment' version of the 'Asset Life Method', option 3a in the statutory guidance. This means that an estimate will be made of the life of the asset, and the Council will then write off the debt in equal instalments over each year of the expected life. That life will be determined in accordance with the maximum value shown in the table set out in paragraph 24 of the statutory guidance.

14. Where the Council purchases share capital (excluding cumulative redeemable preference shares) in an organisation, whether it is a wholly owned subsidiary or not, MRP will be charged over the recommended 20 years.

15. The HRA Capital Financing Requirement is outside of the MRP policy; however the Council must maintain the Major Repairs Reserve (MRR), which controls an element of the capital resources required to be used on HRA assets or for capital financing purposes. Under the new arrangements in the self-financing HRA, to establish the resources available on an annual basis in the Major Repairs Reserve, the regulations require the MRR to be credited with an amount equivalent to the total depreciation charges for all HRA assets.

Investment Strategy

Introduction

1 The Authority invests its money for three broad purposes:

a) because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),

b) to support local public services by lending to or buying shares in other organisations (service investments), and

c) to earn investment income and also as part of the town regeneration strategy (known as commercial investments where this is the main purpose).

This investment strategy meets the requirements of statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories.

2 Within the revised capital programme for 2024-2029 there are a number of high profile projects which underpin the Councils vision for the future and form part of the capital and investment strategy. The main projects are as follows:

- Stage Project (partly financed by Levelling Up Funding)
- Vauxhall Way Dualling of Carriageway

3 Treasury Management Investments

The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £50m and £10m during the 2024/25 financial year.

4 The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

5 Full details of the Authority's policies and its plan for 2024/25 for treasury management investments are covered in a separate document, the treasury management strategy 2024/25 (add reference when available).

Service Investments: Loans & Shares

6 The Council invests in its subsidiaries, London Luton Airport Ltd (LLAL) and Foxhall Homes Ltd, to support local public services and stimulate local economic growth. The Council invests using equity shares and debenture loans. Dividends payable are assessed annually with the ultimate objective of releasing profits to support statutory services. All loans approved to date are maturity loans with interest charges paid annually.

7 Loans to be approved for issue to LLAL are to support the stabilisation plan and to support the completion of major capital schemes. These will take the form of debentures and redeemable preference shares, up to £20m.

8 In addition to these schemes there are a number of historical loans held by LLAL.

9 Loans have been approved to support a number of housing projects being developed by Foxhall Homes Ltd. The development loan and share capital is forecast to be £x million by March 2024, with a further £5 million built into the capital programme for 2024/25.

10 The Council has partly owned companies, QED Luton (Challney) Group Ltd and Luton Learning and Community Partnership Limited (LLCP). The companies are co-owned with Building Schools for the Future Investments (BSFI) LLP and were created to develop and manage a private finance initiative for the Luton Schools project initiated in 2009. The main objective of the company is the development and ongoing maintenance of the Challney Boys School buildings. The Council has a shareholder interest.

11 The Council is currently a shareholder in three companies. There are no current plans for an investment in any future ventures. The level of shares issued to Foxhall Homes is expected to increase over the short term to finance existing and future developments.

12 The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

Organisation	Estimated Debt 31/03/2024 (£m)	Debt Exposure Limit (£m)	Estimated Share Capital 31/03/2024 (£m)	Share Capital Exposure Limit (£m)
London Luton Airport Ltd	499.3	507.5	44.8	44.8
Foxhall Homes Ltd	21.3	33.8	0.8	10.8
LLCP/BSFI Companies	1.2	1.2	0.6	0.6

The exposure limits represent the currently approved amount by Full Council

13 The council assesses the risk of loss before entering into and whilst holding service loans by assessing the financial position, performance and other external influencing factors, including the current market conditions. None of the companies currently hold a credit rating and there is no intention for this to change. This makes the assessments described above necessary to satisfy financial due diligence before financial commitments are approved.

14 The financial position will be assessed by a review of the company's Balance Sheet and the use of ratios to monitor the financial strength, management and risk of the council's investment. The ratios can be used to compare the financial position to market benchmarks, historical positions and previously forecasted positions.

15 The financial performance of the company will be assessed by examining the company's profitability and business plan. This will include ratios examining the entities ability to repay interest and principal, and an assessment of current and future profitability.

16 A number of other factors will be assessed which will cover more subjective reviews. The use of external advisors will be important in ensuring the market conditions and future competition is understood and risks evaluated.

17 Each separate decision to invest is supported by a robust Business Case. In most cases the use of external advisors is necessary to create a robust and coherent case for future investment. In more complex and complicated investment decisions and the LLAL stabilisation plan, additional governance is introduced into the decision making process. All major investments will undergo scrutiny of the business case before commencement. This will normally take the form of a separate Task & Finish Group comprising of cross party members.

18 The Council will assess the term of any additional debt or share capital financing on a decision-by-decision basis. The liquidity and profitability assessment will be made to maximise the delivery of the Council's statutory operations and to manage the level of risk the Council is exposed to.

19 Shares are the only investment type that the Council has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Council's upper limits on non-specified investments. The Authority has not adopted any procedures for determining further categories of non-specified investment since none is likely to meet the definition.

Commercial Property Investments

20 The Council invests in local, regional and UK property with the intention of making a profit that will be spent on local public services. The below table summarises the investment portfolio currently held.

Property Group	**2022 value Price £Ms**	**Current Value 31/03/2023 £Ms**	**Net Gain / (Loss) £Ms**
Retail & Retail Parades	£39.5	£39.5	£0
Leisure	£3.4	£3.4	£0
Offices	£37.5	£36.8	-£0.7

Industrial	£16.4	£16.4	£0
Other	£19.1	£19.0	£0.1
Total	**£115.9**	**£115.1**	**£-0.8**

21 There has been an overall fall in the value of commercial property across the country both as a result of changing working patterns due to COVID-19 and due to the changing nature of the high street. However, the Luton Investment Portfolio has remained extremely robust due to a careful and prudent acquisition strategy, favourable landlord friendly leases and recent strong letting performance that has led to low void levels with most vacant office and retail space now let or under offer. Income performance continues to be strong and yields are as expected or better.

22 In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs. The above table illustrates a small loss in valuations across the portfolio. Properties held before 2013 are included at the value as at this date or the first year the property was valued as an investment property.

23 The Council follows the government guidance in respect of Minimum Revenue Provision (MRP) and therefore sets aside an annual repayment based on the estimated useful life of the asset. Since 2013, the Council will have made MRP towards commercial property purchases. Further MRP has been allowed for as part of the revenue budget to cover the debt servicing and capital repayment associated costs.

24 The net movement in property valuations will be assessed annually to ensure security risk is managed effectively.

25 Further details on the Commercial Property investment policy is included within the Capital Strategy.

26 Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Council will continue to assess the portfolio and only dispose of a property when it does not meet the requirements of the strategy in terms of financial returns or level of risk.

Proportionality

27 The Council is dependent on profit generating investment activity to achieve a balanced revenue budget. The table below shows the extent to which the expenditure planned to meet the service delivery objectives and/or place-making role of the Council is dependent on achieving the expected net profit from investments over the lifecycle of the Medium Term Financial Plan. Should it fail to achieve the expected net profit, the Council's contingency plans for continuing to provide these services in the short term as a last resort is to use earmarked reserves to balance the budget. This is only sustainable in the short term and service reduction and efficiencies would be required to maintain a sustainable budget in the longer term.

	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget
Net Revenue Stream	162,004	171,039	171,111	175,014	179,012
Net Commercial income	37,418	37,824	38,416	38,981	39,245
Proportion	23.10%	22.11%	22.45%	22.27%	21.92%

Borrowing in Advance of Need

28 Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed.

29 Where a local authority chooses to disregard the Prudential Code and this Guidance, and borrows or has borrowed purely to profit from the investment of the extra sums borrowed the Strategy should explain why. While the Council's Corporate Asset Plan and objectives set out in this Strategy are to generate income, all investments made contribute to meeting Corporate and Capital Asset goal of economic growth and creating wealth in Luton.

30 The Council has no plans to borrow in advance of need or to invest only to generate a yield and is therefore compliant with the requirements of the Prudential Code in respect of this matter and the guidance issued by HMT.

Capacity, Skills and Culture

31 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. Where skills, or capacity are lacking, the Council will buy in suitably qualified professionals to assist Council Officers and Members to ensure informed decisions are made when entering into a specific investment. The Council measures the impact of investment decisions on borrowing and affordability through the Prudential, Treasury and Investment Indicators, and Medium Term Financial Strategy, to ensure overall risk exposure remains within acceptable levels.

32 The Council's Property & Construction team together with senior Finance Officers work closely when negotiating commercial transactions. The Corporate Leadership Management Team (CLMT) provides the setting for challenge of new investment proposals ensuring the core principles of the prudential framework and the regulatory regime within which the Council operate are adhered to.

33 The Service Management Teams will submit capital bids, to the Service Director (Finance, Revenues and Benefits) and then subsequently CLMT, to support service and commercial capital investment proposals that contribute to meeting the Council's objectives set out in the Corporate Plan. Full Council is required to approve investment in new capital schemes prior to any expenditure being incurred.

Investment Indicators

34 The Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.

A. Total risk exposure

35 The first indicator shows the Council's total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to be drawn down.

Total Investment Exposure	31 March 2023 Actual £m	31 March 2024 Forecast £m	Total Approved £m
LLAL Equity & Debt	487	499.333	£507.53
Foxhall Homes Equity & Debt	21	21	£44.60
LLCP/BSFI Companies Equity & Debt	£1.8m	£1.8m	£1.80
Commercial Property	115.9	115.1	£117.70
Total Investments	**624**	**635**	**672**
Treasury Management Strategy Non-Specified Investments limit			**£680.0m**

36 Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the majority of investments could be described as being funded by borrowing, whether it be internal or external borrowing. As MRP and/or capital receipts relating to these investments are received the underlying need to borrow reduces.

B. Rate of Return

37 This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Investments net rate of return	31 March 2023 Actual	31 March 2024 Forecast	31 March 2025 Forecast
LLAL Equity & Debt	£25.8m (5.8%)	£29.1m (5.9%)	£29.4m (5.9%)
Foxhall Homes Equity & Debt	£1.3m (5.8%)	£1.3m (5.8%)	£1.4m (5.8%)
LEP & BSF Entities Equity & Debt	£0.1m (4.8%)	£0.1m (4.8%)	£0.1m (4.8%)
Commercial Property	£8.4m (6.3%)	£8.4m (6.3%)	£8.4m (6.3%)

38 The LLAL return percentage falls noticeably due to the increase in proportion of debt financing in comparison to equity financing. The debt financing returns 8%, which includes a risk premium for the Council, but this is substantially less than the historic equity return which was above 40%. Under the current stabilisation plan, new loans financing the element of interest capitalised by LLAL has been advanced at a lower interest rate of 4% and no dividend has been assumed during the MTFP horizon.

C. Commercial income cover ratio

39 This ratio compares the council's investment returns to the interest cost of borrowing to fund the investments. This illustrates the risk and reliance on income generated to meet the committed debt financing costs.

Commercial income cover ratio	**31 March 2023 Actual £m**	**31 March 2024 Forecast £m**	**31 March 2025 Forecast £m**
Commercial Income	24.9	29.5	34.1
Interest Payable (General Fund)	14.8	15.6	18.7
Cover Ratio	**1.7**	**1.9**	**1.8**

40 The cover ratio is again reducing annually due to the lower margin in the debt financing in comparison to the current position. The current position is significantly influenced by the loss of the LLAL dividend.

D. Loan to value ratio

41 This ratio identifies the proportion of the council's long-term assets which are funded through external debt. The following 2 tables identify the loan to value ratio firstly from the Councils accounts, which excludes the valuation of subsidiary assets, whereas the second table includes them as part of the group accounts.

The loan to value ratio	**31 March 2023 Actual £m**	**31 March 2024 Forecast £m**	**31 March 2025 Forecast £m**
Total Long Term Assets (Group)	£3,078	£3,078	£3,078
External Borrowing	776	816	885
Loan to Value Ratio	**25%**	**26%**	**29%**

42 The use of debt financing to fund the commercial activities of the Council is making a substantial impact on the value of assets funded by debt. The recent CIPFA Resilience assessment identified the current level of borrowing as being in the low risk category, but as the level of borrowing increases the Council is likely to be classified as relatively high risk.

E. Ratio of investment property to total investments

43 This ratio identifies the council's reliance to the property market in comparison to other sectors. This will illustrate whether the council spreads risk appropriately across sectors.

Investment property %	**31 March 2023 Actual £m**	**31 March 2024 Forecast £m**	**31 March 2025 Forecast £m**
Total Investments	559,108	569,254	580,377
Commercial Property Portfolio	115,900	115,100	117,700
Commercial Property %	**20.73%**	**20.22%**	**20.28%**

44 Increasing investment in LLAL has the impact of reducing the proportion of the investments attributable to the commercial property portfolio. The current percentage of investments in commercial property is therefore reducing due only to the significant increase in overall expenditure in investment property, primarily LLAL. This does not represent the full exposure to the property market as LLAL have a number of commercial development projects in progress. The council has approved further loans to LLAL as part of the stabilisation and recovery plan, which has led to the total increase in investment.