Luton Borough Council
Financial Strategy 2026/27

Purpose

1. To show how the Council intends to structure and manage its finances over the medium term, to support the achievement of the sustainable communities strategy, the corporate plan, the aims of the Council's prospectus, and those of the Council's Investment Framework.

Strategy Statement

2. The Council has previously approved the following four aims as the principles behind its medium term financial strategy:

   (i) The Council will maintain a balanced budget position, reduce reliance on commercial income and set a medium-term financial plan which will demonstrate how that position will be maintained.

   (ii) Spending plans will be closely aligned with the Council's aims and objectives

   (iii) The Council will maintain a prudent level of reserves

   (iv) Budgets will be continually reviewed and modified to ensure that resources are targeted on key objectives.

3. This overall financial strategy confirms those aims and sets out how these dovetail with the Council's wider policy and planning aims.

Strategy Statement Review

4. The adherence to the principles of the financial strategy remains essential, but the approach to maintaining a balanced budget must adapt to the Council's changed circumstances. The decision taken several years ago to cease reliance on airport dividend income means the Council can no longer depend on this source to sustain its budget. A balanced budget should be achieved annually without drawing on reserves, which must be retained for genuine one-off emergencies. Any ongoing shortfall in income or increase in expenditure must be addressed through structural budget realignment and deficit recovery plan rather than reliance on reserves. The strategy will also ensure that reserves are replenished to prudent levels, reflecting the scale and nature of financial risks.

5. The permanent loss of airport dividend income highlights the need to reduce reliance on volatile revenue streams and strengthen financial resilience. The Council is going further and aims to reduce its reliance on interest received from Luton Rising over the next three years. This strategy sets out proposals to diversify income, deliver efficiencies, and maintain a sustainable financial position in the absence of this historic source of funding.

Achieving the Aims of the Corporate Plan, the Luton Investment Framework and the Luton 2040 Project

6. The Corporate Plan and Luton Investment Framework are key documents setting out the Council's vision, aims and objectives for the future. To this, the Council has now added the Luton 2040 project, with its vision of Luton as a place where, by 2040, no one lives in poverty. They are all linked and focus on improving the town for the benefit of its residents by:

    - building economic growth and prosperity,
    - enhancing skills and education,
    - improving health and wellbeing,
    - developing quality homes and infrastructure,
    - supporting safe, strong, and cohesive communities, and
    - creating a 'One Luton' approach to service delivery.

    There are specific projects and targets in terms of key areas such as job creation.

7. The focus of the Financial Strategy is on enabling the achievement of the aims and objectives of the Corporate Plan, the Luton Investment Framework and Luton 2040 within the necessary context of maintaining a healthy financial position, as set out in the Strategy Statement above, while also ensuring that the principles set out in the Council's People Strategy are maintained.

Budget Implications – Revenue and Capital

8. The Council needs to balance its budget. The focus has to be:

    a) On the successful implementation of the action plan to achieve the aims of the Luton Investment Framework and Vision 2040;
    b) On the continued development of viable options to increase income from commercial activities and collection of debts, and optimise income from fees and charges and ensure that the Council receives its fair share of government grants;

c) *On the development of effective preventive mechanisms to minimise demand for high-cost care, homelessness and other demand led services, and*
d) *On the economy, efficiency and effectiveness of services – focusing on outcome including benefits realisation.*

Fair Funding Review and Its Impact on Luton

9. The Fair Funding Review (FFR) is the government's initiative to overhaul the formula used to distribute core funding to local authorities in England. The last major reform of local government financial support occurred over a decade ago, and since then demographic pressures, service demand, and patterns of deprivation have shifted significantly. The rationale behind the FFR is to create a more transparent and equitable system that reflects current need and resource levels, using updated datasets such as population, deprivation indices, and service demand metrics. The review has been under discussion for several years, with repeated delays due to fiscal constraints and political sensitivities.

10. It is worth noting that no new resources have been allocated to local government as a result of the Fair Funding Review; instead, the new allocation arrangements redistribute the existing funding pot using updated metrics. This means that while some councils—including Luton—see modest gains, these are achieved at the expense of others, and the overall funding envelope remains unchanged. Consequently, the FFR does not address the structural underfunding that has left many authorities in financial distress.

11. The government's stated aim is to ensure that funding allocations better match local circumstances but redistributing the existing funding pot inevitably creates winners and losers, making this a politically contentious process that will require compromise.

12. Under the new arrangements, authorities with historically low grant allocations relative to need—often those with high deprivation and limited tax bases such as Luton—are expected to benefit. Transitional arrangements will be applied to smooth the impact, reducing gains for winners in the short term to avoid destabilising councils that lose funding.

Key Elements of FFR Funding Distribution

Resources Assessment – Standard Band D Council Tax (£2,000)

13. Each authority's ability to raise income locally is assessed by applying a notional Band D council tax rate of £2,060 to its tax base. This creates a

"resources" figure that assumes councils could raise similar amounts if they set council tax at the standard level.

14. *Impact on Luton*: Luton's tax base is relatively low compared to wealthier areas, so its assessed resources are modest. This means Luton benefits from equalisation because it cannot raise as much locally as high-tax-base authorities. As Luton's Band D council tax is below £2,060, the standardised resources assumption will not negatively impact the Council.

Relative Needs Formulae (RNFs)

15. RNFs allocate funding based on demographic and service demand indicators. The main RNFs include:

- Adult Social Care RNF. – driven by older population, disability prevalence, and deprivation.
- Children's Services RNF – based on child population, deprivation, and social care caseloads.
- Highways & Transport RNF – considers road length and usage.
- Environmental, Cultural & Planning RNF – reflects population and service demand.

16. *Impact on Luton*: Luton gains slightly on Adult Social Care RNF but loses on Children's RNF because the formula does not fully capture urban deprivation and complexity of need. This is a concern as children's services are a major cost driver for Luton.

Area Cost Adjustment (ACA)

17. ACA uplifts funding for authorities in areas with higher wage and property costs to reflect the cost of delivering services.

18. *Impact on Luton*: Luton receives a small ACA uplift due to its proximity to London, but this is limited compared to inner-London boroughs.

Overall Effect on Luton

19. Luton's net gain under FFR is modest—mainly from resource equalisation and some ACA benefit. Transitional arrangements will phase in these gains, reducing the immediate impact.

20. The council welcomes the additional funding, but it largely corrects historic under-allocation rather than providing new money. Long-term sustainability still depends on addressing the overall funding gap in local government.

21. Despite these adjustments, the FFR does little to address the chronic underfunding of local government, which has left many authorities in severe

financial distress, forcing them to seek exceptional financial support. Through prudent financial management, Luton is not in this position. However, the council notes that without additional resources beyond redistribution, the sector's long-term sustainability remains at risk. Luton will continue to call for a funding system that recognises the true cost of delivering statutory services in areas of high need.

Technical Changes to the Presentation of Grant Income

22. The table below illustrates how several service-specific grants, such as the Social Care Grant (£19.5m) and Better Care Fund (£9.2m), will now be rolled into Revenue Support Grant (RSG) and shown below the line in the corporate resources section of the budget, rather than as income within service budgets. This change improves transparency but does not increase the overall funding envelope.

Service Grants	**£M**
ASC Market Sustainability and Improvement Fund	3,448
Children's Services Prevention Grant	1,258
Children's Services Prevention Grant (SR25)	1,270
Domestic Abuse Safe Accommodation Grant	653
Home activities	1,060
Homelessness Prevention Grant	6,340
Other Children's Grants	86
Rough Sleeping Accommodation Programme	261
Rough Sleeping Prevention & Recovery Grant	2,354
DHP	482
Household support fund	3,224
Green plant	48
Social Care Grant (Adults)	19,504
Corporate Grants	
Employers NIC	1,805
New Home Bonus	262
B Rates Under indexing compensation	10,361
Grand Total	**52,416**

Corporate Planning Framework

23. Although the Fair Funding Review and related changes will provide Luton with a modest improvement in grant funding, this represents no more than the Council receiving its fair share of resources based on need and deprivation, rather than any significant increase in overall funding. At the same time, the forthcoming business rates reset and the next triennial revaluation introduce uncertainty and potential volatility in retained business rates income. Against this backdrop, it remains critical that the Council continues its strategy to reduce reliance on government grants by diversifying income streams and growing

sustainable revenue sources. Where robust business cases demonstrate clear returns, reserves may be used to fund investments that strengthen income generation and financial resilience. The Council's corporate planning framework includes the following core values:

- Collaborative
- Ambitious
- Respectful
- Empowering
- Supportive

24. It is essential that the financial strategy empowers, supports, and collaborates with service providers and Councillors in an ambitious and respectful way in order to deliver the Council's objectives on behalf of the people of Luton.

25. Benchmarking information will continue to be used to assess service areas, and those that are shown to be above average in cost when compared with other 'nearest neighbour' authorities will be challenged and reviewed, and if there is not a clear policy-driven reason for the above average level of spend, will be prioritised for budget reductions. Departments will also have to look into service delivery models to ensure value for money. Members and Directors also take on board findings and recommendations from the LGA driven Corporate Peer Challenge, a key review undertaken every 5 years. The last one was conducted in 2024 and its findings and the Council's response and progress reports have been reported to the Executive.

26. The Council seeks to improve its own services and deliver savings through the work of its Strategic Change team and the advice of Corporate Procurement. Intelligent commissioning is also key to the council's drive to improve services and reduce costs, and to finding efficiency savings to meet the targets set in the medium term financial plan.

27. Corporate and Service Directors work corporately to achieve the maximum possible efficiency savings in all of their service areas, and approach this as a year-round task, not one that is limited to the traditional budget-setting time. This is essential if significant change projects with a long lead time are to be developed successfully. Options are considered corporately by Corporate Leadership Team (CLT) in conjunction with executive members. Those options remain confidential while they are subject to draft assessment and prioritisation, to enable officers and executive members to consider options without affecting the motivation of staff working in potentially affected areas, until they are clear that the options are to be realistically considered. Once the options to be

considered are clarified, they will be assessed in terms of their impact on Council priority objectives, equality impact, and values, and prioritised by CLT and the Executive based on the budget plan and detailed consultation if necessary.

28. The budget put to Executive will be based on the Executive's assessment of the relative priorities for unavoidable expenditure pressures, and options for savings, to aim to meet the requirements of the Strategy Statement Aim 1, "to maintain a balanced budget position, and to set a medium term financial plan demonstrating how that position will be maintained".

29. In outline, this also shows how "Spending plans will be closely aligned with the Council's aims and objectives" (Strategy Statement aim 2), and how Budgets "will be continually reviewed and modified to ensure that resources are targeted on key objectives" (Strategy Statement aim 4). This will be complemented by the Annual Budget Guidelines and Capital Programme Instructions, the Budget Report, and the Scheme of Devolved Financial Management, which, along with other documents (see below), form a core part of the Council's financial strategy process.

Capital Programme Prioritisation

30. Capital programme prioritisation is based on the Council's capital investment strategy and asset management plan. The method used and approval requirements are outlined in the Budget Report. New schemes must be robustly assessed in accordance with the principles and guidance set out in HM Treasury's 'Green Book' using the Five Case Model for the development of a project business case as described there.

31. Expenditure on major capital schemes (£10m and over) will be subject to specific review and monitoring requirements, including estimating cash flows, to enable an overall assessment of the total potential financial impact (whole life costs) of the capital programme as a whole, in order to limit the Council's exposure at any one time to schemes where an overspend could have a significant impact on the Council's overall financial health.

Resource Limitations and the Financial Strategy

32. The financial strategy is shaped by the Council's current position and medium-term outlook, which continues to require significant savings in future years. The November 2025 policy statement confirmed that the maximum Council Tax increase will remain at 3%, with the ongoing 2% Adult Social Care precept applying under the same arrangements as before. The business rates multiplier

will continue to rise annually in line with the previous September's CPI, maintaining the current approach. The announcement of a three-year financial settlement from 2026/27 provides welcome certainty for planning and risk management. However, despite this improvement, the financial environment remains volatile and difficult to predict due to other uncertainties, including the impact of economic conditions, demand pressures, and future funding reforms. The capital programme is largely funded by borrowing with lesser amounts from specific resources, in particular proceeds from asset disposals and external grants. However, the core programme – basic maintenance of buildings, highways and lighting, and part of the funding for disabled facilities grants – has to be found principally from the Council's own resources. This means that there has to be a major focus on developing opportunities to achieve capital receipts without affecting revenue income. This requires commercial development of property opportunities available to the Council, where this can be achieved in line with the Council's policy on property disposal. Over the years the Council has used receipts from disposal of Council land and buildings to fund a major part of the capital programme. As a result, it is proving more challenging to generate additional capital receipts as the asset base shrinks.. In future the Council may need to consider whether this should become a sinking fund with regular contributions in order to ensure future funding of the capital programme is affordable and sustainable. This would have an impact on the revenue budget and hence has to be considered in line with the Council's other priorities.

33. The Council's resource position also means that the Council will need to take a commercial approach to increase funding wherever possible and seek alternative funding sources that will fund schemes in line with the Council's vision and values.

34. At all times however the Council's success in achieving external resources needs to be risk assessed, to ensure that the council can manage the risks taken on if the resource is accepted. In particular, as stated in paragraph 31 above, when large schemes are proposed, the risk of the overall size of the capital programme needs detailed consideration and regular monitoring and corrective measures put in place to address any overspend.

35. It is vital for the financial health of the Council that all accept the limitations and work within them to optimise the Council's position by careful prioritisation. The capital programme will principally comprise schemes funded by specific grants, replacement vehicles and equipment, plus funding up to the level of grant provided by the Government.

36. These limitations on resources mean that the Council must consider very carefully indeed every choice to spend money. They also mean that the Council can no longer afford to accept that increased demand, even for statutory services, automatically means budgets will be increased in line with that demand. Ways have to be found to provide demand-driven services within the parameters of the medium term financial plan.

Airport Funding

37. The COVID-19 pandemic had a profound impact on London Luton Airport Limited (LLAL), requiring emergency intervention to stabilise both the company's and the Council's financial position. As a result, there is no expectation that the Council will receive dividends in the foreseeable future, and neither the Council's revenue budget nor its Medium Term Financial Plan (MTFP) assumes any such income.

38. Historically, the Council has relied on annual dividends, interest on debentures, and rental income from LLAL to support its capital projects and revenue budget. Since 1998, this funding—closely linked to passenger numbers—has represented both the Council's greatest financial asset and its greatest risk. To manage this, the Council maintained a specific risk reserve and set a higher minimum level for its general reserve compared to many other authorities. Prior to the pandemic, LLAL delivered substantial and sustained income growth for over two decades.

39. The pandemic disrupted this pattern dramatically. Passenger numbers collapsed, and the potential activation of force majeure clauses in the operating contract between LLAL and LLAOL highlighted the vulnerability of aviation-dependent income. In response, the Airport Stabilisation Plan directed LLAL to retain profits to strengthen its balance sheet and build reserves rather than pay dividends in early years to the Council. The Council has also adopted a strategy to reduce reliance on airport income and ensure LLAL's financial stability.

40. In the short term, this means any future dividends will be earmarked for one-off schemes and capital investment rather than ongoing revenue support. As mentioned above, over the next three years, the interest receivable from Luton Rising will be set aside for investment, transformation, resilience, and prevention measures aimed at ensuring an affordable and sustainable budget in anticipation of the next Funding Review

41. The Council's borrowing requirement has also been significantly affected by its loan financing to LLAL for major capital projects such as the DART system and the Development Consent Order for expansion. These loans were subject to

rigorous business case assessments, and the Council applied a risk premium to interest rates and secured charges on LLAL's assets. Consequently, LLAL's financial health remains critical to the Council.

42. Looking ahead, the outlook is more positive: passenger numbers have returned to pre-pandemic levels, the DART is generating income, and the Secretary of State has approved the Development Consent Order for a second terminal. These developments strengthen LLAL's financial position and reduce the long-term risk to the Council.

Housing Finance Strategy

43. The Housing Revenue Account is self-financing, and the aims are as follows: -

a) To maintain a financially healthy, balanced Housing Revenue Account, with rent levels that are affordable for tenants.
b) To ensure council-owned homes are properly maintained to at least the decent homes standard.
c) To develop new stock wherever possible within Luton that is affordable within the Housing Revenue Account, and this will be part of the new Business plan.
d) To work with others to generate further housing developments outside the Housing Revenue Account wherever possible without adversely affecting the general fund; for example, with Foxhall Homes.
e) To work with partners and neighbouring authorities to ensure that Luton's housing need is properly recognised and urgently addressed as a regional issue.
f) To manage the service effectively and ensure that the HRA is sustainable within the rent-setting parameters set by Government, which are currently a maximum rent increase of CPI plus 1%.
g) To address the long-term sustainability of the HRA in view of the challenges that arise from right to buy sales and the tight controls on the use of receipts, the rent reductions, and the lack of any provision in the account for repayment of principal on HRA loans.

Fees and Charges Strategy

44. The Executive's current fees and charges framework is based on the principles of viability, fairness and inclusion.

45. The following principles will be used when setting charges:

Viability	Fairness	Inclusion
The Council will aim to maximise income from fees and charges by ensuring that charges to users reflect the full cost of the service provision, unless otherwise required.	Fees and charges should be set at a level that is fair to users and council taxpayers and in line with the Council's principles of equality, cohesion and inclusion. Commercial organisations should always pay the full cost for services received unless there is a statutory reason why not.	Concessions should ensure that the disadvantaged are not denied access to services.
Charging levels should take account of market demand, competition from other service providers and comparisons with charges made by other comparable local authorities.	A tough stance should be taken on fee dodging so that other users do not pay more to compensate for non-payers.	New charges should be subject to an equality impact assessment

46. The Council has to look very seriously at every option to increase income from fees and charges, but also must ensure that increasing or introducing charges is not in conflict with policy objectives, including the Council's objectives for social inclusion.

Trading Strategy

47. The Council aims to optimise trading opportunities with other public sector bodies, as defined by the Local Authority (Goods and Services) Act 1970, where such trading can be certified by the relevant Finance Business Partner to make a positive contribution towards the Council's finances, and where the service manager can certify that it does not adversely affect the service to the people of Luton.

48. The Council has set up a trading company, Luton Traded Services Limited, to trade outside the confines of the 1970 Act, again where such trading can be

certified by the relevant finance and service managers as making a positive contribution to the Council's finances without adversely affecting services to the people of Luton. Trading of any scale requires a full robust business case based on the Five Case Model, with the level of detail and analysis required in the private sector. Both the economic and financial case have to be robust and adopt the concept of whole life cost.

Commercialisation

49. The Council has embarked on various projects with view to generate additional income. These projects have ranged from investing in commercial properties to providing services to other authorities. Since the Government's announcement that Councils investing for yield will not have access to loans from the Public Works Loans Board (PWLB) the Council has suspended its commercial investment strategy and will not include any such investments in its capital programme. The Council is investing in residential properties with a view to reduce the cost of homelessness. This is subject to a robust business case and was approved by Executive. The capital programme also includes provisions for additional loans and equity investment in Foxhall Homes, subject to a robust business case appraised by the Council in its capacity as shareholder, ensuring Value for Money

50. .Each service is subject to review to maximise the savings potential and is expected to adopt lean principles in all its activities in order to ensure that services are delivering value for money. Benchmarking and adoption of best practice will have to become the norm, and regular assessments have to be carried out to ensure the Council is delivering value for money.

Council Tax Strategy

51. The Council will aim to achieve the lowest level of council tax per head of population that will provide the level of services the people of Luton need and deserve over the long term, in accordance with the Council's overall objectives.

52. Within that overall aim, the Council will seek, if at all possible, to keep the average tax per household below the unitary authority average, maintain the lowest level of tax within Bedfordshire, (average tax per household), and set the tax at a level that will avoid triggering a referendum.

53. 85% of the Council residential properties are at band C or below. The cost of homelessness has shown that there is a lack of properties in Luton designed for larger families. The Council will aim to encourage the development of properties which are valued at band D and above in order to meet the growing

demand and also to ensure that the mix of properties is fairly balanced. Also, the Council has been acquiring properties in order to meet the demand for such properties and hence reduce the level of overspend in the homelessness budget.

General Government Funding Strategy

54. The Government has introduced a multi-year financial settlements from 2026/27, following a Spending Review in 2025. Alongside this, the Fair Funding Review (FFR) and a reset of business rates baselines will be implemented. The FFR has allocated resources more equitably, focusing on authorities with high levels of need and deprivation and low tax bases, such as Luton. While these changes are welcome and have delivered significant gains for Luton through resource equalisation and needs basis, the structural funding pressures faced by local government will persist. Robust measures must therefore be implemented to manage and control costs and demand. The Council will continue its policy of reducing dependency on grant funding and prioritising sustainable income generation

55. The Council must carefully assess the impact of the business rates reset on its funding levels. A significant risk remains regarding the closure of The Vauxhall Luton site and could substantially reduce the local tax base, and the timing of any adjustment will be critical as it may materially affect the Council's financial position. However, the rateable value of the airport has increased significantly, and these changes are being assessed as part of the NNDR1 return. The budget may need to reflect any resulting adjustments

56. The Government intends to maintain a system of equalisation alongside periodic resets. The method of equalisation will be crucial for Luton, which currently relies on top-up funding and Revenue Support Grant. The Council will actively engage in national discussions to ensure that any changes do not result in a disproportionately negative impact on Luton. The Section 151 Officer will continue to represent Luton's interests through the Unitary Treasurers Group and the Settlement Working Party, ensuring that Luton-specific concerns are raised and addressed.

57. The Section 151 Officer will also engage with the Local Government Association (LGA) to coordinate lobbying efforts and advocate for the continued fair treatment of authorities with high levels of deprivation and limited tax bases

58. The Chief Accountant will verify the accuracy of provisional grant settlement details during consultation periods and respond to the Ministry of Housing, Communities and Local Government (MHCLG) on any issues affecting Luton.

The Section 151 Officer will review proposed changes, contribute to sector-wide responses, and submit a Luton-specific response where necessary to safeguard the Council's financial position.

Background on Exceptional Financial Support and Luton's Strategy

59. Across the local government sector, the risk of councils requiring Exceptional Financial Support (EFS) has grown significantly due to rising costs, demand pressures, and structural funding challenges. Since 2018, at least 14 councils have issued Section 114 notices, effectively declaring they cannot balance their budgets, with high-profile cases including Birmingham, Croydon, Slough, Thurrock, and Woking. As of November 2025, 30 councils have been granted EFS arrangements for 2025–26, enabling them to borrow or use capital receipts to meet day-to-day costs, while many others have made requests to MHCLG for similar support. The Local Government Association (LGA) warns that EFS is becoming "normalised," with 29 councils—nearly one in six with social care duties—already reliant on EFS this year, and over half of councils indicating they may face insolvency within five years if current trends persist.

60. Against this backdrop, Luton Council's strategy is clear: to avoid the need for EFS through prudent financial management, effective monitoring, and robust mitigation of budget pressures. This commitment is essential given the scale of challenges faced: the three-year finance settlement provides a degree of certainty for additional grant funding over the next three years, while cost inflation, rising demand for social care, and demographic changes continue to strain limited resources. With limited levers available to raise income, financial resilience will rely on strict expenditure control, early intervention to address emerging pressures, and a strong focus on transformation to ensure long-term sustainability and maintain a balanced budget. Failure to do so would risk not only service reductions but also reputational damage and loss of local autonomy.

Pensions Strategy

61. The Council's non-teaching staff are entitled to enter the Bedfordshire Pension Fund according to statute, and all employers are required by law to encourage staff to join their workplace pension scheme, using an automatic enrolment process. Employees in the scheme are required to make contributions at nationally set percentages of their pay, and the Pension Fund is required to invest the funds it receives for the benefit of current and future pensioners. The total of employees' contributions and investment profits is not sufficient to meet the combined cost of current pensions in payment, plus the estimated future pension liability that has been earned to date by non-pensioner members of the

scheme. The Council is legally required to fund the shortfall on an ongoing basis, and the amount required is determined by the Fund's actuaries, Barnett Waddingham appointed as from 1 September 2018.

62. There are 2 parts of the Council's contribution to pension costs. The first is an employer's contribution to cover the estimated value of the pension earned to date by each current employee, based on the actuary's estimates of how long current employees are likely to live and hence have a pension entitlement. This is calculated as a percentage of each current employee's pay, and the new rate is 17%. The second is a contribution towards recovering the estimated deficit on the costs of past service. This is dealt with as a lump-sum payment certified by the actuary as being the amount required to address the deficit as part of a 11-year deficit recovery plan.

63. The level of deficit is not only influenced by the value of, and the return on, fund investments, but is also affected by:

    1) the increasing life-expectancy of Scheme Members, which means they receive a much greater level of payments over their lifetime than did their predecessors, and

    2) the low level of long-term bond rates, which are used to discount the value of future payments to pensioners. If bond interest rates increase, the pension liability will decrease.

64. The Council's strategy is to pay the annual contributions to the pension fund as certified to be required by the fund's independent actuary and also to consider making additional revenue payments when funds are available, provided that actuarial estimates of likely fund returns are greater than the level of investment returns achievable by the Council. (Pension funds can invest in a wider variety of financial instruments than are open to the Council, including the stock market, so rewards – and risks – are potentially greater).

Reserves

65. As part of the annual budget report, the Council's Section 151 officer will estimate an adequate minimum general reserve level for the general fund, and an amount that may be required to pay towards reorganisations included in the budget. The Council will strive to maintain reserves at that level, with any additional one-off surplus/gains being transferred to the Invest to Save reserve and Funding Equalisation Account, to be used in accordance with the rules of that reserve for the direct benefit of the town. It is worth pointing out that the

level of reserves held by the Council is below the average when compared with statistical neighbours.

66. The minimum level of reserves for the Housing Revenue Account (HRA) was for some time set at £1.5 million in the business plan, in line with the level recommended previously by PriceWaterhouseCoopers. In view of the Grenfell Tower tragedy, it was felt necessary to revise this reserve to £3m.

67. The consistent application of this part of the strategy will ensure that the Strategy Statement Aim 3 is achieved; the Council will maintain a prudent level of reserves.

Capital Receipts

68. The Director – Property, Construction and Housing Delivery is responsible for managing the council's property estate, in accordance with the Asset Management Plan, in order to create development opportunities, to maximise the potential for capital receipts without losing significant revenue income from asset disposals.

69. Such management will be in accordance with national and local plan guidance.

70. In special cases, members will earmark receipts from specific sites to specific projects. This will be kept to a minimum, since the general aim of achieving capital receipts is to enable the Council to maximise its capital programme, which is prioritised to enable the Council and the community to achieve their key objectives in accordance with the Local Investment Framework. For example, receipts (other than the sale of council houses) achieved as a result of the implementation of the Marsh Farm Masterplan were earmarked for the Marsh Farm development. Further areas for earmarking will require the approval of the Capital Assets Forum, Corporate Leadership Team, and the Executive.

71. The Council's general fund capital programme is partially funded by projections of future capital receipts. A plan to achieve the required level of receipts with no significant loss of rent (with the exception of car park income) has been produced by the Director, Property, Construction and Housing Delivery. However, in order to develop the value of sites to avoid rent loss, many of these receipts require some years to be developed as is the case with Foxhall Homes. Options such as a joint venture to create an asset backed vehicle will also be considered if they can generate a greater level of receipts. Foxhall Homes is exploring a shift towards a rental model rather than selling properties at market value, as part of a broader approach to support housing affordability and

generate sustainable long-term income streams. The Council will evaluate this proposal within the context of potential equity investments, ensuring alignment with its strategic objectives and financial resilience.

72. The Council is also reviewing its portfolio of investment and looking a properties and exploring options in order to maximise yield, convert into residential or to dispose.

73. Should receipts not be produced in line with the timetable due to delay in selling the properties or shelving of projects, the programme may need further realignment and/or curtailment based on affordability.

Baseline Position

74. The Medium Term Financial Plan is a specific appendix to the Budget Report. Significant effort continues to be required to balance the budget in the medium term, hence the effort that needs to be put into developing viable income generating opportunities that are in line with the Council's priorities and values.

75. Council Tax levels per head of population remain the lowest in Bedfordshire by some distance and are currently below average for unitary authorities.

Risk Management

76. The Council produces, monitors and maintains a budget risk management strategy, and has a specific treasury risk management policy to minimise financial risks.

Documents that are also key parts of the Financial Strategy

77. The strategy depends upon the Council's Corporate Plan, and the Annual Service Plans. Other key documents that are also part of the Financial Strategy are set out below.

- Luton 2040 Vision – A place to thrive.
- Corporate Plan and Prospectus
- Luton Investment framework
- Asset Management Plan and Capital Strategy
- Treasury Management Strategy
- Budget and Capital Programme Report, including Budget Risk Management Strategy, Medium Term Plan and Strategy, Prudential Indicators, Protocol for the management, control and use of reserves, and Model for Assessing Levels of Affordable Borrowing
- Procurement Strategy

- Budget Monitoring timetable and reports
- Annual budget guidelines
- Capital programme instructions
- Scheme of Devolved Financial Management
- Financial Regulations
- Housing and Homelessness strategy.
- ICT Strategy
- Transformation and Digitisation strategy
- Subsidiary companies' business plans.