

## Budget Risk Management Strategy

### Introduction

1. The Council's total net annual service expenditure including capital programme for 2021/22, will be close to £268 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. For 2021/22, there are immediate and major risks relating to the impact of Covid-19 on the town, the airport, the people of Luton, the Council's operations and those of the Council's 100% owned companies, in particular London Luton Airport Limited.
4. As an overview, the ongoing major risks include:
  - Revenue budget overspends or reductions in income
  - The loss of major business ratepayers from the area
  - Appeals against VOAs business rates valuations being successful and resulting in significant reductions in business rates.
  - The prospect of future changes in the business rate system and central government's methods of funding local government
  - Increases in the number requiring council tax support.
  - Pressures on Council Tax income and care budgets following the full introduction of Universal Credit alongside other welfare reforms
  - Increases in the number and cost of those requiring social care (adults and children)
  - Increases in homelessness.
  - The costs of redundancies and pension strain being greater than estimated.
  - Personalisation of care services resulting in clients not buying those services from the Council
  - 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)
  - Expected grant income not being received Estimated capital receipts not being realised (future receipts being required to fund the current capital programme)
  - Risks (and opportunities) relating to Airport funding, which could impact on amounts available to donate to local groups or provide dividend to the Council
  - Legal risks, including any residual equal pay issues.
  - A combination of significant revenue and capital overspends putting the Council's finances under particular pressure.
  - Not achieving the approved proposed savings including those unachieved in previous years and rolled forward Income target and return on investments not

achieved from subsidiary companies (e.g. LLAL and Foxhall Homes), and investment in commercial and residential properties.

- Reduction in the collection rate for council tax and business rates and increase in level of bad debts and appeals costs.
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- Changes in demographics creating new demands or additional pressures on existing services
- The next pension revaluation resulting in significant increases in pension costs in 2023-24.
- Contractual inflation being higher than budgeted for
- Interest rate fluctuations affecting the costs of future borrowing
- The potential for changes – either positive or negative – to arise following the Brexit trade agreement and subsequent UK/EU agreements. (It should be noted that an air services agreement, part of the Trade and Co-operation Agreement, preserves traffic rights for UK and EU carriers between the UK and EU).

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 approximately £7.4 million in 2021/22 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 £1.4 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. LLAL's income in normal times is based on the airport's passenger throughput. Passenger numbers have reduced substantially due to the Covid-19 epidemic, and there are longer term risks if reactions to the epidemic reduce people's appetite for flying. The other key long-term risk relating to passenger numbers would be one of the major airline users of the airport (currently easyJet and Wizz) 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. LLAL's income currently is impacted by both the reduction in passenger numbers and the implications of the force majeure clauses. For planning purposes, the Council is not expecting any dividend from LLAL in 2021/22, and the impact on LLAL is such that the Council anticipates requests from the company for aid in ensuring its financial stabilisation.
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 are affordable and sustainable from the Council's view point. This is 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 airport dividend to fund the revenue budget. This risk has been 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. MHCLG have highlighted this risk and advised that the Council should reduce this reliance on an ongoing basis.
14. It is suggested that a review of options to reduce reliance on dividend should be undertaken, and that the Council should aim to focus use of dividend on the capital programme and one-off items when this can be achieved without adversely affecting core services to the vulnerable.
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. The historically low interest rates reduce income from investments, and there are a very limited number of banks with a high enough credit rating to appear a relatively safe place for funds. However, the other aspect of this risk is that rates for new borrowing are low.
19. Balances around £80 million of the current Capital Financing Requirement are financed by internal cash reserves. There is a risk that interest rates could increase 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. The S151 officer is in advanced discussion with EIB to secure a loan amounting to £120m which will carry a fixed rate of interest in order to de-risk the exposure of the Council to long-term fluctuations in interest rates.
20. The ongoing level of reduction in Government grant from 2010 to 2019/20 had a fundamental impact on the Council's financial position and the long term funding of local government finance is still uncertain.
21. 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.
22. 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.	Some of the approved savings proposals and additional savings target to address budget pressures might not be achieved. (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	2021/22 Lists by May 2021
		b. Identification of savings proposals requiring specific plans and project management & identification of an individual accountable for the proposal.	All Finance Teams	May 2021
		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	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 Savings greater than estimated (low likelihood, noticeable impact)	a. As part of the final accounts process, double check that post-holders at risk as at 31.3.2021 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 30 <sup>th</sup> April 2021
		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

No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
		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 (low likelihood, critical impact)	a. Include in volatile budgets list for specific financial and performance monitoring.	Corporate Accountancy	2021/22 Lists by May 2021
		b. Pro-active work with potential clients with learning and/or physical disabilities about to leave school to enhance their ability to live independently. Move more towards direct payments, assessing impact on directly provided services Continue re-ablement 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	2021/22 Lists by May 2021
		b. Continue utilising risk-based approach and prevention team. Continue to increase fostering and care capacity within Luton.	Social Work Teams	Ongoing
		c. Implementation of refreshed 2019/20 action plan (i.e Children Financial Sustainability model).		
5.	Interest Rates on investments reduce still further/investments at risk due to banking crisis	Ensure continuing active management of the Council's Treasury Management portfolio, using specialist advice as necessary	Service Director, Finance, Revenues & Benefits	Ongoing

No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
	(Medium likelihood, critical impact).			
6.	Failure of key supplier	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 (eg savings not achieved, 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
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 set by the Secretary of State or a zero tax increase.	Council & Service Director, Finance, Revenues & Benefits	February 2021
9.	Airport Income reduces significantly (low likelihood, critical impact)	a. Maintain a prudent minimum reserve balance.	Full Council & Service Director, Finance, Revenues & Benefits	February 2021
		b. Regular review of the airport situation by the airport client function.	Airport Client function	Ongoing

No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
		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 2021/22	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 savings amounting to £7.5m rolled forward in 2021/21	All Finance Teams	Ongoing
12.	Inflation increases substantially (low likelihood, significant impact), or spend on certain services is higher than the service-specific inflation allowance, eg 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



<b>No.</b>	<b>Risk</b>	<b>Risk Mitigation – Tasks</b>	<b>Responsibility</b>	<b>Timescale</b>
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
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

No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
17.	The scale of the Capital Programme and Major Projects (low likelihood, potentially critical impact needs to be managed down as shown). Projects include: London Luton Airport - DART.	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
		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.	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

No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
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
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

No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
		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 (medium likelihood, significant impact)	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
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

No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
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 prioritised consistently against all other council commitments	Economic Growth, Property & Construction, Housing  CLMT, Executive	Ongoing
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)	Identify key areas for inclusion in critical and volatile budget monitoring. Review income v budgets regularly.	Finance Business Partners  Cost centre managers	May 2019  ongoing

No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
31.	In year reductions in grants, particularly specific grants such as Benefit Admin, Independent Living Fund etc. (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 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	Service Director, Customer and Organisation Developmen	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 are 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 2021  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 SEMLEP to ensure additional business rates are ploughed back to promote economic growth in Luton. Monitor impact of LIF 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.	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 Care Act 2014 requires substantially more financial assessments, and greater	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
	volumes of deferred payments, than provided for.		Revenues & Benefits	

Mitigating against these risks, opportunities include:

- 1) The potential for underspend overall, given that this has occurred in most recent years;
- 2) The potential for some savings 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 2021/22 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 2021/22
  - The delivery of unachieved savings in 2020/21 now rolled forward to 2021/22
  - 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 2021.
- 2 There was a very small year-end budget deficit in 2019/20, the first for many years. Covid-19 adds significantly to the risk of deficit though in 2020/21 the government has provided very significant unringfenced Covid-19 grant funding. The budget proposed for 2021/22 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 15 above, and the following:
  - a) In areas where spend is largely demand-driven, such as homelessness 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) Further efficiency savings are required for future years.
  - d) The general fund capital programme for 2021/22 amounts to £276m 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 savings to be achieved in 2021/22, 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 including COVID-19 risks.			5,000,000
Contingency for Revenue funding loss, loss of trading contracts and potential costs arising from any unforeseen events			4,000,000
<b>Total</b>			<b>14,000,000</b>

- 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 £107m. 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 15 above, require the maintenance of a specific risk reserve. This continues to be required even though the 2021/22 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.