

<p><b>For:</b> (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><b>Meeting Date:</b> 09 February 2015  <b>Report of:</b> Head of Finance, Head of Fixed Assets, and Head of Policy and Performance  <b>Report author:</b> Dave Kempson and Roger Kirk</p>	Executive	<input checked="" type="checkbox"/>	CLMT	<input type="checkbox"/>	<p style="font-size: 1.2em; font-weight: bold;">Agenda Item Number: 10</p>
Executive	<input checked="" type="checkbox"/>				
CLMT	<input type="checkbox"/>				

<p><b>Subject:</b> Budget and Capital Programme</p> <p>(For Executive Only)</p> <p><b>Lead Executive Member(s):</b> Councillor Mohammed Ashraf</p> <p><b>Wards Affected:</b> All</p>	<p><u>Consultations:</u></p> <p>Councillors <input checked="" type="checkbox"/></p> <p>Scrutiny <input checked="" type="checkbox"/></p> <p>Stakeholders <input checked="" type="checkbox"/></p> <p>Others <input type="checkbox"/></p>	<p>(x)</p> <p><input checked="" type="checkbox"/></p> <p><input checked="" type="checkbox"/></p> <p><input checked="" type="checkbox"/></p> <p><input type="checkbox"/></p>
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<p><b>Recommendations</b></p> <p><b>1. Executive is recommended to:</b></p> <p>(i) Approve the 2015/16 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, for submission to Budget Council.</p> <p>(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 2015-2020, for submission to Budget Council, on the basis that all new schemes require Executive approval (on the basis of a business plan) before they can proceed.</p> <p>(iii) Approve the list of savings proposals (white pages of Budget Papers pages 31 to 36) 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.</p> <p>(iv) Approve the list of spend pressures (white pages of Budget Papers pages 29 to 30) for submission to Budget Council, and approve the service changes necessary to give effect to those growth proposals.</p> <p>(v) Approve a 2015/16 band D Council Tax precept for Luton Borough Council of £1,243.38 for submission to Budget Council, subject to the announcement of the referendum limit.</p> <p>(vi) 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.</p> <p>(vii) Approve the funding formula for primary and secondary schools, plus the centrally retained and early years allocations of the 2015/16 central dedicated schools grant, as proposed by the Schools Forum and set out in paragraph 36 and Appendices J and K.</p> <p>(viii) Approve the development of the Financial Strategy as set out in Appendix C.</p> <p>(ix) Approve the Medium Term Financial Plan set out in Appendix A.</p> <p>(x) Approve the Budget Risk Management Strategy set out in Appendix B.</p> <p>(xi) Approve the protocol for the management, control and use of reserves set out in Appendix G.</p> <p>(xii) Approve the Scales of Charges as set out in the yellow pages of the budget papers.</p> <p>(xiii) 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</p>
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**budgets, where any virement or reallocation shall require the prior approval of the Head of Fixed Assets and the Head of Finance.**

**(xiv) Approve the release of the specific items set out in the contingency provision in Appendix B by the Chief Executive in consultation with the Leader of the Council.**

## **Background**

2. This is the final Budget Report that I shall write as the Council's statutory Chief Financial Officer. This Background section outlines the key financial issues currently facing the Council, and those that it will face in future years.
- A) The current financial system rewards those Councils who are able to increase their business rates income, and penalises those who are unable to do so. Business development is therefore one of the principal keys to the Council's future financial health.
  - B) In this context, it has to be noted that the Council receives a double-benefit from business development at London Luton Airport. In addition to any business rates increase there, its wholly-owned Airport Company (who is the freehold owner of the land on which the airport operates) receives concession-fee income on a per passenger throughput basis (with the exception of passengers of the private jet operations).
  - C) This is particularly important currently as the scope for business development elsewhere in Luton is much more limited than in most Councils. This is because it is a very intensively-developed area already, and has a significant need for additional housing, with all the necessary infrastructure and cost associated with that, such as additional school provision.
  - D) In order to keep future costs to a minimum, the Council also needs to ensure there continues to be a focus on skills development, and on ensuring people stay safe and well, physically and mentally. The financial importance of skills development is because if additional jobs created in Luton do not go to Luton people, the costs of the Council Tax Support scheme, which now fall wholly on the Council, will increase, and people will find it harder to pay their Council Tax. The financial importance of physical and mental health is because the costs of care are by far the largest part of the Council's expenditure, and the more people who are able to live in safety within family or peer groupings, the greater the feeling of personal dignity and the lower the costs to the Council and Council Tax payers.
  - E) The 2015/16 financial settlement is for 1 year only, with no indicative grant for 2016/17. This makes future planning difficult. However, the planning assumption used is that the 2015/16 percentage level of grant reduction will continue, and as shown below, the 2015/16 revenue support grant is 29% less than in 2014/15. It is clear from the comments of all of the main parties that the local government grant settlement is likely to reduce on an ongoing basis in future years, whichever party or parties is or are in power, although the extent of the reduction may differ.
  - F) The Independent Commission on Local Government Finance produced an interim report on 30 October 2014, and aims to produce a final report in February 2015. The interim report suggested that by 2018/19, local government could be capable of becoming largely financially self-sufficient, by retaining and redistributing between each other the taxes which Councils collect. If this is proposed, and taken up politically, it will be important that Luton has an expert, influential voice in the redistribution debate, as it is likely that the Council will be one of those in need of redistribution. The initial suggestion is that such redistribution would be between authorities in the same geographical area.
  - G) The Government has introduced a new Better Care grant which aims to protect adult social care outcomes and reduce National Health Service costs. For 2015/16, the pooled budget for Luton is £13million, most of which is currently in the Clinical Commissioning Group's Budget. The use of this funding has to be agreed between the Council and the local Clinical Commissioning Group, and approved by Government. The use and effectiveness of this pooled budget, and its future, will be a key financial issue for Luton.
  - H) The Council receives a number of specific grants from Government. Specific issues in relation to those this year are that:
    - 1) The amount receivable from the Education Services Grant is dependent on the number of pupils educated in local authority schools – it reduces on a per pupil basis when pupils move to academies or free schools.

2) Grants intended to cover the costs of new burdens, such as implementing the Care Act, and the requirement for the local authority to look after those in care for longer, are not believed to be likely to cover the full costs, according to calculations carried out using the standard local authority model. This has added to spend pressures.

- I) Since Luton is relatively grant dependent, with a low Council Tax base (the average property in Luton is valued between bands A and B for Council Tax purposes, and Luton's Council Tax level is below the national average), the high levels of revenue support grant reduction have a very significant impact on the Council. This means that the Council needs to be prepared to make major savings and increase its income on an ongoing basis, in order to seek 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 previous years.

3. In late 2014 the Local Government Association produced what they call 'spider diagrams' for each local authority, analysing the authority's current and future financial position, opportunities and risks, compared with other authorities. For Luton, the comparison is made with other unitary authorities, and also with all authorities. This is a really useful, independently-produced analysis of the Council's financial health, and is attached in full as Appendix L. Key issues include:

- A) In terms of the measures used to assess the projected future financial position, Luton is in the bottom 25% of councils, in both the unitaries and all authorities groupings, for 3 of the 4 indicators: buoyancy of income from business rates, buoyancy of income from Council Tax, and the expected level of funding available to cover the projected expenditure in 2019/20 (where Luton is 50<sup>th</sup> of 56 unitaries). The position in relation to Council Tax is likely to improve at the next measurement, as the estimates show a significant improvement. However, business rates remain a concern, due to the appeals against business rates valuations.
- B) In terms of risk, Luton is in the highest risk quartile for 6 of the 8 financial risks measured: business rates appeals (as mentioned in A, above), exposure to the settlement funding assessment, likely increases in spend pressures, likely reductions in government grant, pension fund liabilities, and pressures from short term liabilities. There are only 2 areas of risk where the Council is below average, and these are the risks relating to long-term financial stewardship: The Council's total debt, and its level of long-term liabilities.
- C) In terms of opportunities, Luton is top amongst all unitaries for income from investment properties, and from total investments. It is however in the bottom quartile for its business rates collection (which while it has been improving recently clearly requires further improvement) and in terms of capital reserves, which other authorities tend to create from asset sales. By contrast, Luton funds its capital programme by using asset sales that are planned for in future years, which is a much higher-risk approach. Council Tax collection is below average overall, but improving.
- D) One of the key conclusions from this analysis is that it is vital for the Council's future financial health that it maximises net income opportunities available to it, as government funding will continue to decline. The development and delivery of an investment strategy will be key, as will the intelligent development of profitable trading opportunities, and further improvements in tax collection. Another key strand will be developing strategies that are effective in minimising spend demand in care services, as well as and minimising the additional spend risks set out above.

#### **Current Position**

4. The LGA analysis referred to above shows that, amongst unitary authorities, Luton is in the top 25% for all 4 measures of current financial strength assessed. These are:
- a) Amount of working capital
  - b) Amount of unringfenced reserves

- c) Net change in reserves over the last 4 years
- d) Amount of the net assets (described as 'equity') of the authority

5. This speaks well of the way that the Council's finances have been managed in recent years, in order to put the Council in as strong a position as possible to face the financial challenge that is set out in the Background section above.

### **Revenue Support Grant**

6. The Council receives a number of grants from Government for specific purposes. The Revenue Support Grant (RSG) has for many years been the general grant that the Council is able to use for any purpose. Since 2013/14, this has also been supplemented by a Business Rates 'top up', available to all of the Councils whose own business rates income did not reach the level of funding the Government thought necessary at that point. The change in the level of revenue support grant and business rates top up is set out in the tables that follow.

Year	RSG	Reduction
	£m	%age
2013/14	63.995	
2014/15	52.127	18.6
2015/16	37.009	29.0

Year	Rates Top Up	RSG & Top Up	Combined Reduction.
	£m	£m	%age
2013/14	10.348	74.343	
2014/15	10.550	62.677	15.7
2015/16	10.751	47.760	23.8

7. It is clear from the tables that the level of reduction in core government funding is major and ongoing. This is a fundamental challenge for the Council, and the reason why substantial additional income generation and savings are needed on an ongoing basis.

### **Savings and Increases in Income**

8. The level of savings/increased income included in the 2014/15 budget was £18.3million. For 2015/16 the savings and income increases included in the draft budget total £14.4m

### **Increases in Cost**

9. The budget includes £7.5m of increases in cost which are set out in the estimates papers. Some of these are based on specific funding being provided to meet the cost (principally the £3.2million for sustaining social care, which it is assumed will be funded by the bid made to the Better Care Fund). All bids for budget increases were appraised by the Luton Excellence Team and the Corporate Leadership Management Team, and over £5million worth of proposals were not supported. The general principle adopted was that only additional, genuinely unavoidable spend increases or income losses were approved, mainly arising from legislative change, and that ongoing spend pressures need to be managed. With ongoing reductions in grant, an increase in spend requires an additional saving elsewhere, and it is not sustainable to allow all budgetary pressures to result in extra savings requirements, when those savings will mean reductions in services. Therefore managers need to be actively managing demand for services, to keep spend within budgets wherever possible.

10. It does however need to be recognised that in a number of areas where there have been spend pressures, keeping within budgets will be particularly challenging. For example, Looked After Children, where placements have to be based on the assessment of the risks faced by the child. As a result the budget is based on the inclusion of a contingency, which is in part for specific risks where the growth appraisal process recommended that this was necessary, and in part to recognise the risk of overspend. It is suggested that the contingency amounts included for those items of specific risk are available for the Chief Executive to release for spend, following discussion with the Leader of the Council.

### **Better Care Fund**

11. 2015/16 is the first full year of the Better Care Fund, whereby funds are pooled between the Clinical Commissioning Group (CCG) and the Council, for spend on areas that should help to minimise hospital admissions, in order to reduce pressures on hospitals and enable savings to be made from ward closures. This is overseen by the Health and Wellbeing Board. A joint bid has been submitted, showing how the total of £13million of funding is intended to be allocated. Part of this funding is for spend already in the budget, such as aids and adaptations, reablement and other spend already part of an agreed pooled budget with the CCG. However, a key aim of the fund is to ensure that social care can help to keep down hospital admissions, and the joint bid allocates £3.2million to sustaining social care. This is shown on the Council's growth list, and the base budget is prepared on the assumption that the Council will receive the £3.2million of the Better Care grant that is intended to cover this cost.

### **Spending Power**

12. In the papers published as part of the grant settlement the Government has not set out levels of grant reduction by authority. Instead, as last year, it has made what is stated to be a comparison of 'spending power' between 2014/15 and 2015/16. To calculate this civil servants have used their estimate of each Council's 2015/16 Council Tax, a number of specific grants, the business rates top-up, and an estimate of business rates that is still based on uprating their initial business rates estimate made for 2013/14, and takes no account of what has actually happened in business rates since.
13. The spending power calculation also does not take into account changes in the Education Services Grant. If a substantial number of schools become academies or free schools in a year, that grant reduces, but this is not recognised in the government's definition of spending power. Secondly, it includes funding which is ring-fenced to Public Health and thirdly it includes the Better Care Fund, which is counted in both the Clinical Commissioning Group and the Council's funding.
14. As a result, the spending power comparisons have limited value, but wide currency. Cipfa have produced their own version, which excludes the Public Health and Better Care Funding. Comparisons using both data sets are set out below. Members may wish to note that last year, analysis showed a correlation between the highest levels of spending power reduction and high levels of ethnicity. This year that analysis has not yet been made available. Luton has one of the higher levels of spending power reduction (it is 322<sup>nd</sup> out of 383 local and fire authorities). Police are not part of this analysis.

<b>Spending Power analysis</b>	<b>1. Govt. Analysis</b>	<b>2. Cipfa Analysis</b>
Authority	%age change	%age change
Luton	-2.9	-7.4
Central Bedfordshire	+1.8	-1.9
Bedford	-0.2	-3.8
Hertfordshire	+1.7	-3.0
Buckinghamshire	+2.4	-1.8

Unitaries without Fire - average	-1.9	Not given
England without the GLA average	-1.8	-4.4

## Council Tax

15. Last year the Council increased the Council Tax by 1.5%, and this report has been written on the basis that there will be an equivalent increase for 2015/16, which will yield £857k additional income. It needs to be made clear that this is in addition to the £2.67million increase resulting from the improvement in the Council's taxbase, which was set out in the Executive report of 15 December.
16. The Government has again announced the offer of a Council Tax freeze grant. This is equivalent to a 1% rise in the Council Tax prior to the reduction in the tax base that arises from the cost of the Council Tax Support Scheme, so it is worth more than 1% on the taxbase, which would yield £571k. The total on offer is £719k, £138k less than the income from the tax freeze grant.
17. The future of tax freeze grant funding will be dependent on decisions made by the Government that is in place from May 2015 onwards. Current Ministers have made clear that they are very keen on all authorities taking the grant, to avoid the impact of a tax increase on taxpayers.
18. The Government has announced that under the provisions of the Localism Act, it will determine a referendum limit. Any tax increase above that limit will require an authority to hold a referendum – which in 2015/16 would be expected to be run alongside the European elections. The provisional local government settlement of 18 December announced that the limit was likely to remain at 2%.
19. 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 level of additional income that can be achieved from a tax increase is greater than that achievable from taking the tax freeze grant.
  - The tax level is higher in the following year. So tax increases in future years yield more than if the tax freeze grant is accepted. Therefore a strategy of tax increases reduces the ongoing savings requirement when compared with a strategy of accepting a tax freeze grant.
20. To illustrate the longer term impact of accepting the freeze grant, compared with increasing the Council Tax:
  - If the Council Tax is frozen in 2015/16 and 2016/17, and then increased by 2% in 2017/18, the amount achieved from that 2% increase will be £1.96million less than a 2% increase in that year preceded by a 1.5% increase in 2015/16 and a 2% increase in 2016/17.

Therefore, given the ongoing reductions required in the Council's budget, a tax freeze strategy will require substantially more savings than a strategy of ongoing tax increases, even though there may be only a small difference between the amount receivable as a tax freeze grant and the amount raised from a tax increase in any year.
21. The potential increase in Council Tax for the taxpayers of Luton depends upon the levels of Council Tax set by the Council, the Police Commissioner, and the Fire Authority (and, potentially, on a referendum in May). Illustrative levels of tax increase are shown in the following tables:

Tax Increase Based on LBC 1.5%, Police 15.9%, Fire 1.99%			
	Total Tax (£s)	% increase	Extra weekly cost (£s)
Band A	1,009.31	3.1	0.57

Band B	1,117.52	3.1	0.67
Band C	1,345.75	3.1	0.77
Band D	1,513.96	3.1	0.86
Band E	1,850.40	3.1	1.05
Band F	2,186.83	3.1	1.24
Band G	2,523.27	3.1	1.44
Band H	3,027.92	3.1	1.72

Tax Increase Based on LBC 1.5%, Police 1.99%, Fire 1.99%			
	Total Tax (£s)	% increase	Extra weekly cost (£s)
Band A	994.79	1.6	0.30
Band B	1,160.59	1.6	0.35
Band C	1,326.39	1.6	0.39
Band D	1,492.18	1.6	0.44
Band E	1,823.78	1.6	0.54
Band F	2,155.38	1.6	0.64
Band G	2,486.97	1.6	0.74
Band H	2,984.36	1.6	0.89

22. Members will also be aware that Executive has already determined to protect the neediest from the impact of any tax increase by maintaining the Council Tax Support scheme for 2015/16 on essentially the same basis as the former Council Tax Benefit scheme, despite the ongoing reduction in government funding to support the scheme.

### Income Generation.

23. Luton Borough Council is relatively heavily grant-dependent. This means that standard percentage reductions in grant have a greater impact on Luton than on the average authority. The reason that Luton is grant-dependent is that it has a higher than average relative need, and a lower than average tax income per dwelling. As a result 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.
24. Under the current system, to increase this funding, the Council needs to increase its income from local business rates and other sources. The Council cannot increase the level of the business rate (this is set nationally). To increase income there has to be an increase in Luton's business base. The system is intended to make all Councils focus on encouraging business growth, in order to drive the national growth agenda. Luton's issue is that it is already an exceptionally highly developed area with tightly drawn boundaries, so the available space to deliver significant additional business - alongside the required housing and schools necessary for the local population - is much more limited than in most areas..
25. Success 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.
26. 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.

27. It should also be noted that the Government is currently offering 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 2015/16, this is worth an additional £652k for Luton. However, there are 2 issues with this.
- a) The funding for New Homes Bonus is top-sliced from the amount that would otherwise be available for grant. If this was not done, Luton would receive more in grant than it does in New Homes Bonus.
  - b) Homes and their occupants also add demands for infrastructure such as schools, as well as demands for 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 in Luton is likely to result in a significant additional spend pressure overall. The initial estimate is likely to be around £800k per 1,000 houses, but the actual cost will depend on many variables, such as whether existing schools in the areas of expansion have vacant places, which would reduce costs significantly.
28. The budget includes significant income from trading with schools, housing associations and others, as well as dividend from London Luton Airport Limited.

## **Spend Pressures**

### **Capital Programme Key Issues**

29. The Capital Programme is mainly based on previously approved schemes, of which the largest are the Luton Town Centre Transport Scheme, and the M1 Junction 10a project. The key issues are set out below.
- Under-funding for new school places in Luton. There still remains a large shortfall and the need for an additional school in the south of the town. Difficulties remain in finding appropriate land and funding.
  - 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).
  - The overall scale of the programme. Luton is committed to a programme of a relatively large scale for an Authority of its size, in order to improve the transport infrastructure of the town to enable essential developments in both business and housing. A large scale programme is 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; and
- b) The demands of managing a major capital programme, which requires dedicated resources, at a time of major change and staffing reductions

30. Risk management measures have however been put in place to address these risks, and are detailed in Appendix B

## Schools Funding

31. 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 on the October 2014 school census (as there is a guaranteed amount per pupil, which has been reduced by £7.51 per pupil to reflect the national top-slice for the Carbon Reduction Commitment. There is also a pupil premium which is now £935 per secondary pupil or £1,320 per primary pupil who is or was eligible for a free school meal at any time in the last 6 years. In addition looked after children and service children attract the pupil premium at £1,900 and £300 per pupil respectively.
32. Currently local authorities receive funding for schools and education through the ring-fenced Dedicated Schools Grant (DSG), and the Pupil Premium. The DSG is currently split into 3 notional blocks – early years, schools block and high needs block and is mostly based on an October count of pupil numbers (with the exception of the early years element which is based on the January early years census). The notional blocks are not ring-fenced and authorities can move funding freely between them with the agreement of their Schools Forum. Those blocks are set out below

### Early Years Block

33. 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

34. This block funds primary and secondary schools via a local formula (excluding high needs pupils). There were no national changes to the fair funding formula for 2015-16 and the Government has postponed its plans for a national funding formula due to the complexity of the changes that would be required, therefore there will be no changes to the current system until 2016-17 at the earliest.

### High Needs Block

35. This block funds provision for all high needs pupils and students from birth to 25, in line with the Government's proposals for Special Educational needs and disability, in order to produce an integrated and coherent approach to assessment and provision across the 0-25 age range.

### Decisions Required by the Schools Forum and the Executive

36. The final allocation of the Dedicated Schools Grant will be determined by the Schools Forum in March. The overall budget is shown in the Green Book (page 5). At this point, as the representative body of schools and other providers of education and childcare, the Schools Forum requests that the following decisions for the 2015-16 Schools budget are agreed:

Item	2015-16 Funding £'000
Approval of the funding formula for primary and secondary schools (see Appendix J)	165,658
Approval of centrally retained budgets for 2015-16 (see Appendix K)	2,384
Approval of early years central budgets for 2015-16 (see Appendix K)	3,163

### **Public Health**

37. The Public Health service, together with around half of the budget that it previously commissioned, was moved from the NHS to the Council with effect from 1.4.2013. The budget is ring-fenced to ensure that Councils cannot use it as a source of savings, and focus on key public health issues. It is important to note that effective public health measures that increase well-being and independence will have a positive impact in reducing demand for local authority services, and hence are vital for the Council's financial future as well as for the health of the population. The Council is required to use this ring-fenced funding to fulfil its duty to take appropriate steps to improve public health and reduce health inequalities. It should be noted that in the second half of 2015/16 the Council will take on the budget and responsibility for public health for the 0-5 year old population of Luton.

### **Value for Money**

38. 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 36 of the Green Book reflect the application of value for money principles in order to produce the budget proposals.

### **Budget consultation and Scrutiny**

39. The Executive undertook a major consultation process in 2012/13, entitled 'Luton... Your Say'. This informed the development of the Prospectus which guides the strategic approach to 2016. In the current financial year this has been followed up with consultations on budget issues at community events and festivals, on social media and by survey. This has given an indication of which services people use most frequently, and which they think could and could not be reduced. Detail is available from the Council's consultation team.
40. 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.
41. The Trades Unions were to be consulted on the proposals for savings and spend pressures on 8 February. Views received will be reported to the Executive.
42. There is also a statutory requirement to consult representatives of national non-domestic ratepayers. Views received will be reported to Budget Council.

### **2015/16 Revenue Budget**

43. 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 2015/16?
  - 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 2015/16, how will those key principles be changed?

44. 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.
45. 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. As a key part of the 2015/16 budget preparation process the amounts of inflation allowable have been subject to corporate challenge, and substantial amounts of the savings proposals are reductions in the levels of inflation that were incorporated into the budget planning process.
46. The base budget for each department is shown in the attached budget papers, together with an overall summary.
47. The basis of determination of the contingency provision is shown at Appendix B, arising from the consideration of the principal budget risks.
48. A comparison between the 2014/15 budget and the 2015/16 draft base budget is shown at Appendix K.

#### **Costs of implementing the savings proposals**

49. There will be a 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 2014/15 budget includes a provision for 2015/16 redundancies, and the 2015/16 proposed budget includes a similar provision for 2016/17, within the contingency provision, as the accounting rules require redundancies to be accounted for by way of a provision in the year in which an announcement of the potential redundancy is made.

#### **Collection fund**

50. 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 an estimated surplus of which £3,860,485 is Luton's share. This unprecedentedly high surplus is a tribute to the work of the Aged Debt team in Revenues and Benefits. In relation to Business Rates, I have estimated the 2015/16 surplus to be £1.31million.
51. The Collection Fund is now very volatile, in terms of both Council Tax and Business Rates. In relation to Council Tax, this is because it includes the impact of the Council Tax Support Scheme. If greater numbers require support this will increase the costs in the Collection Fund, impacting on the Council Tax base in the following year. Of course, if the numbers of those requiring support and the number of exempt and empty properties goes down, then the Council Tax base is likely to increase.
52. In relation to business rates, the most difficult issue to predict is the number of successful rating appeals

53. Now 49% of business rates are retained by the Council, 1% goes to Fire, and 50% goes 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). This has already been a significant issue for the Council.
54. 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 2015/16**

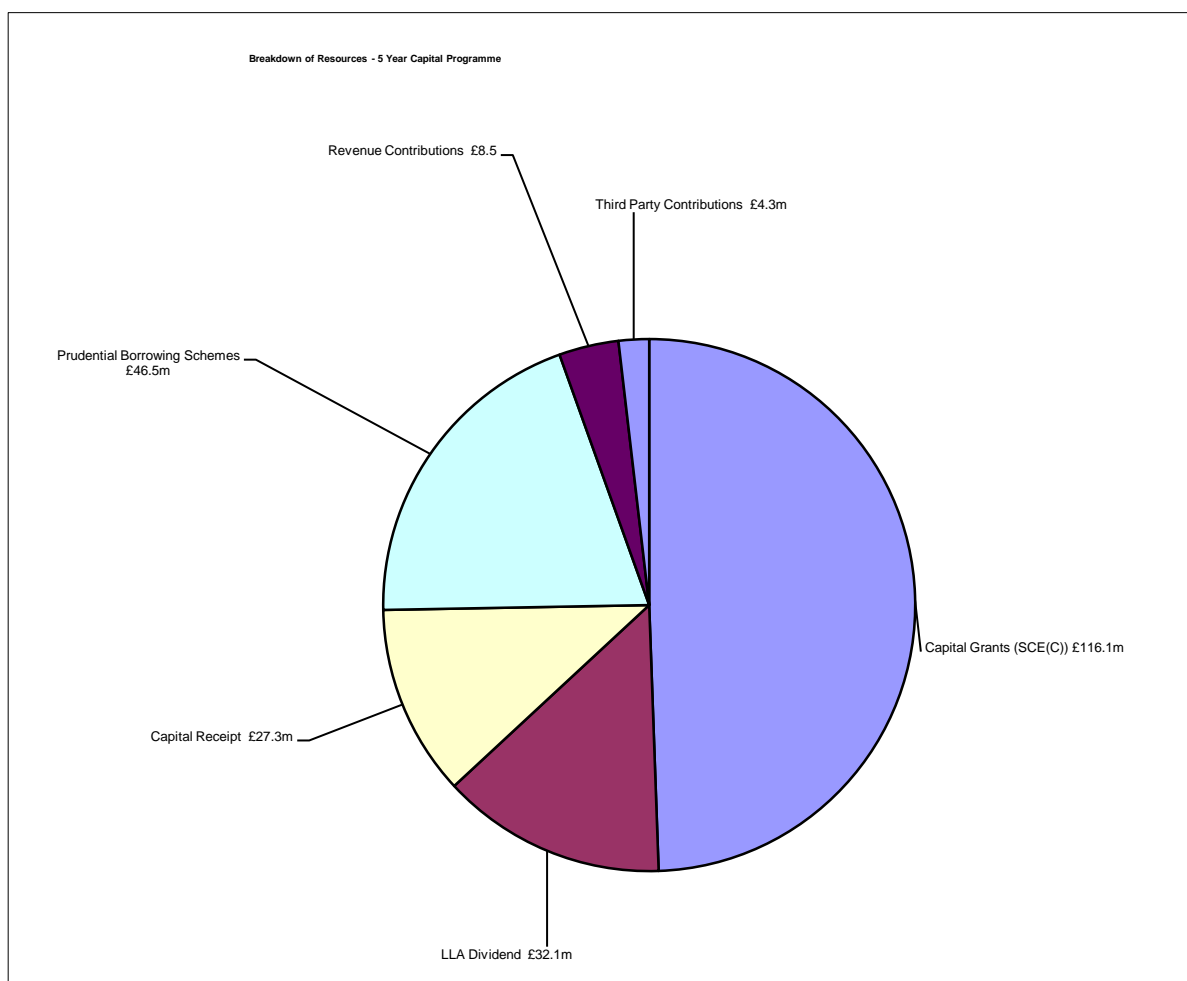
55. Any budget of the size and range of the Council's will result in a wide variety of risks. Therefore it is essential that the Council continues to develop and monitor its budget risk management strategy, alongside the budget itself. A proposed Budget Risk Management Strategy is attached as Appendix 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.
56. 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.
57. The budget risk management scheme assumes the continuation of the cash-limit scheme.

#### **Capital Programme 2015 to 2020**

58. The review of the Capital Programme 2015/20 has been undertaken against the backdrop of a continued reduction of resources from Central Government. 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 2<sup>nd</sup> 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 Head of Fixed Assets undertook challenge and scrutiny of each funding request followed by a further review of all applications by the Director of Commercial and Transformation Services.
  - 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.
59. The base-line position, with all Options Appraisals included, produced a deficit of £11.25m at

2017/18. The external auditors have advised that a balanced programme should be achieved by year 3 (2017/18). 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 H.

60. Once the Capital Programme receives in principle Executive approval, all new projects will be required to submit business cases to Executive for individual approval. Once approval is obtained, the project will be governed in accordance with the Project Management Framework and overseen by the Major Projects Board.
61. Internal resources are largely in line with the previous capital programme. Prudential borrowing levels have increased by £12.5m. This includes £11.0m of London Luton Airport Ltd (LLAL) spend which is financed by the Council lending to LLAL at commercial rates (generating a revenue saving net of the costs of prudential borrowing, as shown on the revenue savings list) and an additional £9.7m expenditure on investment properties plus a reduction in borrowing on other projects. The analysis of the overall resources required to fund the programme is demonstrated in the following graph:



62. Major projects within the programme include:
- Town Centre Transport Scheme (£21.1m)
  - M1 Junction 10a (£29.2m)
63. The total value of the revised programme is £146,306,500 which represents a reduction of £24,222,400 on the 2014/19 programme. The main reason for this is the completion of the Luton Dunstable Busway, together with the reduced level of estimated Basic Need Grant to fund primary school works.
64. 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 dividend and capital receipts which have not yet been achieved, and the cash-limited grant funding of projects including those major construction schemes where spend can significantly exceed budget.
- c) Programme and project management risks associated with major projects and potential overspend.
- d) High value existing contractual commitments within the programme.
- e) The under provision (although improved in comparison with last year) in required funding for additional school places.

### **Minimum Revenue Provision**

- 65. The financing costs of borrowing and capital financing arrangements are based on the interest cost of borrowing, plus a 'minimum revenue provision' used in place of depreciation/principal repayments for local authority tax-setting purposes..
- 66. Statutory guidance requires each local authority to prepare a statement of policy setting out how it will make a prudent Minimum Revenue Provision (MRP) for the next financial year. The Policy is included in the Treasury Management and Annual Investment Strategy.

### **Scale of Charges**

- 67. The majority of charges for 2015/16 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**

- 68. 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
- 69. Attached as Appendix F is a table showing a protocol for each reserve, setting out its purpose, how and when it can be used, and procedures for management and control. Also included in the table are estimated balances and estimates of the potential use of reserves in 2015/16. 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.
- 70. 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**

71. The Local Government Act 2003 makes it a requirement that the Chief Finance Officer 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**

72. In order to aim to maintain a healthy financial position, the Council needs 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 that reduce ongoing costs and liabilities, so that the underlying spend is funded by underlying income, and the long-term budget situation is improved.
  - Ensure that a prudent amount of revenue reserve is always maintained.
73. The Finance service continues to be reviewed, and has been restructured, with a reduction in posts, in 2013/14. The impacts will need assessment during 2015/16.

### **Financial strategy**

74. the proposed strategy is set out as Appendix C.

### **Council Tax levels**

75. 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.

## **Goals and objectives**

76. The key goals and objectives are:
1. To set a balanced budget for 2015/16 in line with the legal requirement to do so.
  2. To set a fully resourced capital programme for 2014/19 in accordance with the requirements of the Council's standing orders.
  3. To set a budget risk management strategy that will enable the budget to be managed effectively.
  4. to set a medium term financial strategy and plan, together with a financial strategy, that will enable the council to work effectively in the medium term towards meeting its service aspirations as set out in the prospectus within the level of resources available to

it.

## **Proposal**

77. 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;
  - ii. 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 G;
  - iii. a medium term financial plan and strategy as set out in Appendix A.
78. In order to manage this effectively, the implementation of the Budget Risk Management Strategy set out in Appendix B will be essential.

## **Key Risks**

79. 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**

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

### **Stakeholder Consultations**

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

### **Overview And Scrutiny Board Consultations**

80. 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.

## **Equalities/Social Justice Implications Report by the Social Justice Unit**

### **Overview:**

81. The Council continues to face wide ranging reductions to its budget from national government with a further £14.3million of savings in the 2015-16 budget. The LGA found that local authorities in areas of deprivation have been more impacted by austerity measures than those authorities in more affluent areas. Luton has wards that fall within the 10% most deprived and therefore as an authority has been heavily reliant on government grants. Also the Council receives less money from Council Tax than more affluent authorities.
82. Luton continues to deliver services in these difficult times within a similar framework as other authorities across the country, which was set out as follows by Rowntree in 2010.
- The withdrawal of local government from the provision of a number of services and the dilution of provision in respect of others, accompanied by a transfer of responsibility for some services and client groups to other agencies, sectors and partnerships.
  - A redefinition in the relationship between citizens and local councils. Citizens will be expected to take greater responsibility for their own well-being, as well as for quality of life within their neighbourhoods.



- A refocusing of resources on meeting the needs of the most disadvantaged and vulnerable citizens within council areas and on measures designed to prevent such needs intensifying.
- A renewed emphasis on developing and managing economic growth as a means both to generate income and to develop the economic competitiveness of the local authority and its region in the longer term<sup>1</sup>

83. The budget for 2015-16 will, as in previous years, include some areas which have undertaken an analysis of impact, and some projects that where the analysis will take place in the next few months, prior to full implementation. Therefore this analysis gives a view of what the budget proposals for 2015-16 may mean in relation to the impact on citizens and staff.

### **Equality Act (2010)**

84. 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 Integrated Impact Assessments (IIAs) which consider 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.

85. As stated earlier, not all of the budget reduction proposals contained within this report have undergone an analysis of impact 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.

### **Consultation and Engagement**

86. Consultation and engagement continues to be 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.

### **Departments**

87. 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

<sup>1</sup> Coping with the cuts? Local government and poorer communities

considered in aggregate and the tables below show the number of projects per Department presently shown on the drafted budget proposal. Not all of the projects will require an IIA to be undertaken doing the process of democratic decision making within the Council procedures.

88. The 130 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	13
Housing and Community Living	13
Environment and Regeneration	55
Commercial and Transformation	41
Corporate	4
TOTAL:	130

89. The proposals presently add up to circa £14.3 million pounds worth of savings or additional income, with the savings in this financial year being quite evenly spread across departments. Some of the savings are purely financial. Others will have some impact on the community, families or individuals; however the Council continues to ensure that its legal duties to children and adults are maintained and also its commitment to protecting the vulnerable. Whilst there may be reductions to service provision, there also is a continuing reprovision and remodelling of how services are provided, by whom and how they continue to be funded. Projects must still go through the democratic process and public engagement and be analysed for the impact they may have on citizens and staff.
90. Adult social care is continuing the integration proposals between Luton NHS Clinical Commissioning Group and provision of shared services; this is an extremely important both in the seamless services to citizens and in relation to financial savings.
91. Children and Learning is also looking to reconfigure service provision and modelling of how services can be best targeted at the most vulnerable in its community offer.
92. Savings in Environment and Regeneration generally have a direct impact on citizens. Some 55 projects have been put forward by Environment and Regeneration for 2015/16. 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. It is also to be noted that many of the budget reductions will mean that services are retained but at minimal standard levels. E & R continues to look at where there are considerable trading opportunities, to bring further businesses into the Town and expand employment, training, and apprenticeships opportunities both in the Council and beyond in local businesses.
93. The Commercial and Transformation Department is looking at 41 projects for budget reductions and remodelling of how the Council is to look and connect with citizens over the next three years. It also looks at the corporate centre and where budget reductions can be made. One of the key issues is not just focussing on where to make budget reductions but continuing to look at where there are viable trading opportunities.

#### **Wider Impact: Welfare Reform**

94. One of the concerns that the Council continues to consider is the impact of the wider welfare reforms on citizens, plus the responsibilities that the Council has to undertake in

regard to Crisis Support and Council Tax Benefits. Both of these 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, which is now not expected to go national until 2017, but was initially expected to be rolled out from 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 were;

- 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

95. The impact is not a positive outcome. The IIA showed that locally the reforms will make some people considerably financially worse off, and are likely to cause social upheaval due to the housing reforms (for those under 35) and for those under occupying.
96. We have continued to consider the impact of welfare reform with our Partners in the Voluntary and Independent sector, and we find that many citizens are financially struggling and that there remains a considerable need for crisis support and for the local foodbank.
97. Of the IIAs that have been undertaken, and those that will be needed in 2015/2016 the initial consideration against the protected characteristics is shown below.
98. There is no immediate impact on gender reassignment, lesbian, gay bisexual or the transgender community, marriage and civil partnerships or faith/belief, however this may change when further analysis of impact is undertaken of those projects as yet not considered.

Disability and those with long term health needs:

99. Our Welfare Reform highlighted the impact on people with disabilities or families where a child or adult has a disability, or long term health need. National evidence continues to show 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. This has, and will continue to require, monitoring of outcomes, looking at how mitigation across all departments is ensuring that the most vulnerable remain supported.
100. 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 with the remodelling of vocational and employment support services will be undertaken in 2015/15 and also HCL will also look at how community services from its Better Together programme can be better provided. HCL will also consider if specific services for older persons day care can be provided via a third sector organisation. Specific finance of S256 monies, some of which support carers and reablement, will require an IIA to fully understand the risks and impact of transfer or change to service provision.

Race

101. Race includes all the diversity of Luton, White British, Irish, African, Caribbean, Bangladeshi, Indian, Pakistani, Polish, Somali etc and some of our services are for those who are assessed to need care and support or who are providing support outside of the Fair access to care criteria, whether as an adult or a child. Community services are

provided across the whole Town, but Environment and Regeneration are having to consider 55 projects, some of which will have a direct impact on citizens and thereby will impinge on all communities in the Town. No services identified in the budget provide for a service that is for specifically one part of the community, culture or Race. However some projects have yet to undergo an impact it is too early in the process, but an IIA will be undertaken on all projects that require an analysis and will be presented in any Executive report. This will give us a greater understanding if those of differing races will be impacted by budget savings.

Gender:

102. No L.B.C. services are gender specific, although we do support services via service level agreements and LLAL monies support women only projects in the community, in particular services that support women facing domestic violence and honour based violence. However there will be other 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. 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 67% female; therefore redundancies may have a greater impact on the female workforce than male workers. However this cannot be known until the end of any year, and consideration is given to the whole figure of those made redundant. Reports go on a yearly basis to Administration Committee which gives a clear view of how staff have been impacted by internal changes to the Council, this report shows how all the 9 protected characteristics of the Equality Act have been impacted.

Age:

103. Any reduction in services is possibly going to have an impact on the community, and across all age groups. Many of our services to older and younger people are provided under legal provision – either via safeguarding or social need. Greater integration between Luton Borough Council and Luton Clinical Commissioning Group will have an impact on services for younger and older persons, and consideration of how and who provides some of these services, specifically older person services, will also have an impact, as yet not analysed. The remodelling of Children's/Family Centres will seek to ensure that all citizens who are found to require the service and eligible will have access to the services provided within these centres. Youth Services will also face a change of how it delivers its services and LBC will consider integrating the service with Stronger Families, and a more targeted personal advisor service for looked after children and children with disabilities.

**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 – 2014/15 Levels

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

Appendix G – Capital Resource Assessment

Appendix H – Capital Programme Option Appraisals

Appendix I - Analysis Of Variances Between 2015/16 Net Expenditure Prior To Growth And Savings, And The 2013/14 Budget.

Appendix J – Schools Funding Formula 2015/16 for Primary and Secondary Schools

Appendix K – Dedicated Schools Grant Centrally Retained Budgets 2015/16 – Schools Block and Early Years Block.

Appendix L – Local Government Association 'Spider Diagrams' giving their analysis of Luton's current and future financial position, opportunities, and risks.

Further background papers: The detail of the consultation that informed the Council's Prospectus and its budget strategy to 2015/16 are available from the consultation team, extension 7099. The detail of the grant settlement is available from the Government website, Gov.uk

Coping with the cuts? Local government and poorer communities. By Annette Hastings, Nick Bailey, Kirsten Besemer, Glen Bramley, Maria Gannon and David Watkins. 28 November 2013. Joseph Rowntree Foundation. <http://www.jrf.org.uk/publications/coping-with-cuts>

## 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 2015/16. The budget set may not be a deficit budget.	This has been agreed by Principal Solicitor (Litigation) 26/1/15
Finance	These are addressed in the body of the report.	Head of Finance, 26/1/15

### Integrated Impact Assessment – IIA – Key Points

Equalities/ Cohesion/Inclusion (Social Justice)	The report includes a full assessment of the impact in paragraphs 81 to 103.	Agreed by Sandra Legate, Social Justice Unit on
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, have the potential to impact negatively on the environment, and require individual integrated impact assessments.	This has been agreed by the Strategy and Sustainability Manager on the 19/02/2015.
Public Health	The budget approves the funding for public health services in 2015/16, together with other budgets in all departments that will need to be used in a cohesive fashion to impact positively on public health in the town.	Morag Stewart Public Health 26/01/15
Community Safety	The budget ultimately approved by Council will set the level of resources available for Community Safety.	
Staffing	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 33.2 FTE reductions currently indicated in the savings proposals for 2015/16, over and above those already made. 26.4 of those posts are currently vacant. 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	Agreed by Angela Claridge, Head of HR and Monitoring Officer, on 26 <sup>th</sup> January 2015

	vacant.  The Council has an active redeployment policy as a key part of its organisational development, and this will be used to try to minimise the number actually made redundant.	
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**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 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.