



Department for Levelling Up,
Housing & Communities

Kemi Badenoch MP

*Minister of State for Equalities and Levelling Up
Communities*

**Department for Levelling Up, Housing and
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Cllr Hazel Simmons
Leader, Luton Borough Council

Via email:
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8 December 2021

Dear Cllr Simmons,

I am writing to inform you that I have today published the External Assurance Review of Luton Borough Council carried out by the Chartered Institute of Public Finance Accountants (CIPFA). Due to commercial sensitivities, I have not published the element of the review which examines the Council's commercial arrangement with Luton airport, however the findings from this clearly form part of the Council's review and the Department's consideration.

I am grateful for your willingness to engage openly with the review team, and the assistance of your officers in providing information to CIPFA to support the review and in the Exceptional Financial Support process more generally.

The external assurance reviews were carried out in all councils that received or requested Exceptional Financial Support, to provide a detailed assessment of each council's financial position and management, and to make recommendations on the actions necessary for the councils to ensure they are in a financially stable and sustainable position.

The report published today sets out some significant challenges and risks for Luton Borough Council, including the financial pressures linked to the Council's ownership of Luton Airport, and wider savings and transformation required to put the Council on a fully sustainable position. It makes a series of sensible recommendations for addressing these challenges, to which it is important that the Council responds accordingly.

I trust that the report and its findings will be helpful in focusing the Council on the activity and change that are needed, at both officer and member level, to lead to sustainable change.

The external assurance review and a plan to address any recommendations was one of the conditions of our agreement to provide the council with exceptional financial

support. As such, I would like assurance that the Council accepts the findings and is motivated to improve its financial position.

While I understand that there is the possibility that Luton Borough Council may not need any additional financial support in 2021/22, it is important for your council to respond appropriately to the findings of the review. This is given the financial challenges that led to the original request, as well as your authority's wider commitment to, and statutory duties on, continuous improvement.

I would therefore ask that you set out in writing, within the next month, the steps you are taking in the immediate and longer term to respond to the review and implement its recommendations.

Based on some of the key findings of the assurance reviews, I would expect your response and those discussions to include an appropriate focus on the following priorities:

- Identifying specific opportunities to generate capital receipts through asset sales, to avoid the need for ongoing borrowing under any agreed capitalisation.
- Confirming the precise level of support needed in 2021/22, and if you think the Council will need further support in future years.
- Actions the Council plans to take to address any identified challenges or risks in relation to your position on borrowing, commercial investment, and capital plans.
- Steps you will be taking to strengthen your overall financial governance.

I would also expect your response to address a specific condition of the capitalisation direction, specifically around your ability to present a plan to Government for reducing the Council's financial exposure to the airport, with the intention of it resulting in agreement between the Authority and the Secretary of State to address the review's recommendations.

I will also be considering the necessary arrangements for providing ongoing assurance on the effective implementation of any plans for improvement. My officials will be in touch with officers at the Council shortly and will work with them to consider your plans for responding to the review.

Yours Sincerely,

A handwritten signature in black ink that reads "Kemi Badenoch". The signature is written in a cursive, flowing style.

Kemi Badenoch MP

**Minister of State for Equalities
and Levelling Up Communities**