

Budget Risk Management Strategy and Minimum Reserve Level

Introduction

1. The Council's total annual turnover for 2013/14, including capital expenditure, will be in excess of £500million, and it provides an extremely wide range of very different services, many of them demand-led. As a result, it 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 development of a risk management strategy that the Council assesses the risks and takes steps to manage and mitigate, so far as is practicable, those that cannot be eliminated or avoided.
2. Key strategic risks have been identified on the corporate risk register, 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. As an overview, the major risks include:
 - Revenue budget overspends or reductions in income
 - The loss of major business ratepayers from the area
 - The extent of further reductions in Government grant support in future years
 - Increases in the number requiring council tax support.
 - The potential impact of the Government welfare reform changes
 - Increases in the number and cost of those requiring social care.
 - 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
 - New spend pressures
 - Capital projects overspending (a particular issue for Luton over the next few years because of the major projects funded by Government grant, with the Council bearing the risk of any overspend)
 - Expected grant income not being received
 - Estimated capital receipts not being realised
 - Risks to Airport funding, in terms of donations to local groups and 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.
4. Following this description of risk, there is an attempt to quantify potential risk levels and probabilities, in order to derive an appropriate level of contingencies, and to contribute towards the assessment of the appropriate level of reserves.

5. The airport risk is a unique one for the council and deserves specific appraisal. The council wholly owns London Luton Airport Limited, LLAL, who leases the airport to London Luton Airport Operations Limited, LLAOL, owned by Abertis, under a concession agreement whereby LLAL receives income (a concession fee) based on the numbers going through the airport, and with a minimum fee level. LLAL makes substantial donations to charitable organisations who carry out key functions in relation to social care, advice, sport and leisure provision that would otherwise be funded by the council. This is extremely tax efficient under current rules, as it substantially reduces the corporation tax that would otherwise be payable by LLAL.
6. The LLAL board allocated £14 million to make gift aid donations to Luton based charitable organisations in 2012/13. 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. However, since that detailed advice was given the Finance Act 2011 introduced a concept of 'tainted donation', and LLAL will need to enter into discussion with HMRC to ensure that its procedures do not inadvertently risk being caught by those new provisions. The risks are:
 - The government could cease the gift aid scheme. This is highly unlikely as gift aid is now fundamental for the ongoing income of the country's charitable sector. If this did happen, the company could declare more dividend, but the additional tax liability would mean that the net impact would be that there would be £3million per annum less available for the Council and charitable organisations than is available currently.
 - The LLAL board could decide that it no longer wishes to provide gift aid. (Again, a net £3million impact.)
 - 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. (A net £3million impact per year.)
 - That LLAL's income reduces to the degree that it is unable to make the gift aid payments.
7. LLAL's income is based on the airport's passenger throughput. There is a risk that the passenger numbers could reduce substantially, if major airlines reduce their use of London Luton, or a natural event, like the Icelandic ash-cloud, restricts flights. This would impact first on the dividend. Any further reduction would impact on the ability of the board to make gift aid payments in 2014. Whilst a key requirement of any proposal is to maintain the forecast levels of income to LLAL, the risk of LLAL no longer making gift aid.
8. The impacts of the current economic position also require specific attention in a review of budget risk.

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9. Building control, development control, land charge 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 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.
10. There is also an impact on demands for service provision, particularly in housing benefit, homelessness and the prevention, regeneration, care and education services.
11. The historically low interest rates reduce income from investments, and there are a reduced number of banks with a high enough credit rating to appear a relatively safe place for funds.
12. The level of reduction in Government grant is unprecedented in modern times and has a fundamental impact on the Council's financial position.
13. 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.

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No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
1.	Some of the approved savings proposals 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	2013/14 Lists by May 2013
		b. Identification of savings proposals requiring specific plans and project management & identification of an individual accountable for the proposal.	All Finance Teams	May 2013
		c. Regular reviews of the overall budget position by Executive and Corporate Leadership Management Team	Leader, Chief Executive & Head of Finance	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 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 postholders at risk as at 31.3.2013 are all identified and ensure costs are accrued, provided for, or have reserves earmarked as appropriate in accordance with proper practice.	All Finance Managers	By 15 th May 2013
		b. Apply the principles of the organisational development policy to redeploy affected staff and keep the number and costs of redundancies to a minimum.	Head of HR	Ongoing

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No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
		c. Put underspends into the reorganisation reserve to provide funding for the costs of implementing change	Head of Finance	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	2013/14 Lists by May 2013
		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	H&CL 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	2013/14 Lists by May 2013
		b. Continue utilising risk-based approach and prevention team. Continue to increase fostering and care capacity within Luton.	C&L Social Work Teams	Ongoing
5.	Interest Rates on investments reduce still further/investments at risk due to banking crisis (medium likelihood, critical impact).	Ensure continuing active management of the Council's Treasury Management portfolio, using specialist advice as necessary	Head of Finance	Ongoing
6.	Failure of key supplier	Review key suppliers credit worthiness on an ongoing basis. Begin planning for alternative provision at the warning	Corporate Procurement Manager	ongoing

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No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
		stage.		
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 Head of Finance	ongoing
8.	Need to hold Council Tax referendum (low likelihood, critical impact)	Set a budget with a tax increase below the excessive level set by the Secretary of State or a zero tax increase and use the Council Tax Freeze grant	Council & Head of Finance	February 2013
9.	Airport Income reduces significantly (medium likelihood, critical impact)	a. Maintenance of a prudent minimum reserve balance.	Full Council & Head of Finance	February 2013
		b. Regular review of the airport situation by the airport client function.	Airport Client function	Ongoing
		c. Readiness for a radical reappraisal of the Council's budget and capital programme should there be any long-term impact on airport income.	Head of Finance with CLMT	Ongoing
10.	The Airport Company is unable to make charitable donations to organisations with service level/funding and management agreements with the Council (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 & Head of Finance	Ongoing
11.	Pressure for Additional Expenditure/New Growth during 2013/14	Continuous monitoring of budgets to ensure early identification of problems and finding of alternative budget	All Finance Teams	Ongoing

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No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
		reductions to keep service within budget		
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.	Corporate Directors & Heads of Service	Ongoing
		b. Monitor expenditure carefully as part of the monthly budget monitoring process. Specific review of energy budgets. Apply cash limit scheme if specific areas begin to overspend. Set sufficient contingency budget.	All Finance Teams, energy budgets with Energy Manager.	Ongoing
13.	Grant Repayment (low likelihood, significant impact)	Ensure grant conditions are complied with and that grant-giving bodies are contacted when circumstances change, explaining the reasons for those changes.	Relevant Finance Teams	Ongoing
14.	Slippage of Capital Programme spend (medium likelihood, noticeable impact)	Regular monitoring of the capital programme spend and the interest estimates.	Fixed Assets & Corporate Finance	Ongoing
15.	Slippage of spend on projects where grant is time-limited (high likelihood, critical impact)	Review specific schemes and structure to minimise risk, seeking mitigation schemes where necessary	Director of Environment and Regeneration, Head of Planning and Transportation	Current and ongoing
16.	Slippage/reduction of Capital Resources (high likelihood, significant impact). Capital programme is based on capital	Monthly reviews of resources & review of programme if pattern of expected receipts changes significantly	Fixed Assets & Corporate Finance	Ongoing

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No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
	receipts from land and property, Council House sales, and developer contributions (S106), particularly in the medium term.			
17.	The scale of the Capital Programme and Major Projects (high likelihood, potentially critical impact needs to be managed down). Projects include: Luton Dunstable Busway, Luton Town Centre Transport Scheme, M1 Junction 10A.	a. Ensure that the terms of any external funding for project, 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. Major Projects Sub Group consider the potential impact of a major capital scheme and make recommendations to Executive in line with agreed protocol prior to commitments.	Major Projects sub group	Before Projects are committed
		c. Consider potential revenue impact of major capital schemes as part of any decision.	Major projects sub 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.	Head of HR and Monitoring Officer 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	Executive, CLMT & all Heads of	Ongoing

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No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
		legitimate claims.	Service.	
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, clothing grants, etc throughout the year	Finance Managers	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 Head Of Citizen Engagement & Strategic Policy the Council's risk officer assesses each potential new partnership and that the partnership assesses its risk and maintains a risk register.	Heads of Service	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		Heads of Service	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.	Heads of Service	Prior to commencement of P'tnership
		b. Send bills out quickly and pursue them vigorously, up to and including legal action if necessary.	Finance Managers	ongoing

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No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
		c. Ensure that arrangements for ending joint arrangements are carried out in accordance with the contracts, and that future arrangements do not adversely affect the Council.	Heads of Service	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 2% threshold.	Finance Managers	As situations arise
24.	Schools in deficit (medium likelihood, significant impact)	a. Work closely with schools in deficit to introduce good financial management to enable them to remain viable and break even.	C&L Finance	Ongoing
		b. Set out clear parameters for when delegation will be withdrawn.	Director of C&L	Ongoing
		c. Ensure that schools in special measures do not resort to unbudgeted spending to buy their way out of those measures at the cost of a significant deficit.	C&L Finance	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 Heads of Service	Ongoing
26.	Many schools switch to academy status. This reduces LBC ESG grant from £116 per pupil to £15 per pupil	Estimate ESG grant based on best information available about potential for movement to academies in year	C&L Finance	January 2013
27.	Local organisations request additional funding from council	Enable local developments by providing support in non-monetary ways wherever	Regeneration, Fixed Assets,	Ongoing

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No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
	(medium likelihood, significant impact)	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	Housing CLMT, Executive	
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	C&L	Ongoing Immediate
29.	Population increases not recognised in Government grant cause additional service demands, eg waste, schools, care (high likelihood, significant impact)	Make the case to Government and ONS re population numbers (2013/14 is likely to be the last year for 10 years when population will make a difference to the base funding figure, as it will influence the starting point for the new Business Rate retention scheme)	Head of Planning and Transportation, Head of Citizen Engagement and Strategic Policy	Ongoing
30.	Income budgets not achieved (eg 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 Managers Cost centre managers	May 2011 ongoing
31.	2013/14 Grant reductions (low likelihood, significant impact)	Review Government announcements on an ongoing basis	Head of Finance	ongoing
32.	Commissioning services from trusts causes issues/ changes in services required by LBC or trigger provisions for staff to return to LBC (low likelihood, significant impact)	Work co-operatively with the Trusts to ensure their continued viability is a key consideration alongside LBC needs	HCL client officer	Ongoing
33.	Audit qualification of grant claims resulting in grant repayment	Grant claims to be prepared in line with grant requirements, and regulations	Head of Revenues,	Ongoing

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No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
	(high likelihood, noticeable impact)	closely followed.	Benefits and Customer Services & Head of Finance	
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 CTS and HCL depts)	Head of Revenues, Benefits and Customer Services & Head of Housing	Ongoing
35	Pay award above budget - (low likelihood, significant impact)	Input to Local Government Employers negotiations re affordability	Head of HR and Monitoring Officer	Ongoing
36	Pay costs above budget as turnover provisions have increased and unemployment levels may make it easier to fill previously hard to fill jobs (medium likelihood, significant impact)	All finance and cost centre managers to ensure that turnover provisions 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 Managers	Ongoing
37.	If the Council does not meet its targets for reducing landfill in, it could have to buy allowances from others or be fined by central government (medium likelihood, significant impact)	Education of public in the importance of recycling. Consideration of enforcement. Buy into options for alternatives to landfill.	Head of Engineering and Street Services	Ongoing
38.	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	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	Head of Adult Social Care	Ongoing

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No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
	reduced in the short term.			
39.	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.	Clear project plans developed – steps set out timescales and accountabilities clearly identified	HR business partners, project leads	Immediate
40.	Following consultation on savings proposals, some may be significantly changed or deemed unacceptable	Continue to seek efficiency savings on an ongoing basis	Project leads	Ongoing
41.	New spend pressures emerge in year, either locally or nationally	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 Heads of Service	Ongoing
42.	Medium and Long Term Risks - Pension Costs, with the triennial revaluation in 2013, and the proposed introduction of a new scheme in 2014	Minimise early retirements. VSS scheme includes financial test Review pension position on an ongoing basis	Head of HR and Monitoring Officer, CLMT Head of Finance	Ongoing Ongoing
43.	Medium and Long Term Risks - Grant loss/reduction (specific grants)	Exit strategies for grants.	Finance Managers	As grants are initially given and ongoing
44.	Medium and Long Term Risks - Funding levels in future years no longer linked to need	Develop the Town's infrastructure so that more businesses can develop in Luton and business rates increase.	Head of Finance Head of Engineering and Street Services	Ongoing Ongoing
46.	Medium and Long Term Risks – third sector groups providing services	Work positively with third sector service level agreement providers to support	Heads of Service	Ongoing

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No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
	under service level agreements may have funding issues	them wherever possible within the context of reduced funding available to all.		
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	Director of Children and Learning	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 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.	Head of Adult Services, Head of Engineering and Street Services, Director of Commercial and Transformation Services	Ongoing
50.	Medium and Long Term Risks - Collection fund performance levels	Monitor actual collection performance and reassess basis of taxbase calculation.	Head of Revenues, Benefits and Customer	Ongoing

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No.	Risk	Risk Mitigation – Tasks	Responsibility	Timescale
			Services & Head of Finance	
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.	Head of Finance	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.	Head of Engineering and Street Services	Ongoing
53.	Medium and Long Term Risks - Landfill Allowance Targets are not reached	a. Continue and accelerate existing recycling measures and introduce further measures.	Head of Engineering and Street Services	ASAP
		b. Review options with waste disposal contractor	Head of Engineering and Street Services	ASAP
		c. Continue to improve waste diversion performance, as landfill will become increasingly unaffordable (from increasing rates of landfill tax & the market driven gate fees).	Head of Engineering and Street Services	ongoing
		d. Review options for landfill allowance trading	Head of Engineering and Street Services	ASAP
54.	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	Head of Finance	Ongoing

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 2013/14 that can be implemented during the year, to ensure their robustness as 2014/15 savings.
- 4) Prevention work undertaken in conjunction with health utilising part of the Social Care monies allocated to Luton reduces spend on those coming into social care.

Adequacy of Reserves

1. The adequacy of reserves depends upon:
 - The budget proposed
 - 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 2013.

2. The outturn when compared with the original budget in the last decade, excluding schools, has been as follows:

Year	Outturn
2011/12	£3m net improvement before contributions to reserves
2010/11	£3.8m net improvement before contributions to reserves
2009/10	£1.8m net improvement before contributions to reserves
2008/09	£2.8m net improvement, £0.4m late announcement of LABGI grant
2007/08	£5m improvement, £1.2m late announcement of LABGI grant
2006/07	£1.7m improvement
2005/06	£1.7m deficit – BUT £1.9m was Business Partnership spend approved in June 2005 year, and £0.7m was the use of the children’s reserve approved during the year. There was an improvement in ongoing costs of £0.8m
2004/05	£0.5m deficit
2003/04	On budget
2002/03	£2.5m improvement

3. The 2004/05 deficit was the only underlying deficit in the decade. In general, the Council’s active budget monitoring ensures that overspend predictions are dealt with by a corporate effort to find compensating underspends. In the current year the prediction is again for an overall underspend, prior to any provisions that may be required.

4. The key issues currently are the following.
 - a) Ongoing reductions in government revenue funding are expected for the next 6 or 7 years.
 - b) The capital programme includes major projects – the Busway, the Town Centre Transportation Scheme, and the M1 Junction 10A – which are funded by fixed amounts of government grant, with the Council being responsible for all the risk associated with those schemes (in the case of the Busway, jointly responsible with Central Bedfordshire).
 - c) The business rates retention scheme and the Council Tax support scheme have significantly switched financial risk (and opportunity) from central to local government. These are collection fund rather than general fund risks.
 - d) Welfare reform creates financial uncertainty and risk that cannot easily be quantified at present.

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- e) The opportunity to increase income is likely to continue to be limited by the prospect of a referendum over any significant increase in Council Tax, with the risks and cost that involves (it has to take place in the May after setting the tax, and if the increase is opposed, the budget has to be reduced in-year to cover the costs of the referendum and the disruption to billing and payments, as well as the reduction in the tax yield over that originally planned).
- f) The risks relating to the donation programme run by London Luton Airport Limited have been increased by the uncertainties surrounding the so-called ‘tainted donations’ rules introduced as part of the Finance Act 2011. Those rules have not yet been tested in the courts.
- g) The external auditors financial resilience reports on the 2010/11 and 2011/12 audits reviewed the minimum level of reserves. They noted that Luton’s 2010/11 level was below average for authorities of a similar size, and a concern to them. In the 2011/12 final accounts the minimum was increased by £3million, in line with the calculation done as part of the 2013/14 estimates process. The auditors viewed this revised level, of £7.5million, as about average for an authority of our size.
5. Based on the risks set out above, 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, based on past performance	0.1 p.a. for 5 years	500,000	250,000
NNDR Collection Fund risk – appeals/demolitions taking LBC funding down to safety net level	0.1 p.a. for 5 years	2,400,000	1,200,000
Council Tax support Collection Fund risk – major increase in caseload	0.1 p.a. for 5 years	100,000	50,000
Minimum working capital requirement in view of the range of financial risks facing the Council as set out in the report.			4,000,000
Contingency for Revenue funding loss			2,000,000
Total			7,500,000
Specific Risk Management			
Provision for London Luton Airport Limited no longer making charitable donations			6,000,000