



Question and answers: Luton Borough Council and London Luton Airport Ltd

1 What is the financial relationship between Luton Borough Council, London Luton Airport Ltd and the people of Luton?

Luton Borough Council (LBC) is the majority shareholder of London Luton Airport Limited (LLAL), the company that owns London Luton Airport.

LBC receives money from LLAL in the form of:

- Payments for services
- Rent
- Interest on loans, and
- Dividends as shareholder.

In 2015/16 the value of this income was £11.5 million; in 2016/17 it is forecast to increase to almost £26 million.

In addition, LLAL operates a discretionary programme of charitable donations to local voluntary and community organisations. In 2015/16 this was worth £15 million; in 2016/17 it reduces to just under £10 million, and an additional £4 million is being transferred to LBC for payment to the voluntary and community sector.

Overall, the value of LLAL to the people of Luton is increasing by £9.5 million between 2015/16 and 2016/17, mainly as a result of the increase in passengers travelling to and from the airport.

2 So why has LBC asked LLAL for more money?

LBC has asked LLAL to see if it can possibly pay more money in the form of dividends. This is to help the Council meet the cost of running vital statutory services for Luton's most vulnerable people. In 2015/16 the Council has experienced an overspend in the cost of looking after children in its care of more than £5 million. This is because there are more children that need to be looked after. Cost pressures relating to the most critical services for the most vulnerable people in our community – children, adults at risk and the frail elderly – are set to increase by £6 million a year over the next three years. That means the Council needs to find an additional £24 million between now and 2019 simply to keep pace with demand.

3 Why can't the Council get the money from somewhere else?

For many years Luton's main source of funding has been support from central government. It has also raised a smaller amount through council tax. When the coalition government first took office in 2010 it made it clear that it would reduce support to local authorities. This policy has continued under the current Government. As a result, Luton's grant from central government has reduced from £110 million in 2010 to £29m in 2016/17 and is expected to be only £8 million by 2020. The Council has therefore had to take £99 million out of its budget over the last six years. LBC is now much more reliant on its own resources, such as

generating more business rates through promoting economic growth, and making the best use of its assets such as the airport. There is nowhere else that the money needed for essential services will come from. Luton must take control of its own future.

4 Why can't the Council continue to make efficiency savings to avoid cuts in services?

As a result of the continuing reductions in local government funding since 2010, many local authorities across the country have already had to make huge cuts in public services and in support to the voluntary and community sector. Despite making £99m of savings over the last six years, LBC has managed to avoid these extremes so far through implementing more efficient ways of delivering its services, and through ensuring that it concentrates on the key priorities for our community, in particular, the care of children and vulnerable adults. But there is only so far that these improvements can go; the scale of the action now needed to ensure that the Council stays within the resources available to it is just so great that the Council has to make some very difficult decisions about reductions in services. It is also looking to make sure that all its assets, including LLAL, are focused on the main issues facing the town. The Council is additionally unable to borrow money to fund ongoing services owing to its legal obligation to set a balanced budget year on year.

5 Why can't LLAL pay more dividends to LBC and still continue its Community Funding Programme at the same level?

The investment in the airport so far, which has led to passenger numbers increasing at a rate of around 17 per cent a year, is an incredible success story for Luton, promoting economic growth and creating new jobs for local people. Luton's new status as an Enterprise Zone highlights the potential of the airport and the sites associated with it at Stirling Place and Century Park. In order to ensure that the Enterprise Zone is successful, and that even more jobs and opportunities are created for Luton, it is necessary to invest. And as with any investment, you need to spend before you get a return. That is the position that LLAL finds itself in at the moment: it must balance the requirements of LBC for additional dividends with the need to invest in the future of the airport to meet customer requirements and maintain competitiveness and deliver the long-term economic vitality of the town, and its wish to continue making charitable donations to organisations working in Luton. In deciding its priorities for the coming years, LLAL took the tough decision to reduce the level of support available through the Community Funding Programme, the first time that this has been done with any direct impact on the organisations receiving the donations.

6 How did LLAL decide which donations to reduce?

As it does each year, LLAL consulted with LBC in order to ensure that its donations were meeting the key priorities for the town. As identified in the Council's Prospectus, these are to work for economic growth, ensure that Luton's residents are safe, supported and healthy, and enjoy access to great education and training. Changes to donations were made on the advice of LBC, following a prioritisation exercise, and a review of outcomes achieved over the previous year and a forecast of future needs and demands. The organisations affected by these changes were asked to consider, where possible, how they might operate the services they provide differently to lessen the impact on those people who use those services. The organisations, where they were able to do so, put forward proposals that will now be going out to public consultation.

7 Are there other sources of funding that community groups in Luton can apply for?

LLAL's Community Fund, which is not affected by any reductions, is administered by the Bedfordshire and Luton Community Foundation (BLCF). Details of how to apply can be found at www.blcf.org.uk. BLCF can also help groups to find other sources of funding.