

<p>For: (x)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Executive</td> <td style="width: 20%; text-align: center;"><input checked="" type="checkbox"/></td> </tr> <tr> <td>CLMT</td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> </table> <p>Meeting Date: 11 February 2013 Report of: Head of Finance, Head of Fixed Assets, and Head of Policy and Performance Report author: Dave Kempson</p>	Executive	<input checked="" type="checkbox"/>	CLMT	<input type="checkbox"/>	<p style="font-size: 1.2em;">Agenda Item Number: 11</p>
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<p>Subject: Budget and Capital Programme</p> <p>(For Executive Only)</p> <p>Lead Executive Member(s): Councillor Robin Harris</p> <p>Wards Affected: All</p>	<p><u>Consultations:</u></p> <table style="width: 100%;"> <tr> <td>Councillors</td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> </tr> <tr> <td>Scrutiny</td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> </tr> <tr> <td>Stakeholders</td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> </tr> <tr> <td>Others</td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> </table>	Councillors	<input checked="" type="checkbox"/>	Scrutiny	<input checked="" type="checkbox"/>	Stakeholders	<input checked="" type="checkbox"/>	Others	<input type="checkbox"/>	<p>(x)</p> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>
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<p>Recommendations</p>
<p>1. Executive is recommended to:</p> <ul style="list-style-type: none"> (i) Approve the 2013/14 revenue estimates of net expenditure including movements in reserves, as set out in the budget papers (known as the ‘Green Book’) circulated, and in this report, using the revised summary set out in Appendix F, for submission to Budget Council. (ii) Consider the items put forward for inclusion in the draft capital programme (set out in the blue pages of the budget papers) and the potential funds available (Appendix H), and approve the items and amounts to be included in the capital programme for 2013-2018, for submission to Budget Council. (iii) Note that the budget is prepared on the assumption that London Luton Airport Ltd. will continue its current policy of supporting local charities, and that if the airport board does not do so, the Executive will need to consider in-year budget amendments to make grant payments to those organisations. (iv) Approve the list of savings proposals (white pages of Budget Papers pages 31 to 43, subject to the corrections shown in Appendix L) for submission to Budget Council, and approve the service changes necessary to give effect to those savings subject to appropriate consultation taking place and being properly considered. (v) Approve the list of spend pressures (white pages of Budget Papers pages 27 to 30) for submission to Budget Council, and approve the service changes necessary to give effect to those growth proposals. (vi) Approve a 2013/14 band D Council Tax precept for Luton Borough Council of £1,206.90 for submission to Budget Council. (vii) Recommend the revenue budget approval to Council in the format prescribed by the Local Government Finance Act 1992, subject to the addition of the Fire and Police precepts, when received, noting that the revenue budget recommendation will need to be accompanied by a report from the Head of Corporate Finance on the ‘robustness’ of the budget proposal, accompanied by a statement on reserves and provisions, in accordance with the requirements of the Local Government Act 2003.

- (viii) Recommend Council to approve an initial allocation of the Dedicated Schools Grant for 2013/14, as set out in Appendix J.**
- (ix) Approve the development of the Financial Strategy as set out in Appendix C.**
- (x) Approve the Medium Term Financial Plan set out in Appendix A.**
- (xi) Approve the Budget Risk Management Strategy set out in Appendix B.**
- (xii) Approve the protocol for the management, control and use of reserves set out in Appendix G.**
- (xiii) Approve the Scales of Charges as set out in the yellow pages of the budget papers.**
- (xiv) Approve the continuation of the limitation of the virement and budget reallocation rules, as set out in the Scheme of Devolved Financial Management, in respect of energy budgets, where any virement or reallocation shall require the prior approval of the Head of Fixed Assets and the Head of Corporate Finance.**

Key Issues

2. The financing of local government is changing in 2013/14 in the most fundamental way. In outline the main points of the provisional settlement are as follows:
 - a) The Council now keeps 49% of its business rates income, in place of grants it received previously. This adds risk and opportunity, as business rates vary, whereas grant is fixed. This system is designed to make Councils incentivise growth in their areas.
 - b) The Council will also receive a business rates top up, of £10.34million in 2013/14, which will increase in line with the retail price index in future.
 - c) The Council now receives a lower amount of Revenue Support Grant. After 2013/14 this will no longer vary based on a needs based assessment of population, deprivation etc. In the medium term this grant will reduce significantly year on year, as Government tries to reduce public sector spending. The Government's provisional grant figure for Luton in 2014/15 is a 17.7% reduction on the 2013/14 figure. This means that the Council needs to be prepared to make major savings and increase its income on an ongoing basis, in order to meet the aims of its Prospectus 2013-2016, to:
 - Lead the borough to financial security and set it on course for future prosperity;
 - Deliver essential services that residents rely on;
 - Manage on much less funding from Government than in the previous three years.
 - d) Council Tax benefit has now ended, and in its place the Council has created its own local scheme. This is now a discount on the Council Tax (like single person discount) and not a benefit. One financial effect is to reduce the Council Tax base, and hence the amount that can be raised from increasing Council Tax (see the table below). Another effect is to switch a significant part of the financial cost and risk of the scheme from central to local government. The funding provided by Government for 2013/14 is based on 90% of the 2011/12 subsidy levels.
3. The provisional grant settlement for 2013/14 is significantly better for local government than the figures used in the consultation on the finance changes undertaken during the summer. Those consultation figures were used as the basis for the predictions of the savings requirement of £48million over the next 3 years included in the Council's prospectus. The reasons for the improvement in 2013/14 are set out below, followed by a comparison of the

funding levels in 2012/13 and 2013/14.

- The consultation assumed £2billion funding taken out to pay for New Homes Bonus. The settlement uses £411million.
- The funds held back for the Safety Net under the new system is £220m less than expected in the consultation.
- The funds moved from local authorities to academies is £180m less than the amount consulted on.
- The amount local authorities are expected to raise from business rates has been reduced by £1.893bn nationally. This increases the amount of government funding included in the system.
- The Government has changed the calculation of the Business Rates start point from a 5 year average to a 2 year average, which benefits Luton and was requested in a letter sent by the Leaders of the Labour and Liberal Democrat Groups to the Secretary of State.
- In the settlement government make a comparison of 'spending power' between 12/13 and 13/14. Luton is actually the best treated unitary authority according to that comparison, and it should be noted that the changes from the consultation have benefitted grant-dependent authorities like Luton. However, government did not use the actual cash funding received in 2012/13. Instead they made an assumption of what Councils would have received in 12/13 if the new system had been operating. For 2013/14 government did not have the new Council Tax base, so used 2012/13 figures, which are completely different. Also the Education Services Grant was not included, as it had not been set at the time.
- A comparison of spending power is shown in the following table. However, it should be noted that the improvement compared with the figure used for calculating the Prospectus saving requirement is for 1 year only. Over the 3 years of the Prospectus, using the same assumptions for Council Tax, the estimated level of savings required now is £49m compared with the £48m used in the Prospectus.

Comparison of Spending Power	2012/13	2013/14	Prospectus Est
	£m	£m	£m
Revenue Support Grant (RSG)	86.176	63.996	
Business Rates Retention	0	31.076	
Business Rates Top Up	0	10.349	
Early Intervention Grant	11.563	0	
Grants (Learning Disability mainly) moved into RSG	3.656	0	
Education Services Grant	0	3.694	
Council Tax with no increase	65.476	52.889	
Total	166.871	162.004	156.401
Net Reduction (No assumption is made about tax freeze grant)		4.867	

Savings and Increases in Income

4. The level of savings/increased income required in 2012/13 was £16million. For 2013/14 the savings and income increases included in the draft budget can be shown as follows:

	£000
New savings/increased income	18,308
Full year effect of 2012/13 savings not incorporated into the base budget and so shown	505

separately in the budget papers	
Gross Total	18,813
Estimated Savings falling outside the General Fund	-500
Net total	18,313

5. The Council's budget sets out the resources available to provide each of the Council's services over the next year. The Executive has made very clear to officers that the aim should be to ensure that core services to the public are maintained as a first priority, and that efficiency savings are maximised. To this end, the Corporate Leadership Management Team (CLMT) have worked with the Council's Luton Excellence Support Team (LEX), all Heads of Service, finance staff and managers throughout the Council to put this budget together.

Council Tax

6. Last year the Council increased the Council Tax by 3.4%. The Government has again announced the offer of a Council Tax freeze grant, equivalent to a 1% rise in the Council Tax based on the 2012/13 Council Tax base (that is, £654,781). This funding is guaranteed for 2 years, and then will have the same status as any other grant funding in the next spending review.
7. The Government has announced that under the provisions of the Localism Act, it will require any authority considering an increase of more than 2% to undertake a referendum.
8. The changes in the Council Tax base for 2013/14 (explained in Executive report 4.1 of 7 January) means each 1% tax increase will now yield £528,896, so 2% would give £1,057,792.
9. From a purely financial viewpoint, a tax increase has the following advantages:
- It helps in the process of making the authority less reliant on grant – a key part of the Council's financial strategy
 - The grant is guaranteed until 14/15, but grant funding will go down in future as a result of the national financial situation. A tax increase, provided that it is collectable, will remain in the base. Therefore a strategy of tax increases reduces the ongoing savings requirement when compared with a strategy of accepting a tax freeze grant.
10. However, the Secretary of State for Communities and Local Government wrote an article for the Daily Telegraph on 28/1/13 in which he states: 'Democracy dodgers who try to creep under the radar, putting up their stealth tax by 1.99 per cent in a bid to avoid our 2 percent referendum threshold, need a reality check. We will take into consideration anybody cheating their taxpayers. Anybody using loopholes will lose out next year.'
11. At the time of writing the government has not produced specific proposals.
12. A 2% increase on the Council's part of the current tax, to £1,206.90, will generate an increase of 1.9947% on the 'relevant basic amount' of Council tax calculation used to determine whether or not a referendum is required. This is the maximum increase allowable without using the 'levy loophole' available to some councils.
13. It may also be noted that Full Council has already determined to protect the neediest from the impact of a tax increase by maintaining Council Tax support for 2013/14 on essentially

the same basis as the current Council Tax Benefit scheme, despite the reduction in government funding to support that scheme.

Future Years

14. The Local Government Finance Act 2012 makes the most fundamental changes to local government finance in living memory. When this is combined with the national requirement to reduce public spending in order to reduce the budget deficit, it means that:
 - Local government funding will be reduced on an ongoing annual basis for the foreseeable future;
 - Councils will be required to raise more funding locally, rather than relying on central government grant;
 - A number of financial risks have been transferred from central to local government.
 - Changes in future levels of local government funding will no longer be linked to changes in need to spend in an area – at least until the system is reset, which is planned to be in 7 years time. However, the start point for 2013/14 is based in part on an assessment of relative need.
 - The lead civil servant on local government finance has stated that Councils must make savings that are ‘permanent and sustainable’.
15. 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 the old, needs-related grant system gave it above average levels of grant. Grant reductions in future years are certain, and so the Council needs to maximise its ability to raise income in order to be able to fund demand-driven services such as adults and children’s social care, refuse collection and waste disposal.
16. Under the new system the Council retains 49% of the local business rates (approx £31million), plus a £10.3million top-up that increases in line with the small business rates multiplier. To increase this funding, the Council needs an increase in its income from local business rates. The Council cannot increase the level of the business rate (this is set nationally, and currently increases by RPI). To increase income there has to be an increase in Luton’s business base. The new scheme 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 required housing and schools necessary for the local population - is much more limited than in most areas. The Council is determined to respond positively to this challenge, and the Prospectus makes clear that the first point in the three point plan at the heart of the document is the aim to increase income from business growth.
17. Success in the new system can generate a virtuous circle. More business will deliver more jobs and more income for the local authority. When local education and training is working well, there will be good Luton-based candidates for the additional jobs. When there is more employment, council tax support costs will go down. It is also possible that social problems will reduce and demands on social care may lessen (with the exception of the pressures resulting from an increase in the elderly population requiring care). This is in line with the second point at the heart of the Prospectus; investment in education and training.
18. On the other hand, if the business base reduces, there is the danger of a vicious circle: less income for the Council, less jobs, more demands on social care, a greater cost in council tax support, and a greater level of savings needed in Council services at a time when the

demand for those services is increasing. The third point at the heart of the Prospectus is working effectively in partnership to ensure the most vulnerable in Luton are safe and supported, and the challenge to do this will be far greater if income cannot be increased.

19. It should also be noted that the Government is currently offering additional income in terms of a New Homes Bonus for each new home completed (and the net increase in empty homes brought back into use) each year. For 2013/14, this adds £750k. However, homes and their occupants also add demands for infrastructure such as schools, and services such as waste collection and disposal, adult social care, etc. The previous, needs-based funding system recognised to a degree the increased costs associated with an increase in population, but the new one does not. Milton Keynes Council, who have experienced a greater increase in building and population than most over the years, estimate that every 1,000 houses generate £3.5million in additional cost, assuming an increase in population of 3,000 (Luton's population increase may be less, as more will be redistributed from existing Luton housing than in Milton Keynes), and that local fees and charges and council tax offset £1.6m of that cost (Luton's offset will be less, as the average council tax in Luton is 10% less than the Milton Keynes average, so the overall cost in Luton is likely to be similar). Hence a £1.9million net cost. New Homes Bonus on 1,000 houses will deliver about £1.1 million per annum for Luton, so additional housing is likely to result in a significant additional spend pressure overall, of around £800k for 1,000 houses.
20. There are also a significant number of risks relating to the scale and number of changes that may arise from the Welfare Benefit reforms, which may not be fully addressed in the spend pressures set out in paragraph 17 below. At this stage, it is very difficult to quantify the impact, hence allowance has been made by way of the contingency provision and the Welfare Reform and Recession reserve. The effects will need careful review over the next year, and may well generate significant additional spend pressures.

Spend Pressures

21. The budget reflects increasing demand-driven spend pressures in certain key areas, in particular:
- Adult social care, in terms of those requiring physical and learning disability care packages, and care for the elderly, at home as well as in residential and nursing environments;
 - The net cost to the Council of Housing Benefits
 - Payments above the benefit subsidy cap for short term accommodation for those statutorily homeless
 - The cost of concessionary fares.
- The challenge for the Council is to manage the increasing costs of these statutory, demand-driven services when its income is reducing substantially.
22. The Government have increased the grant for Discretionary Housing Payments (DHP) from £171k in 2012/13, to £573k, to reflect 4 different types of spend pressures:
- those arising from the national changes in the local housing allowance;
 - to allow short term support for those affected by the benefit cap;
 - to provide support for foster carers who need to keep an extra room empty when they are between fostering; and
 - to enable the disabled who live in significantly adapted dwellings to remain in their own homes, rather than being forced into residential accommodation.

The budget is based on this funding being sufficient to address these different spend pressures, and also that the level of government grant provided for the Local Welfare Provision Fund is sufficient to meet the demand that will face the Council with the cessation of the Department for Work and Pension's Community Care Grants and Crisis Loans from 31 March 2013.

Capital Programme

23. The Capital Programme is mainly based on previously approved schemes, of which the largest are the Luton Dunstable Busway which is being built in partnership with Central Bedfordshire, the Luton Town Centre Transport Scheme, the M1 Junction 10a project and the building of a new free school, Riverside. The key issues are set out below.
- Under-funding for new school places in Luton. This has been partially addressed with an 11/12 supplementary grant of £3.9m and an increased allocation of £6.6m for 2012/13. This will assist in the continued expansion programme for primary schools but there still remains a large shortfall and the urgent need of similar allocations for subsequent years, particularly to address the pending high school expansion needs that will become critical in Sept 2014, and that is not allowed for in the programme, as there is no funding for it.
 - The need to limit the programme to match available resources. Luton has generally set its programme based on projected resources available over the 5 year capital programme period. Given the uncertainty over future resources, and the financial position the Council finds itself in, it is essential that the programme balances over 3 years as well as over 5, and even this involves significant risk. (The prudent approach is to achieve the resources before they are spent, but that would mean essential basic work could not be undertaken).
 - A reduction in projected resources available to the Council, including:
 - a) Central Government grants
 - b) Capital receipts from property sales
 - The overall scale of the programme. Luton is committed to a programme of a very large scale for an Authority of its size. This would be a risk at any time, given the potential for overspends impacting on the revenue budget. It is a major risk at this time when the revenue budget is having to be reduced so significantly, for two main reasons:
 - a) The potential impact of a combination of capital overspends and the inability to achieve all of a demanding set of revenue savings
 - b) The demands of managing a major capital programme, which requires dedicated resources, at a time of major change and staffing reductions.
24. Risk management measures have however been put in place to address these risks, and are detailed in Appendix B.

Schools Funding

25. 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 depends on actual pupil numbers in 2013/14, as there is a guaranteed amount per pupil. The Government have stated that this will remain unchanged in cash terms until 2014/15, but have added a pupil premium which for 2013/14 is £900 per pupil eligible for a free school meal at anytime in the last 6 years. The Council's Financial Assessment team's work on free school meal take up over the past year has increased the number known to be eligible by 2,000, which on the increased premium means £1.8million per annum additional funding for Luton Schools.
26. Currently local authorities receive funding for schools and education through the ring-fenced

Dedicated Schools Grant (DSG), the local authority Formula Grant and the Pupil Premium. From 2013-14 the DSG is to be split into 3 notional blocks – early years, schools block and high needs block and will be mostly based on an earlier count of pupil numbers (October rather than January with the exception of the early years element which will still rely on the January early years census). The notional blocks are not ring-fenced and LAs can move funding freely between them with the agreement of their Schools Forum.

Early Years Block

27. 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.

Schools Block

28. This block will fund primary and secondary schools via a local formula (excluding high needs pupils), with the permitted number of formula factors reduced from 37 to 12, with the aim of a clearer, simplified and more transparent way of funding schools and paving the way for a national funding formula from 2015-16.

High Needs Block

29. This block will fund provision for all high needs pupils and students from birth to 25, in line with the Government's proposals for SEN and disability, in order to introduce an integrated and coherent approach to assessment and provision across the 0-25 age range.
30. The provisional allocation of the DSG will be agreed with the Schools Forum in March.

Public Health

31. The Public Health service and around half of its commissioned budget has been moved from the NHS to the Council. The budget is ring-fenced to ensure that Councils cannot use it as a source of savings. The announcement gives Luton an increase on the base budget of approximately £1million for 2013/14, with more for 2014/15, in order to fulfil the Council's new duty to take appropriate steps to improve public health and reduce health inequalities.

Health Funding For Social Care

32. The government has provided funding to the Health Service to support social care, on the basis that agreements are made between Councils and Health on how that money is spent, so that the focus of spend can provide mutual benefit. In 2011/12 and 2012/13 this was achieved in Luton via an agreement under section 256 of the 2006 National Health Service Act. In 2013/14 the funding is being given to the NHS Commissioning body, and is £2.821million, £0.86million greater than in 2013/14. As the national announcement on this was not made until 19 December, no provisional agreement has yet been reached on how this funding should be spent, and whether any of it can be used to help meet the social care spend pressures identified by the Council. Therefore the budget has been prepared on the basis that the previous agreements remain effectively in place, and that the £0.86m additional funding is used on additional preventative services, yet to be specified. The contingency calculation allows for the possibility that some of that funding may be able to be put towards spend pressures in existing services.

Value for Money

33. 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. The dramatic reductions in Government grant make it even more essential that value for money is obtained for everything the Council does. This is particularly important since the numbers of vulnerable people requiring care services continue to increase. This is why the Council created a Luton Excellence culture, supported by a Luton Excellence support team of experts, and has introduced lean thinking throughout

the Council's services. The Council continues to use collaborative procurement, and its e-procurement processes, within the context of its procurement and commissioning strategies, to make savings while aiming to achieve service and environmental objectives. The savings set out on pages 31 to 43 of the green book reflect the application of value for money principles in order to produce the budget proposals.

Budget Consultation and Scrutiny

34. The Executive has undertaken a major consultation process in 2012, entitled Luton... Your Say. Phase 1 of this community debate explored the impact of potential budget proposals and what could be done to mitigate those impacts. This informed the development of the Prospectus. Since then it has asked for feedback on specific budget proposals in particular need to consultation, and delegated the task of undertaking budget consultation to the Finance Review Group, who are reporting separately to the Executive. The Group have taken the view that their consultation with the public last year was statistically robust, so development this year has been via a deliberative event. The highest priority from the original consultation was protecting the vulnerable, and this is reflected in the spend pressures for adult and children's social care included in this budget, despite the reductions in government funding.
35. Consultation with the Schools Forum is a statutory part of the allocation of the dedicated schools budget, and the formulae used for the distribution of the individual schools budget. The Schools Forum supported the allocation shown in the appendix to this report.
36. The Trades Unions were to be consulted on the proposals for savings and spend pressures on 6 February. Views received will be reported to the Executive.
37. There is also a statutory requirement to consult representatives of national non-domestic ratepayers. Views received will be reported to Budget Council.

2013/14 Revenue Budget

38. For some years the Council has aimed to set a balanced budget without the use of reserves to pay for ongoing revenue expenditure, and the recommended budget continues 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 2013/14?
 - Can the Council re-affirm the key principles of the financial strategy?
 - if the Council needs to use reserves to balance the budget for ongoing expenditure in 2013/14, how will those key principles be changed?
39. 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 demonstrating how that position will be maintained
 - Spending plans will be closely aligned with the Council's aims and objectives
 - The Council will maintain a prudent level of reserves
 - Budgets will be continually reviewed and modified to ensure that resources are targeted on key objectives.
40. The base budget has been prepared by budgeting for staffing at current establishment levels, less allowances for staff turnover. Inflation on supplies and services has only been added where departments made the case that it is required.
41. The base budget for each department is shown in the attached budget papers, together

with an overall summary.

42. The basis of determination of the contingency provision is shown at Appendix B, arising from the consideration of the principal budget risks.
43. A comparison between the 2012/13 budget and the 2013/14 draft base budget is shown at Appendix K. It should be noted that the net budget appears to have increased. This is due to a number of former specific grants being moved into the general grant pot – see Appendix D. Previously there was £11.56m Early Intervention Grant, £3.3m Learning Disability Grant, and some smaller grants, within the net departmental spend totals, which reduced the net budget. As they have now disappeared, they have increased the net spend by £15million on their own, which is why overall the net budget has increased by £6.3million.

Costs of Implementing the Savings Proposals

44. There will be a significant cost of implementing a number of the savings proposals 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 2012/13 budget includes a provision for 2013/14 redundancies, and the 2013/14 proposed budget includes a similar provision for 2014/15, 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.

Collection Fund

45. The collection fund is a separate fund where the costs and income of Council Tax and National Non Domestic Rates (business rates) are put initially. This is because those costs and spend are shared between the Council and others (Council Tax is shared with Police and Fire, business rates are shared with Government and Fire). Executive delegated authority to me to determine the estimated surplus or deficit on the Council's collection fund each year (EX/3/01). Accordingly I have estimated that in relation to Council Tax, there is a surplus of which £73,530 is Luton's share. In relation to Business Rates, the contribution to the Council's budget is set by the figures shown in the NNDR1 form, required to be signed by me and returned to government each January, showing the estimated business rate income for 2013/14. The income to Luton in the provisional return is £31,076,520 (or 49% of the business rate. 50% goes to government and 1% to fire.) In setting this estimated level I have made a prudent provision for 15% of the value of outstanding appeals against current business rates valuations being successful. This is significantly higher than the national average in recent years of 5%, but is lower than the level proposed by some other Chief Finance Officers.
46. In the past, maintaining the collection fund has been a relatively technical accounting issue, with the principal focus on the collection rate of Council Tax. In the future, there are a number of volatile elements that will have a major impact on the Council's financial health.
47. The collection fund's impact on the Council's budget is an annual one, fixed at budget time. Until 2013/14 it has been limited to the surplus or deficit on Council Tax collection. Now there are a number of different effects.
48. Firstly, the old Council Tax Benefit, previously payable by government, has been replaced by Council Tax discount, payable by the Council. So if the number of people in receipt of Council Tax discount goes up – which will happen if unemployment goes up, or more people are on lower paid jobs – then the discount levels will increase, and there will be a cost to the collection fund which will have to be taken into account in 2014/15.

49. The change from benefit to discount was also accompanied by a reduction in the level of funding for council tax support compared to benefit. (This funding has been incorporated into the Council's start up position). The former system meant that government paid additional benefit to cover the cost of Council Tax increases for those on benefit, and any variations in caseload. The new system means that Luton will bear the cost of support for each Council Tax increase, including the 2012/13 one, as government's start point for the calculation of levels of support was the 2011/12 outturn. The risk relating to variations in caseload has also switched from the government to the Council, so if the number on council tax support increases during the year, then there will be additional cost in the collection fund, which will have to be met when setting the 2014/15 budget.
50. The business rate part of the collection fund was previously simply an agency arrangement – the Council collected the rates and paid them all over to central government, who put them in a national pool and used them to pay revenue support grant. In the new system, with 49% retained by the Council, 1% going to Fire, and 50% going to government, the Council is exposed to the risk of variations in the rates. Rate reductions can come from:
- Non-collection
 - Buildings being demolished, so rates are no longer payable
 - Businesses appealing successfully against their rating valuation (which is set and reviewed independently of the Council, by the Valuation Agency of Her Majesty's Revenue and Customs (HMRC)
51. Of course, increases in business rates will benefit the Council, and will come from new build or significant enhancements to existing buildings.

Budget Risk Management Strategy for 2013/14

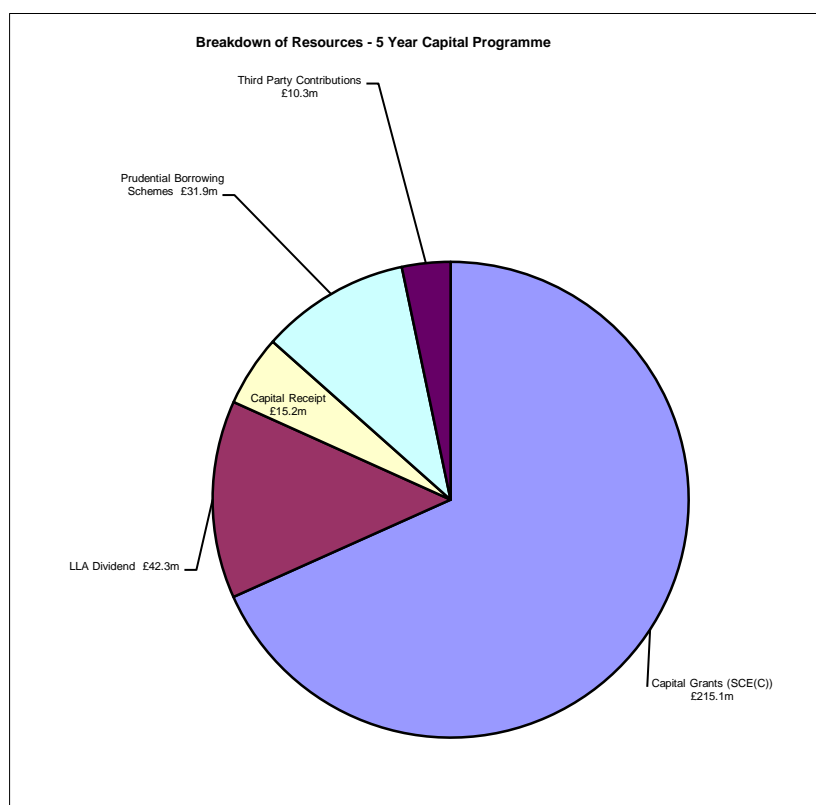
52. Any budget of the size and range of the Council's will result in a wide variety of risks. Therefore it is essential that the Council continues to develop and monitor its budget risk management strategy, alongside the budget itself. A proposed Budget Risk Management Strategy is attached as Appendix B. It should be noted that the Strategy is dependent on recommendations regarding the level of reserves and contingencies, as well as the actual budget set, so there will need to be a review of the strategy based on the recommendations made by Executive to Council, and any amendments made by Council, to keep the strategy current and relevant.
53. 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.
54. The budget risk management scheme assumes the continuation of the cash-limit scheme.

Capital Programme 2013/18

55. The review of the Capital Programme 2013/18 has been undertaken within the context of further reductions in revenue budgets, uncertainty in the property market and increased pressure on resources from London Luton Airport. A 'blank sheet' approach has been adopted in relation to all budgets that are not ring-fenced. The process for the review has been as follows:
- 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) Each request was categorised as 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.
 - 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 Corporate Director Commercial & Transformation Services undertook challenge and scrutiny of each funding request.
 - 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.
56. The base-line position with all Options Appraisals included produced a deficit of £28.04m at 2015/16. The auditors have advised that a balanced programme should be achieved by year 3 (2015/16). To reduce the deficit, the internally resourced projects were challenged and prioritised to ensure affordability. The original bids to the programme and the proposed projects for inclusion can be found in Appendix I.
57. Internal resources are largely in line with the previous capital programme and prudential borrowing levels have been reduced by £15.9m. The analysis of the overall resources required to fund the programme is demonstrated in the following graph:



58. Major projects within the programme include:
- a) Luton Dunstable Busway (£89.8m)
 - b) Town Centre Transport Scheme (£20.3m) - £3.1m to be funded by way of land donations
 - c) M1 Junction 10a (£29.2m)
59. The total value of the revised programme is £214,481,100, which represents a reduction of

£46,193,500 on the 2012/17 programme. The most significant changes include the following:

- a) The ending of the Building Schools for the Future Programme
 - b) Completion of the Inspire Luton Sports Village, and
 - c) A provision of £12.6 million for refurbishment of the town centre offices across the 5 years of the programme
60. The key risk factors in relation to the Capital Programme are as follows:
- a) The overall size of the programme, which is large for a relatively small unitary authority, and includes major construction projects.
 - b) Resources, particularly dependence upon capital receipts and dividend, and the cash-limited grant funding of projects including those major construction schemes where spend can significantly exceed budget.
 - c) The potential for the lack of a strategic investment approach, resulting in a piecemeal and fragmented approach to investment.
 - d) Increased health & safety risks due to very limited expenditure on building maintenance and highways.
 - e) Programme and project management risks associated with major projects and potential overspend.
 - f) High value existing contractual commitments within the programme.
 - g) The under provision (although improved in comparison with last year) in required funding for additional primary school places.

Minimum Revenue Provision

61. 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 principal repayments.
62. In March 2008 the Secretary for State for Communities issued statutory guidance recommending that each local authority should prepare a statement of policy setting out how it will make a prudent Minimum Revenue Provision (MRP) for the next financial year, and submit that statement of policy to Full Council. This is because government wishes to ensure that elected members have the opportunity to scrutinise the ways in which officers propose to ensure that a prudent provision is made. The Policy is included in the Treasury Management and Annual Investment Strategy.

Scale Of Charges

63. The majority of charges for 2013/14 were approved by Executive in November. Proposals not approved at that time are shown in the yellow pages of the 'Green Book' Budget Papers. The most significant area is Community Development. It must be noted that the budget has been prepared on the basis that these proposals will be approved, and if alternatives are put forward, the impact of those proposed changes will need to be calculated and allowed for in the decisions on the overall budget and council tax.

Reserves

64. 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.
65. Attached as Appendix G 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 2013/14. 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.
66. 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, and the treatment of growth and savings. An assessment is set out in Appendix B.

Robustness Of Budget Proposals

67. The Local Government Act 2003 makes it a requirement that the Head of Corporate Finance reports in public on the robustness of budget proposals. This report will be presented to Council as part of the Executive’s budget proposal.

Financial Health

68. In order to maintain a healthy financial position, the Council will need to continue to do the following.
- Keep to the balanced budget position.
 - Grow Luton’s business base.
 - Generate additional income from the Council’s assets.
 - Identify projects that will achieve the level of savings required to balance the budget in the medium term, as set out in the Medium Term Financial Strategy (Appendix A)
 - Work towards a capital programme that spends resources when they are received, rather than prior to their receipt.
 - Manage the capital programme overall, by timetabling the major capital schemes to avoid the largest financial risks being taken on at any one time, to minimise the risk of the Council being left with cost overruns, and/or additional revenue impact.
 - Continue to embed the value for money culture and the lean principles of the Luton Excellence project throughout the Council, so that the organisation is continually improving its customer service and providing more for less.
 - Continue to combine medium term budget planning with the embedding of the Luton Excellence culture, so that work on budget planning and development proposals is an ongoing process during the whole year.
 - Work towards the development of a revenue budget of a size that is sustainable in the long term, so that changes in pay and prices, net of efficiency savings, are in line with likely levels of income.
 - Use any one-off financial windfalls to fund one-off, non-recurring costs and schemes (currently the first call has to be for the costs of change, including redundancies and pension strain), so that the underlying spend is funded by underlying income, and the long-term budget situation remains balanced.
 - Ensure that a prudent amount of revenue reserve is always maintained.
69. The Finance service continues to be reviewed. The financial regulations require updating to reflect the transformation of the authority in recent years, and this task will need to be

prioritised shortly.

Financial Strategy

70. The proposals in this draft budget require further change to the Executive's Financial Strategy and a new draft version is set out in Appendix C

Council Tax Levels

71. Current Council Tax comparisons with unitary councils, neighbouring authorities, and national averages, are set out in Appendix E. The list of unitary authorities is sorted with the lowest band D council tax (including parish precepts) at the top.

Proposal

72. The proposal is to set
- i. a revenue budget incorporating the savings and spend pressures shown in the Green Book, together with a specific proposal for the level of council tax;
 - i. a capital programme as set out in the blue pages of the green book on the basis of the resource statement set out in Appendix H;
 - i. a medium term financial plan and strategy as set out in Appendix A.
73. In order to manage this effectively, the implementation of the Budget Risk Management Strategy set out in Appendix B will be essential.

INTEGRATED IMPACT ASSESSMENTS OF BUDGET SAVINGS PROPOSALS - REVIEW BY THE HEAD OF POLICY AND PERFORMANCE

Overview:

74. Since 2010 the Council has faced the most wide ranging reductions to its budget from national government with a further £48 million of savings required from 2013 – 2016. Reductions from central government have a disproportionate impact on Towns like Luton, where its income from Council tax is low because the majority of its homes are in the lower bands for Council tax revenue. Luton has had a transformation programme since 2010 to combat the implications of the required budget reductions and this overview will show only those projects undertaken in 2012 – 2013 and will give a view of what the impact of other forthcoming projects in 2013 – 2014 **may** mean.

Equality Act

75. The Equality Act 2010 and the associated Public Sector Duty (2011) together place a duty on local authorities to analyse the impact of their decisions, prior to any decisions being taken. The Duty enforces the point that public bodies must start to consider equality impacts at the policy development stage, or when an organisational or functional change is being implemented, and not retrospectively. Luton Borough Council has always considered and analysed its policies, service delivery and decisions with the support of Equality Impact Assessments (EIAs) and changed this in 2011 to Integrated Impact Assessments (IIA) to include cohesion, social inclusion, health and environment. The Council is mindful of the General Duty that has existed for some time to ensure that due regard is given to the advancement of equality of opportunity, and the fostering of good relations between people who share a protected characteristic and people who do not share it. In this regard Luton Borough Council continues to go beyond the pure data analysis of an equality analysis and considered the wider impacts wherever relevant and practicable. The Council remains

committed to ensuring that the most vulnerable citizens are protected during these harsh financial times.

76. For the budget reduction proposals contained within this report, not all service change projects have undergone this process at the time of writing. This is either because some of the projects are still too early in the process or in some cases, following initial analysis and review by the Social Justice Unit, it was agreed that an analysis of impact was not required. Impacts assessments are also undertaken where staff are involved and at risk of redundancy, or will experience major changes to their job role. In that context the Council is seeking to ensure that it is not acting in a discriminatory manner. To this end, all IIAs must carefully consider the mitigation for potentially negative impacts or outcomes for citizens, customers or staff. Mitigation may include support for staff who are facing redundancy or ensuring that customers are engaged with and properly informed prior to a decision being taken. Where, for example, re-modelling of a service to vulnerable residents is being considered those citizens affected have support from staff and, possibly, external advocacy services; and, that the needs of groups and individuals are considered as far as possible.

Consultation and Engagement

77. Consultation and engagement has been integral to all major projects. At one level this ensures that the Council is not in breach of legislation. Importantly, it also ensures the Council is being open and transparent in its approach and in its consideration of the outcome of any specific project. To this end, all IIAs must carefully consider the mitigation for potentially negative impacts or outcomes for citizens, customers or staff.

Departmental Savings Proposals

78. As part of the process of ensuring that the Council is considering the budget in relation to its wider community commitments, the transformation and savings projects have been considered in aggregate. The tables below show the number of projects per Department presently shown on the drafted budget proposal and a list of all projects and whether an IIA has been undertaken to date. The budget saving can also have a staffing dimension – details are contained within individual IIAs but the tables in Appendix F indicate whether an IIA was required during the period of **April 2012 and February 2013** and whether undertaken or required for those shown relating to the draft budget 2013 – 1014 and provide assurance that they were, or are due to be, undertaken.
79. The 159 savings proposals that underpin this budget can be broken down by department as shown below. This does not provide any indication of the differing size and nature of projects but is simply a tally. Further details follow and are set out elsewhere in these budget papers.

Department	Number of individual savings proposals
Children and Learning	20
Housing and Community Living	38
Environment and Regeneration	39
Commercial and Transformation	62
TOTAL:	159

80. The proposals presently add to around £18 million pounds worth of savings with

the largest saving coming from Housing and Community Living, which has the largest controllable budget, excluding schools and capital financing. There are major reductions and remodelling proposed in community development services, a library services review, reviews of learning disability services – including day care services,- a review of older persons day care, and a review of the Arts and Museums Services. Many of these projects are still in the consultation phase and have not yet been signed off by Executive; this can only be done once the community has been asked what their concerns are and if they can offer up any mitigation in relation to the potential reductions. Whilst there may be reductions to service provision, there will also be major reprovision and remodelling of how and by whom services are provided, and how they continue to be funded. It should also be noted that the draft budget for 2013/14 does not include the full level of saving initially proposed for those items in the year, on the basis that the consultation is still in progress and the results should not be pre-judged. In relation to adult social care services for adults with learning disabilities and older persons day care, a model of hub and spoke and specialist provision is being explored , with funding available from external sources if other charitable organisations provide the service. Again this is not yet agreed by Executive and is going through consultation. In particular, the projects within Housing and Community Living bundle should not just be seen in the context of the current financial situation but also the on-going, strategic modernisation of services within adult social care whilst also acknowledging the wider transformation of the Council and its services across the whole of service delivery and commissioning. This is in line with the Council's stated aim of becoming a more focused authority that commissions services, rather than being the direct provider of such services. It also supports the principle of protecting and continuing to support the most vulnerable citizens, and of early prevention and intervention.

81. Both of the Trusts, which provide leisure, cultural and sporting activities to the public, come under review in relation to funding. Both face potential funding reductions and reviews and it is known that both Trusts provide mostly services that are not mandatory but can have an impact on the cohesion, inclusion and health within the town. In particular a large scale consultation is under way in regard to how the future of the library service should look.
82. There are other savings projects across the Council, including those within Environment and Regeneration, which have a direct impact on citizens - the reviews of customer travel and street cleansing, for example. Some 39 projects have been put forward by Environment and Regeneration for 2013/14. The majority of the services provided are town-wide and therefore affect all residents and the built and living environment. Services have been reviewed and redesigned so that the impact on residents is minimised but some of the schemes will inevitably impact on the number of employees required to provide these services. Only high risk issues will be considered in regard to environmental health and trading standards It is also to be noted that many of the budget reductions will mean that by the end of the 3 year period of the Prospectus, a number of services are retained at minimal standard levels only. All of these savings impact on citizens across all protected groups, as they are town wide and are delivered for the benefit and protection of all citizens. The net savings in relation to refuse collection are as a result of the income received from the Weekly Collection Support Scheme and so retain the weekly collection of residual waste. Alongside the budget reductions will also be aspects of trading, looking to bring revenue into the Council.

83. Children and Learning have 20 savings projects in the coming financial year in particular the changes having to be made to services previously funded from the early intervention grant, due to less monies coming from Central Government. Some of the reductions are contentious, in particular school transport and transport for children with disabilities. The Council is also having to look at ceasing its school clothing grant to some of the poorest children in the Borough. However, these reductions ensure that statutory prevention and support services can continue at a good level.
84. The Corporate and Transformation Department is looking at 62 projects for budget savings/income generation, involving remodelling the shape of the Council and how it will connect with citizens over the next three years. There are many savings in the corporate centre, but this is not just about where to make budget reductions but also how to trade services that the Council delivers, bringing in finance to the Council and therefore requiring less budget reductions savings across the spectrum of services provided/commissioned by the Council than would otherwise be the case.

Wider Impact: Welfare Reform

85. One of the concerns that the Council has to consider is the impact of the wider welfare reforms on citizens, plus the new responsibilities that the Council has to undertake in regard to Crisis Support and Council Tax Benefits. Both of these new responsibilities go alongside the reductions to welfare reform and changes wholesale to how benefits are provided by the State. This comes in the form of the new Universal Credit, now not expected to go national until 2014. LBC undertook its own IIA on the impact of local people of new welfare reforms and found that those most likely to be impacted by these changes are;
- People With Disabilities And Families With A Person With A Disability Or Long Term Health Condition
 - Families With A Child Under 5
 - Families With School Age Children
 - Larger Families
 - People Under 35
 - Adults Of Working Age
86. The impact is not a positive outcome, the reforms will;
- Make some people considerably financially worse off;
 - cause social upheaval due to the housing reforms (for those under 35) and for those under-occupying dwellings;
 - put the local council under greater pressure to provide crisis support with less money available from central government equalling less money available to the poorest and most vulnerable.

Protected Groups – Impact:

87. The Social Justice Unit are analysing the overall impact by considering the impacts already undertaken in the past year, and the projects that are within the draft budget presented to Executive in early 2013. Below we show a list of all projects presently in the draft budget for 2013 – 2014 and whether an IIA has

been undertaken, is presently in draft, is not required or is still to be confirmed if an IIA is required. On the IIA's that have been undertaken across the past year, including those shown below we have analysed to see if they have been negative, positive or neutral outcomes. What has been found is that of the 134 IIAs where there is information on to date, it shows the following outcomes against the protected characteristics;

	Positive	Negative
Age	18	19
Gender	9	10
Race	13	13
Disability	3	16
Religion/Belief	2	4
Sexual Orientation	0	3
Gender Reassignment	0	0
Pregnancy/Maternity	0	6
Marriage or Civil Partnership	0	0

88. What the analysis shows is that against 4 characteristics where there is the greatest impact, both positive and negative it is exactly the same; 58 each. However it also shows that for the greatest impact is on age, race and disability whilst there is also an impact with regards to gender. There is no immediate impact on gender reassignment or marriage and civil partnerships.
89. This analysis emphasises also where projects are to be found, in children services and adult social care services as this is where the greatest impacts on age, gender, race and disability are to be found; not all are negative. Whilst at first glance the loss of the important central funding of Early Intervention Grant, requiring a budget reduction of over a million pounds relating to services that support families and children (ensuring they do not enter a critical stage requiring further intervention) can appear to be a critical budget loss, LBC may be able to mitigate the loss if funding for third sector work is achieved from other external sources such as LLAL. This is similar for other front line services which support preventative services for those vulnerable in the Town. If LLAL considers making donations for such services it may reduce the impact on citizens.

Disability and those with long term health needs

90. The Welfare Reform analysis highlighted the impact on people with disabilities or families where a child or adult has a disability, or long term health need. It is thought, both locally and nationally, that the impact on this group is disproportionate in relation to welfare reform. Any further cuts to services or support to these individuals/families, which have a negative impact, would compound these national changes and could have a detrimental impact on these individuals/families health and wellbeing.
91. Luton continues to consider how best to provide services to people with learning or physical disabilities, and long term health conditions. The remodelling of learning disability services is on-going and is presently out for consultation, with no decision yet taken by Executive, what is positive though is that these services could continue to be provided ensuring that future users needs are also considered in the planning of services.

92. As part of the transformation of the Council and part of the Action Plan and mitigations of our local welfare reform IIA, the Council is presently providing targeted support through its customers services, housing department and communications department to ensure that citizens are aware of the changes coming and what help and support is available.
93. It has also undertaken IIAs on the Council Tax Benefit scheme and the Crisis Support Scheme (CSS), both which now have to be administered locally rather than nationally. Both of these show negative outcomes for individuals and families, but mitigation and actions are being put in place to offset the more negative outcomes. The CSS is yet to be approved by Executive and is still in the consultation stage.

Race

94. Race includes all the diversity of Luton, White British, Irish, African, Caribbean, Bangladeshi, Indian, Pakistani, Polish, Somali etc. There are general services for those who are assessed to need care and support or who are providing support outside of the fair access to care criteria. Luton has provided targeted services, particularly in regard to older citizens in the form of day care and luncheon clubs. These services are presently out to consultation in regards to remodelling and funding arrangements. These services provide a pivotal prevention model of care, providing a meal, support and ensuring older vulnerable citizens do not become isolated within their homes. The IIAs on the initial proposals came out positive, but with mitigations including reheated meals provided by an external company and day care continuing to be provided by external organisations. Day care remains out for consultation and no decisions in relation to day care have been agreed by Executive. The Social Justice Unit have considered carefully whether there is a disproportionate impact on BME services across the Town, and the initial analysis is that does not appear to be the case. Whilst specific targeted services for BME customers are facing remodelling and budget reductions, these services will continue to be provided albeit with less LBC funding or in a different format.

Gender

95. There will be budget reductions that will impact on women and men, as citizens, as a parent, as a carer, a person requiring support or advice; many of these will be generic services provided to all citizens like changes to Council Tax Benefit, Trading Standards, Environmental health, Crisis support. There will also be an internal impact, in that redundancies will play a part of the budget reductions. LBC is presently made up of a workforce which is 68% female, therefore redundancies are likely to be larger for the female workforce than male workers.

Age

96. Council services specifically targeted at older customers in relation to adult social care are undergoing consultation at the moment. Some of the services will be remodelled whilst others such as meals at home are being considered to be stopped all together, with alternative meal provision being put forward. The impact on this group is presently seen as both positive and negative; remodelling of the meals service would mean that whilst fresh cooked meals may no longer be available, meals would continue to be provided by an external provider which is a

more cost effective option but still provides a warm meal for older and vulnerable customers. In relation to meals at home a comprehensive questionnaire is being undertaken with every customer receiving the service, with the support of a social worker or care worker. The results of the individual needs analysis will form part of the report returning to Executive for a decision on the future service provision. Day care for older persons is also out for consultation, and no decision has been taken by Executive to date. The remodelling of the service does not see a reduction in the service itself, but potential changes in who provides it, and where it is provided, will form part of the consultation. This can be seen as a positive outcome: whilst change is often difficult and uncertain for individuals and families and can be seen or felt as negative, the outcome of a service continuing, maybe by a different provider or in a difference guise, is seen as a positive.

All Protected Groups

97. LBC is having to consider services to citizens across numerous projects: some will impact the whole community such as the consultation on the library service, whilst others will be specific to some protected groups such as learning disability remodelling and day care for older persons. An initial analysis may produce a negative outcome, as the project will wait for full mitigation and consultation with users to be undertaken, for agreement of funding to be put forward, for stakeholders and partners to agree a way forward that is beneficial for the citizen. Many of these projects in the budget are in the consultation stage, and the final impact cannot not be fully known until the process is completed. LBC remains in transformation as it continues to find ways of saving the £49 million required over the next 3 years.
98. Whilst individuals may find themselves impacted by the budget considerations, the collective protected groups not specifically discussed in this report are not disproportionately negatively or positively impacted. All projects will continue to be analysed for impact as per legislation as and when proportionate to do so.

Key Risks

99. There is a separate appendix – B – setting out a detailed Budget Risk Management Strategy. The major risks relate to not achieving the savings, increases in demand for high cost care services, and overspends occurring in capital as well as revenue. It is also essential as stated above that robust EIAs are completed and consulted on prior to implementation of savings to mitigate a risk of challenge of specific budget items.

Consultations

Councillors Consultations

100. The budget has been prepared in consultation with members of the Executive.

Stakeholder Consultations

101. Full details of consultation is set out in the section of this report headed Budget Consultation.

Overview And Scrutiny Board Consultations

102. Key budget issues have been considered by the Finance Review Group during the budget preparation process. The Group were provided with details of budget savings proposals in private to aid their considerations.

Appendices and additional background papers attached:

The following appendices are included with this report (in addition to the 'Green Book' budget papers, that should be retained by all members for the full Council debate).

Appendix A – Medium Term Financial Plan And Strategy

Appendix B – Risk Management Strategy and Contingency Provision

Appendix C – Financial Strategy

Appendix D – Government Grant

Appendix E – Council Tax Comparisons – 2012/13 Levels

Appendix F – Revised Summary with proposed tax increase

Appendix G – Protocol for the Management, Control and Use of Reserves

Appendix H – Capital Resource Assessment

Appendix I – Capital Programme Option Appraisals

Appendix J - Analysis Of Variances Between 2013/14 Net Expenditure Prior To Growth And Savings, And The 2012/13 Budget.

Appendix K – Corrected Amounts of Certain Savings Recommended

Further background papers: Community Debate Phase 1 available at:

http://www.luton.gov.uk/Council_government_and_democracy/Consultation/Consultations%20that%20have%20been%20completed/2012consultation/Pages/Community-debate-phase-1.aspx

Prospectus and current consultations available at:

http://www.luton.gov.uk/council_government_and_democracy/consultation/lutonyoursay/pages/default.aspx

IMPLICATIONS

		Clearance – agreed by:
Legal	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 2013/14. The budget set may not be a deficit budget.	This has been agreed with David Watson, Principal Solicitor, on 24/1/13
Finance	These are addressed in the body of the report.	Head of Finance, 23/01/13

Integrated Impact Assessment – IIA – Key Points		
Equalities/ Cohesion/Inclusion (Social Justice)	The report includes a full assessment of the impact in paragraphs 70 onwards	Sandra Legate, Social Justice Unit on 25/01/13
Environment	The budget approved by Council sets the level of resources available to address environmental implications. A number of the savings, particularly those in Environment and Regeneration, such as the reviews of Grounds Maintenance, Enforcement and AV, Environmental Health, and Strategy and Sustainability, have the potential to impact negatively on the environment.	This has been agreed by Strategy and Sustainability Officer on 24/1/13
Public Health	The budget provides the funding capacity for public health services in 2013/14	Agreed by Morag Stewart, public health, 24/1/13
Community Safety	The budget ultimately approved by Council will set the level of resources available for Community Safety. The Community Safety review saving will	

	reduce the budget to the perceived statutory minimum for Community Safety by 2015/16.	
Staffing	<p>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 no additional posts in the spend pressure proposals. There are 71 FTE reductions currently indicated in the savings proposals, of which 31 are currently vacant. However, some major projects are still at the consultation stage and as a result the savings schedule indicates 'not yet known' in terms of the potential staffing impact.</p> <p>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.</p> <p>The Council has an active redeployment policy as a key part of its organisational development, and this will be used to try to minimise the number actually made redundant.</p>	

FOR EXECUTIVE ONLY - Options:

It is open to the Executive to recommend any level of Council Tax increase or decrease, provided due consideration is given to the level of savings, spend pressures, growth items, fees and charges and/or any contribution from reserves in order to balance the budget with the level of tax increase proposed. Consideration must also be given to the need for a referendum should an increase above 2% be proposed. It should be noted that a budget set with a contribution from reserves to fund ongoing expenditure would require a change to the Council approved medium term financial strategy, that a capital programme set at a level above the estimated available resources over a 5 year period would be in contravention of the Council's standing orders, and that budget proposals put to the Council have to be accompanied by a statement from the Head of Corporate Finance as to their robustness.