

Report of the Head of Corporate Finance on the robustness of the budget proposal and a statement on reserves and provisions reserves

1. Section 25 of the Local Government Act 2003 requires me to report to Council on:
 - a) the robustness of the estimates made for the purposes of the calculations [required in accordance with the Local Government Finance Act 1992 in order to set the budget], and
 - b) the adequacy of the proposed financial reserves.
2. Council is required to 'have regard' to this report before setting a budget.
3. CIPFA also recommend that I should report to Council on the adequacy of the general reserves and provisions in respect of the forthcoming year and the authority's medium term financial strategy.
4. The Budget Report sets out in paragraphs 26 to 30 the way in which the base budget has been prepared. Paragraphs 41 to 43 of the budget report refer to the Budget Risk Management Strategy, and that strategy considers in some detail the risks associated with the budget, and how those risks should be managed. It also includes risk-based calculations of the levels of contingency and of general reserve required, taking into account the strategic, operational and financial risks facing the authority, the growth bids recommended for approval as a result of demand-led pressures, and the levels of savings recommended. The assessment of robustness also needs to take into account the potential for underspend, particularly arising from
 - Staff vacancies
 - Additional and unbudgeted income
 - Inflation and costs (both in pay and prices) being lower than budgeted levels
 - Major project slippage, which also has a positive impact on investment income (when rates are positive) or possible slippage/reductions in the amounts needed for items in the growth list.
 - The potential for further debt restructuring reducing costs.
5. Appendix I to the Budget Report sets out the other reserves the Council maintains, and comments on their adequacy. As stated in Appendix I, I deem these reserves to be adequate, on the basis of the budget recommendations put forward, provided a collective agreement is reached at an affordable level.
6. On the basis that the risk management measures set out in the Budget Risk Management strategy are implemented, I report that the estimates made for the purposes of the budget calculations put forward for approval

by the Executive are robust, and that the level of proposed financial reserves resulting from those recommendations are adequate.

7. The budget report includes a proposed medium term financial strategy requiring significant further efficiency savings, and a minimisation of additional growth. This focus on efficiency is in line with the government's expectations for all authorities, and the authority should be able to achieve this, provided that staff and members throughout the council are committed to bridging the budget gap through efficiency, with a key focus on the principles of Luton Excellence, continued development of the value for money culture, rigorous project management to minimise the risk of overspend on major capital projects, and real practical commitment to beginning the process of planning for 2010/11 and 2011/12 now. On that basis, the level of general reserves and provisions currently appears adequate in respect of the recommended medium term financial plan, but will need careful review in the coming years.