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Resources Department
Town Hall, Upper Street, London, N1 2UD

AGENDA FOR THE AUDIT AND RISK COMMITTEE

Members of the Audit and Risk Committee are summoned to a meeting, which will be held in Committee Room 1, Town Hall, Upper Street, N1 2UD on, **29 January 2024 at 7.00 pm.**

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Despatched	:	19 January 2024

Membership	Substitute Members
Councillor Nick Wayne (Chair)	Councillor Angelo Weekes
Councillor Flora Williamson (Vice-Chair)	Councillor Jilani Chowdhury
Councillor Janet Burgess MBE	Councillor Jason Jackson
Councillor Sara Hyde	Councillor Jenny Kay
Alan Begg (Co-Optee)	
Alan Finch (Co-Optee)	

Quorum: is 3 Councillors

A.	**Formal Matters**	**Page**
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C. **Urgent non-exempt items**

Any non-exempt items which the Chair agrees should be considered urgently by reason of special circumstances. The reasons for urgency will be agreed by the Chair and recorded in the minutes.

D. **Exclusion of press and public**

To consider whether, in view of the nature of the remaining item on the agenda, it is likely to involve the disclosure of exempt or confidential information within the terms of the Access to Information procedure rules in the Constitution and, if so, whether to exclude the press and public during discussion thereof.

E. **Confidential/exempt items** **Page**

F. **Urgent exempt items (if any)**

Any exempt items which the Chair agrees should be considered urgently by reason of special circumstances. The reasons for urgency will be agreed by the Chair and recorded in the minutes.

The next meeting of the Audit and Risk Committee will be on 18 March 2024

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London Borough of Islington

Audit and Risk Committee - 20 November 2023

Minutes of the meeting of the Audit and Risk Committee held at Committee Room 1, Town Hall, Upper Street, N1 2UD on 20 November 2023 at 7.00 pm.

Present:	**Councillors:**	Councillor Nick Wayne (Chair), Councillor Flora Williamson (Vice-Chair), Councillor Janet Burgess MBE, Councillor Sara Hyde, Alan Begg (Co-Optee) and Alan Finch (Co-Optee)
Also Present:	**Independent member:**	

Councillor Nick Wayne in the Chair

89 **APOLOGIES FOR ABSENCE (Item A1)**
None.

90 **DECLARATION OF SUBSTITUTE MEMBERS (Item A2)**
There were no substitute members at the meeting.

91 **DECLARATIONS OF INTEREST (Item A3)**
On item 2, Mr Alan Finch informed the committee his employer was a provider of member training and he provided member training in his role.

92 **MINUTES OF PREVIOUS MEETING - TO FOLLOW (Item A4)**
The minutes of the meeting held on 18th September 2023 were confirmed as a correct record and signed by the Chair.

93 **LAYCOCK POLLING DISTRICT REVIEW (Item C1)**
The committee considered proposed changes to polling districts and polling places in Laycock ward. The change would take effect with the revised Register of Electors on 1st December 2023 and for all elections for four years thereafter.

RESOLVED:
(a) To agree the changes set out in the report in relation to Laycock Ward.
(b) To note the comments and representations received by Councillors and residents

94 **MEMBER LEARNING AND DEVELOPMENT STRATEGY 2023-2026 (Item C2)**
The committee considered the Member Learning and Development Strategy which set out the council's commitment to provide effective learning and development opportunities to its elected members. There had not previously been a strategy to support members in their role. It was aligned with the councils Islington Together 2030 Plan and it's priorities reflected the Islington Promise. The Strategy was also

aligned with the principles of the Local Government Association (LGA) Charter Framework. The aim of the charter was to ensure members were appropriately developed and supported to be effective in their appointed roles. The Strategy would ensure members had structured, up to date training that would also reflect new legislation. Success would be measured by attendance figures.

The committee raised the following points in their discussion:

- The strategy was thorough and an example of good practice that all councils should be adopting;
- Whether the core training targets should be higher. It was explained that the targets recognised that councillors, particularly backbench councillors had other draws on their time and, some long-standing councillors would not need to repeat training.
- Whether Audit Committee training should be included under specialist committees;
- How to drive engagement, particularly in relation to members whose conduct was a cause for concern. It was explained that all newly appointed members would receive training and there would be dedicated 1:1 support using personal development plans;
- Whether councillors training records should be available on the council's website. This was not part of the plan but could be considered by the steering group.
- What training was considered essential and how often there should be refresher training;
- How training could be provided, for example briefings on changes to legislation not just formal training sessions;
- Whether there was capacity to deliver the strategy;
- Whether there should be higher attendance targets and whether penalties should be used to improve attendance;
- Whether training could have a level of importance rating, e.g highly recommended to help members decide which sessions to attend;
- Whether lunch time slots or online training could help improve uptake.
- That recording training had previously been disallowed for data protection reasons and whether that could be reviewed.
- Whether every few months a bulletin could capture what was coming up or what might have been missed that would be valuable for councillors to know without requiring an officer session;

RESOLVED:
To approve the strategy

95 RAAC UPDATE - TO FOLLOW (Item C3)

The Committee received an update on the use of raac in Islington. It was emphasised that the safety of everyone using the buildings was of utmost importance and the council was taking a proactive approach to ensure safety across the estate, reviewing all the information they held on buildings, and updating processes and training as required. The checks had been completed and they were working with one college who had been confirmed as having raac. There were also two outstanding inspections planned in Highbury Field School before Christmas.

A committee member was relieved that there were no issues in residential houses and asked if there were checks on private sector housing. It was understood that raac was not commonly used in the construction of residential properties and they had not heard from any institutions but could reach out to them.
That the financial risk to the council appeared to be minimal due to racc and whether any other issues had been identified by the surveys. They were being analysed and a plan was being created.

RESOLVED:
To note the update

96 **WORK PROGRAMME (Item)**
Noted.

The meeting ended at 8.45 pm

CHAIR

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ISLINGTON
For a more equal future

Finance
7 Newington Barrow Way
London N7 7EP

Report of: **Corporate Director of Resources**

Meeting of: **Audit Committee**

Date: **29 January 2024**

Subject: Principal Risk Update – January 2024

1. Synopsis

1.1. The annual Principal Risk Report was presented to the Audit Committee in July 2023. This report provides a summary update on progress to mitigate key risks, as well as an update on the development of risk management training for staff.

2. Recommendations

2.1 The Committee is asked to note the report.

3. Update on key risks

3.1 This report provides an update on principal risks with the highest risk scores i.e. risks with a score from 15 to 20, and risks with an increasing forward trend as outlined in the 2023 Principal Risk Report (which can be accessed here). Ten principal risks meet these criteria:

Highest scoring:

- Financial Stability and Resilience
- New Build Programme
- Financial Resilience of Residents
- Cost of Energy
- Cyber and Data Security

Risks with increasing forward trend:

- Failure to Address and Challenge Social Inequalities
- Social Care Market Instability
- Health and Social Care Integration
- School Viability and Place Planning
- Increasing Homelessness Pressures

3.2 The principal risks 'New Build Programme' and 'Social Care Market Instability' have been selected for risk deep-dives at the Audit Committee meeting on 29th January 2024. Therefore, these risks are not included within this update as separate reports are being prepared by the risk leads. Updates on the remaining eight risks have been provided by risk leads and is set out below.

Financial Stability and Resilience

3.3 The general fund's (GF) position is showing a worsening trend since the Principal Risk Report in July 2023. The Quarter 2 (Q2) monitoring report for 2023/24 shows a marked deterioration since Quarter 1 (Q1) with the gross directorate overspend position showing an adverse movement from £13.2m overspent in Q1 to £17.729m overspent in Q2. Within this position, the Environment and Climate Change department position has deteriorated by £4.9m with a now £9.1m overall overspend. The majority of this relates to the parking account. Application of a small corporate underspend of £1.4m and one-off use of specific and general contingencies have reduced the overall Q2 GF overspend to a net £5.8m overall.

3.4 Budget savings proposals for 2024/25 are currently being explored ahead of inclusion in the 2024/25 budget report, including base savings agreed for 2024/25 as part of the 2023/24 budget process. There will be an ongoing impact of the 2023/24 in-year GF position, some of which will impact the financial position ahead of setting the 2024/25 budget. A risk action plan is being drawn up to address the in-year position ahead of 2023/24 closing and 2024/25 final budget setting, with limited time left in the financial year for this to be implemented successfully.

Financial Resilience of Residents

3.5 In October 2023 the Council hosted its second cost of living summit, just over a year since declaring a cost-of-living emergency. This was an opportunity to reflect on progress to date and discuss plans for this coming winter along with longer term priorities. The summit confirmed that the actions the Council has been taking to mitigate the worst impacts for low-income households have been the right approach, and this should continue with a renewed emphasis on tackling the longer term causes of poverty. Proposals for updating the council tax support scheme for 2024/25 are currently going through the decision-making process. If approved, this will take over 8,000 low-income working age households out of paying any council tax.

3.6 The Income Maximisation team are supporting various cost of living activities. Building on the £5.8m of annual benefits entitlement we helped residents claim in 2022/23, we have so far achieved £4.1m (November 2023). The council launched the help for renters that are working scheme in 2023/24, this has so far paid out around £700k of support to around 2,500 households. We have been distributing the household support fund 4 grant during 2023/24, this totals over £4.4m of support which will be distributed by March 2024, this includes an application element that is live. Alongside a focus of encouraging residents to claim benefits that they are entitled to, the council continues to support residents into employment, or better employment, for longer term financial resilience. We continue to monitor the data across a range of indicators informing the COL board with council and VCS representatives working collaboratively to plan strategy and operational efforts to help our residents navigate the COL crisis.

Cost of Energy

3.7 This risk of increasing energy costs and volatility in the energy market stabilised in the second half of 2022, following the Council's decision to join the LASER public buying organisation (PBO) from 1 April 2023. LASER has (at the time of writing) purchased 80% of the Council's energy for 2024/25 with the remaining 20% to be purchased before the end of March 2024. Therefore the 2024/25 purchasing period has no major volatility expected. For future arrangements, it has been agreed to continue to use a PBO for two years from 2025/26 when the LASER contract ends (with the option of a two-year extension), as the market risk is still considered higher than prior to the energy crisis. The procurement strategy for this approach was approved by Executive on 30 November and will involve scoring PBOs based on their trading performance (which determines the prices paid by the Council), as well as considering their business continuity planning.

3.8 The Corporate Energy Savings Programme that started in 2022/23 has now become a business-as-usual workstream within the Climate Action programme. This consists of a mix of ongoing energy efficiency audits that take place between October and April each year, as well as capital investment to reduce consumption. The energy audits look at buildings' energy use and auditors adjust settings during the visit, as well as producing a report with recommended actions to further reduce usage, including installing energy-saving measures. Since July 2023 new and enhanced Building Management Systems have started to be installed at 14 corporate sites, which will enable better understanding of energy usage and allow optimisation that will reduce costs. To date around 60% of the work has been carried out and the project is expected to be complete by the end of February 2024. The council's wider capital investment programme also includes projects that reduce energy consumption and carbon emissions. Solar panel installations have been completed at four sites, which will reduce electricity costs by around £24,000 per annum at 2023/24 prices, while older solar panel arrays are having new monitoring systems installed to allow their performance to be more effectively monitored. The decarbonisation works at the Waste Recycling Centre, which includes a significant expansion of the site's solar panel array and is due to be completed in early 2024, are expected to reduce running costs by around £100,000 per annum.

Cyber and Data Security

3.9 There remains a high level of cyber security threat in our external environment. There is an increased threat from the use of Artificial Intelligence (AI) in cyber-attacks, and the Council have defence mechanisms in place to manage this. The team is maintaining focus on cyber security awareness training for staff with mandatory training modules as well as an ongoing communications campaign to keep data protection front of mind for staff.

3.10 The programme of work to improve data security is progressing well. The Newington Barrow Way datacentre has now been stripped of most IT services with the final elements to be completed when the property has been fully vacated (around February 2024). The move of services from 222 Upper Street into a cloud environment continues at a rate that balances the cost profile, application lifecycle, risk to services, and available resources. The end of December 2024 remains the target for all non-site specific systems migrations.

Failure to Address and Challenge Social Inequalities

3.11 The prolonged cost of living crisis is likely to increase social inequalities in Islington and the forward risk trend continues to increase. Since the launch of the Islington Together 2030 Plan in March 2023, the Council has continued to engage with stakeholders to identify actions to address inequalities. The council has focussed on five priority outcome areas identified through its engagement with the community. Stakeholders have taken part in action learning workshops, taking an inclusive approach to identify actions. Delivery plans are being created and progress against these will be monitored by the Challenging Inequality Programme Board and the Corporate Management Board.

3.12 The Challenging Inequality Programme Board continues to drive progress on the Council's equality plans, and each service has a dedicated equality lead to support delivery. Additional performance indicators related to inequality have been added to the corporate performance framework for the Council's strategic plan to strengthen how progress is monitored. Alongside this, the Public Health Intelligence Team is designing a set of wellbeing indicators to measure progress on improving residents' wellbeing. This new set of indicators is expected to be launched in early 2024.

Health and Social Care Integration

3.13 This principal risk continues to be a challenging area with an increasing forward trend. The Council is responding with additional mitigations, including reviewing service delivery that falls within section 75 joint-funding arrangements to assess effectiveness in making a difference for local residents. The North Central London Integrated Care Board (ICB) has undergone an organisational change process in recent months. This has resulted in them giving notice to the Council on joint Council/ICB funded posts, with funding for these withdrawn from April 2024 onwards.

3.14 The ICB and the Council are working together to design a new aligned commissioning model which will replace the joint commissioning model. Council and Health services have had aligned commissioning for older people services for many years and will apply lessons learnt to inform potential future arrangements. Nationally, Government proposals on further changes to social care funding arrangements continues to be on hold with the shape of future care reforms uncertain.

Schools Viability and Place Planning

3.15 Demand for school places has fallen. In part this drop in demand has been driven by declining birth rates across London. Local evidence indicates that the recent reduction in births in Islington is likely to remain an ongoing trend. In 2019, the GLA identified problems of overestimation in the official ONS migration estimates, this is particularly acute in areas of London with high international flows and had led to inflated numbers of children in the projections that have now been revised.

3.16 Individual school balances have been in decline since 2019 caused by the falling rolls, combined with increasing special education needs and disability (SEND) and increasing cost pressures such as rising energy costs. An increasing number of Islington schools are projected to go into deficit. In response, the Council is providing quality assurance of school deficit recovery plans to eliminate deficits within three years. The School Deficit Management Board provides scrutiny and challenge to schools to ensure they take action to achieve balanced budgets. The Council is continuing to implement its School Organisational Plan which includes making recommendations for school mergers and closures. The projected deficit across all maintained schools for 2025/26 was £15m in Q4 2022/23, reduced to £9.7m in the mid-year re-forecast in October 2023. Without continued robust action in this area, the deficits may result in added pressure on the general fund. Cuts to address deficits for schools may also impact on educational outcomes.

Increasing Homelessness Pressures

3.17 Homelessness in England is at the highest rate since records began, with a 31% increase in homelessness since the beginning of the pandemic. In London, one in 50 households are now homeless. Homelessness in Islington is caused by a number of factors, including domestic abuse, an increase in Section 21 notices, the cost-of-living crisis, and properties being in disrepair. There is an increased risk of homelessness in relation to the Home Office management of determinations and evictions for asylum seekers from hotel accommodation. The Council has made representations to the Home Office who have agreed to suspend evictions when severe weather protocols are in place, and the Council is providing support. There is an action plan in place to reduce the backlog of homeless decisions to ensure residents gets timely and appropriate support. However, the forward trend is worsening as the number of people and costs per night keep increasing month on month. Nationally, there has been a 218% increase in homeless families with children living in bed and breakfast accommodation for longer than the legal limit of six weeks.

3.18 Islington has secured a total of £102m funding from the Greater London Authority and UK Government to buy back ex-Council homes for use as accommodation for the most vulnerable. This will significantly reduce the cost of temporary accommodation going forward. The Council has also secured £1m supplement grant to the existing Homeless Prevention Grant to support the prevention of homelessness. The Council is also considering how to best engage with the private sector as a potential mitigation. However, there has been a 41% reduction in Private Rented Sector accommodation in London in the last 19 months.

4. Developing risk management training

4.1 The risk manager has worked with the learning and development team to develop a risk management training offer for all staff in order to further enhance the Council's risk maturity. The training offer includes two options i) a short bite-sized e-learning resource to raise awareness of the key concepts of risk management and ii) a workshop offering more in-depth learning delivered on a monthly basis. These resources will be launched by early Q4 23-24.

4.2 In addition to the development of a formal training offer for all staff, the Islington Leadership Network received a series of sessions on reducing risk through leadership in Q3 23-24. These sessions were delivered by an external risk management expert.

5. Implications

5.1 Financial Implications

5.1.1 The programme of work has been met from within the existing risk management budget. The financial implications of individual principal risks are met by local budgets.

5.2 Legal Implications

5.2.1 There are no legal implications arising from this report. Legal advice and support will be provided, where necessary, in relation to individual risks.

5.3 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030

5.3.1 There are no environmental implicating arising from the recommendations in this report.

5.4 Equalities Impact Assessment

5.4.1 The Council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

5.4.2 An Equalities Impact Assessment is not required in relation to this report because the recommendation being sought does not have direct impacts on residents.

Final report clearance:

Authorised by:

Corporate Director of Resources

Date: 21 December 2023

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REPORT ENDS

ISLINGTON
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Finance
7 Newington Barrow Way
London N7 7EP

Report of: Corporate Director of Resources

Meeting of: Audit Committee

Date: 29 January 2024

Wards: All

Subject: Internal Audit interim report 2023/24

1. Synopsis

1.1. A continuous internal audit service provides independent assurance on the control environment that supports the delivery of Council objectives.

1.2. This report aims to provide Audit Committee with assurance over the Council's governance, risk management and internal control environment. It does this by demonstrating that the Internal Audit plan is being delivered. It highlights service areas where high priority recommendations have been made. It also comments on the level of implementation of audit recommendations by management.

2. Recommendations

2.1. The Committee is asked to note the report.

3. Background

3.1. The Council has a statutory duty to maintain an adequate and effective Internal Audit function. Internal Audit's primary objective is to provide the Council, via the Audit Committee, with independent assurance that risk management, governance, and internal control processes are operating effectively.

3.2. The 2023/24 Internal Audit Plan was approved by Audit Committee on 13 March 2023. This report presents the outcomes of the delivery of the 2023/24 audit plan to date and the position of the plan at 30 November 2023.

3.3. The work of Internal Audit largely focuses on key risks identified within the Council's Principal Risk Report. Delivery of the annual audit plan provides assurance on the actions being taken to mitigate principal risks.

4. Role of Internal Audit

4.1. The council's internal audit function is delivered in accordance with the Public Sector Internal Audit Standards (PSIAS). The PSIAS set out the requirements for public sector internal auditing. It encompasses the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework.

4.2. A professional, independent and objective internal audit function is a key element of good governance. The PSIAS defines internal auditing as 'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

4.3. The council's framework of governance, risk management and internal control supports and underpins the delivery of strategic objectives. The Internal Audit service provides Audit Committee with an independent and objective appraisal of the adequacy and effectiveness of this framework. This is achieved through the delivery of a risk-based audit plan. The service also provides consultancy and advice to management on risk and controls on an ad hoc and proactive basis.

4.4. The council's internal audit function operates as a shared service with the London Borough of Camden. The service operates a co-sourced service delivery model, where internal audit services are provided by in-house staff. A small portion of work is delivered by a co-sourced provider, currently PwC. The service also works closely and in alignment with the Risk Management and Corporate Investigation functions. This provides a number of benefits, including increased joint working and collaboration, and the sharing of information and intelligence.

5. Design and delivery of the 2023/24 Internal Audit plan

5.1 The service complies with the requirements of the PSIAS by ensuring that an annual risk-based audit plan is devised. The council's processes to identify and articulate Principal Risks provide a sound foundation for the audit plan. The council's Principal Risk Report is mapped to internal audit activity over a rolling three year period. This approach provides assurance that actions designed to mitigate key risks are being implemented effectively. It also provides the council and other stakeholders with assurance that audit resource is correctly targeted to mitigate risks.

5.2 A number of other sources of information were used when drafting the audit plan. These included CIPFA good governance guidelines, audit plans of other local authorities, and intelligence from previous audit and anti-fraud activity.

5.3 In addition to risk-based audits, a rolling cycle of reviews provides continued assurance on the council's key financial systems. The audit plan also looks at areas where senior management have asked for independent assurance.

5.4 A concerted effort is made to ensure that the plan is resident focused. Where audit reviews do not directly address resident facing areas, they aim to provide assurance on overall governance arrangements. These reviews demonstrate that Islington is in a position to deliver its desired outcomes for residents.

5.5 Throughout the year, where required, the plan was flexed to respond to emerging risks. This flexibility allowed the team to provide proactive advice on risk and control as needed.

6. Internal Audit outcomes

6.1 Internal Audit has received positive management responses to final audit reports and the recommendations made to address risks identified at audit.

6.2 Internal Audit routinely conducts follow up reviews to assess the level of implementation of audit recommendations. Where implementation of recommendations is prolonged, Internal Audit may provide support to auditees in-year. See **Section 8** of this report for further information on follow up activity.

6.3 This report details the outcomes to date of the 2023/24 audit plan at **Appendix 1**. Summary details of high priority recommendations arising from 'limited' and 'no' assurance reviews not previously reported to the Audit Committee have been included in **Appendix 2**. Follow up activity undertaken in 2023/24 is summarised in **Appendix 3**.

7. Internal Audit assurance opinions

7.1 On completion of internal audit reviews, and where appropriate to do so, a statement of assurance is provided. These statements are detailed, where relevant, within **Appendix 1** of this report.

7.2 There are four possible assurance opinions that can be provided:

No Assurance	There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and

	could lead to significant risk of error, fraud, loss or reputational damage being suffered.
Limited Assurance	There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.
Moderate Assurance	An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.
Substantial Assurance	There is a sound control environment with risks to key service objectives being satisfactorily managed. Recommendations will normally only be Advice and Best Practice.

7.3 These conclusions are based on the number of critical and high priority findings identified in the report. The Committee receives details of critical and high priority recommendations, raised in audit reviews that attracted a 'limited' or 'no' assurance opinion, within **Appendix 2** of this report.

8. Follow up activity

8.1 Internal Audit recommendations arising from planned audit work are followed up to ensure that they have been implemented. We report levels of implementation to the Audit Committee bi-annually. Follow up activity undertaken in 2023/24 is summarised in **Appendix 3**.

8.2 The council's Controls Board meets on a quarterly basis and tracks implementation of audit recommendations. Periodic reports are presented through Controls Board to Directorate Management Team representatives, summarising all open audit recommendations per directorate. These reports identify where audit recommendations remain open after their agreed implementation date.

8.3 On a bi-monthly basis, CMB risk sessions receive a report on the current position of all open audit recommendations, with breakdowns by directorate and information on the direction of travel.

8.4 Auditees may be invited to attend Audit Committee if a low level of implementation of audit recommendations is noted.

9. Internal Audit team capacity

9.1 In 2023/24, the team has operated with decreased resource due to staffing matters (a loss of 110 FTE auditor days as at 31 December 2023). We currently have a vacancy for a full-time principal auditor, and anticipate a loss of at least 30 more FTE days before we are able to fill this post. This decrease in resource has reduced the team's capacity to fully deliver all planned audits within the financial year, and some audits have been deferred in response to this. We have prioritised the delivery of principal risk-related audits, therefore deferred audits have primarily been establishment audits. One principal risk audit (Youth Safety) has been deferred, after a consideration of other sources of assurance in this area, Deferrals are detailed within **Appendix 1** of this report.

9.2 Despite the decreased capacity of the team, we have been able to respond to emerging risks throughout the year by drawing on our co-sourced audit partner and using contingency to deliver additional work requested by senior management. Additions to the audit plan are detailed within **Appendix 1** of this report.

10. Implications

10.1. **Financial implications**

10.1.1. A sound system of internal controls forms a significant part of the governance framework and is essential to underpin the effective use of resources.

10.1.2. There are no direct financial implications of the recommendations within this report.

10.1.3. The cost of delivering the audit plan is budgeted for within the council's overall budget.

10.2. **Legal Implications**

10.2.1. The Local Audit and Accountability Act 2014 sets out the regulatory framework for the audit of local authorities. The Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance (Accounts and Audit Regulations 2015 (SI 2015/234), regulation 5). The Public Sector Internal Audit Standards provide a set of public sector internal audit standards, which are supplemented for local government by CIPFA standard setting guidance.

10.3. **Environmental Implications and contribution to achieving a net zero carbon Islington by 2030**

10.3.1. There are no environmental implications arising from the recommendations in this report.

10.4. **Equalities Impact Assessment**

10.4.1. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

10.4.2. An Equalities Impact Assessment is not required in relation to this report, because the decision currently being sought does not have direct impact on residents.

Appendices:

- **Appendix 1** provides an update on outcomes of delivery of the 2023/24 audit plan
- **Appendix 2** summarises high priority recommendations that were not previously reported to the Committee
- **Appendix 3** details the results of the follow up of previous audit recommendations.

Final report clearance:

Authorised by:

Corporate Director of Resources

Date: 21 December 2023

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Appendix 1: delivery of the 2023/24 audit plan

1. Synopsis

1.1. This appendix summarises the 2023/24 audit plan that was agreed by the Audit Committee on 13 March 2023. It shows the indicative scope as well as the completion status of each individual project. It is included to provide Audit Committee with assurance that the audit plan, which is the key vehicle for providing the council with independent assurance, is being effectively delivered.

1.2. **Section 2** below provides a detailed update on the progress of the 2023/24 audit plan, and summarises any 2022/23 outcomes not finalised at the time of the last report to Audit Committee. **Section 3** provides a breakdown of audit plan completion statistics for the year to date.

2. Detailed 2023/24 audit plan update

(* denotes an area of principal risk)

2.1. **Summary of assurance ratings for completed reviews**
This section includes final outcomes for 2022/23 audits where reports had been issued in draft at the point of reporting to Audit Committee in September 2023, but had not been finalised.
See sections 2.2 to 2.11 below for more information on the current status of 2023/24 reviews.

Ref	Audit title	Assurance rating
Assurance rating for planned council audit reviews		
HN22-3 (2022/23 review – three	Tenant Management Organisation (TMO) monitoring arrangements *	Limited assurance

high priority findings – see Appendix 2)		
HN22-4 (2022/23 review – four high priority findings – see Appendix 2)	Medical assessments for housing allocations *	Limited assurance
R22-2 (2022/23 review – three high priority findings – see Appendix 2)	Key IT application review – NEC (housing repairs) *	Limited assurance
ASC23-2 (four high priority findings – see Appendix 2)	Non-recent child abuse support payment scheme *	Limited assurance
Assurance rating for planned establishment audit reviews		
FT22-1 (2022/23 review – two high priority findings – see Appendix 2)	Voluntary Sector Organisation (VSO) establishment review – Culpeper Community Garden	Limited assurance
CS23-2-3	Schools establishment review - Grafton	Moderate assurance
Extended follow up outcomes (see rating key in Appendix 3)		
FWU23-12	Extended follow up - decline in local business resilience *	A moderate rate of implementation was noted.

Reviews completed where an assurance opinion was not provided (a management letter or grant compliance opinion was issued)		
AD22-8 (deferred from 2022/23 plan)	Supporting Families	Compliance opinion issued
AD23-2	Payments to staff and councillors outside MyHR	Controls awareness note issued

2.2. **Corporate/cross-cutting**

Ref	Audit title	Indicative scope	Planned days	Status
CC23-1	Risk management – assurance mapping	Internal Audit input into assurance mapping for principal risks.	10	Assurance mapping is taking place in Q3 to inform the 2024/25 audit planning process.
CC23-2	Serious fraudulent activity *	Internal Audit input into reactive investigations to be undertaken in-year.	20	Members of the Internal Audit team provide ongoing input into reactive investigations throughout the year to support the Corporate Investigations team.
CC23-3	Audit plan production	Preparation of the Council's annual audit plan.	10	Audit planning will take place in Q4, based on the assurance mapping exercise (see CC22-1 above).
CC23-4	Controls Board	Internal Audit input into Controls Board workplan and support for directorate representatives.	30	The Internal Audit team coordinates Controls Board and provides support for directorate representatives around follow up activity.

CC23-5	Good Governance Group	Internal Audit input into Good Governance Group workplan	20	The Internal Audit team coordinates Good Governance Group activity.
CC23-6	Review of grant claims	Review of grant claims for government funding which require Internal Audit review and approval. Based on actual requests in prior years, an assumption has been made that five such reviews will be required in year. Grants work will include the annual review of Supporting Families funding.	30	Grants not yet identified – the majority of grant certification requests are made in Q4 each year.
CC23-7	Modern day slavery *	A review of joint working, governance and oversight arrangements relating to modern day slavery. The audit will also look at staff training and communications with residents.	17	Fieldwork is underway. A report will be issued in Q4 2023/24.
FWU23-1	Cross-cutting follow up activity	Follow up activity relating to the following audits: • Business transformation • PMO • Technology debt management	4	Outcomes of follow up activity are detailed in Appendix 3. All recommendations have been implemented for the following audits: • Technology debt management Further follow up work is planned in Q4 2023/24 relating to the other audits. The time budget for this work has been adjusted to reflect that there will now be an extended follow up of Insurance

				settlements (FWU23-15) based on its final audit rating (see section 2.11).
FWU23-10	2023/24 in-year follow up activity	Audit recommendations for some 2023/24 planned audits will need to be followed up in year, and this time has been allocated based on actual time spent on in-year follow ups in 2021/22 and 2022/23.	22	Outcomes of follow up activity are detailed in Appendix 3.

2.3. **Resources**

Ref	Audit title	Indicative scope	Planned days	Status
R23-1-1	Review of key financial system - council tax and business rates	Review of key financial systems in line with a rolling plan.	13	Fieldwork is underway. A report will be issued in Q4 2023/24.
R23-1-2	Review of key financial system – interfaces		13	Fieldwork is underway. A report will be issued in Q4 2023/24.
R23-1-3	Review of key financial system - staff expenses	A risk based review focused on key controls related to staff expenses.	13	Scoping is underway. Fieldwork will take place in Q3 and Q4 2023/24.
R23-1-4	Review of key financial system - financial regulations	Internal Audit input into the planned review of the Council's Financial Regulations.	13	This audit will not proceed due to a revised risk assessment. There was an extensive legal and governance review of this document in Q1 and Q2 2023/24.

				As a result, this audit would have replicated work already carried out.
R23-2	Key IT application review – LiquidLogic *	A review of a key IT application in use within the Council.	16	Scoping is underway. Fieldwork will take place in Q3 and Q4 2023/24.
R23-3	Savings delivery programme – Adults and Children *	A review of the effectiveness of monitoring and reporting arrangements for delivery of agreed Medium-Term Financial Strategy (MTFS) savings. Areas of focus to be identified during scoping.	17	Scoping is underway. Fieldwork will take place in Q4 2023/24.
R23-4	Information governance *	This audit will review and assess key areas of information governance risk. Areas of focus to be identified during scoping.	17	This audit will not proceed due to a revised risk assessment. The review was intended to look at the council's compliance with the Transparency Code. A compliance review had recently been carried out by the Information Governance team and had identified gaps and recommendations which were being addressed. As a result, this audit would have replicated work already carried out. Information governance risks are being considered as part of other planned audits in year, including LiquidLogic (R23-3) and CCTV (AD23-4).
FWU23-9	Resources follow up activity	Follow up activity relating to the following audits:	35	Outcomes of follow up activity are detailed in Appendix 3. All

		• Capital expenditure • Capital programme • Cyber security • Key financial system (KFS) – accounts receivable • KFS – bank and system reconciliations • KFS – capital accounting (asset management) • KFS – pensions • KFS – treasury • Payroll • Use of contingent workers		recommendations have been implemented for the following audits: • Capital expenditure • Cyber Security • KFS – capital accounting (asset management) • KFS – treasury Further follow up work is planned in Q4 2023/24 relating to the other audits. The time budget for this work has been adjusted to reflect that there will now be extended follow ups of Key IT application - NEC Housing Platform (FWU23-16) and Purchase cards (FWU23-17) based on their final audit ratings (see section 2.11).
FWU23-11	Access controls and rights (extended follow up) *	Extended follow up of Access controls and rights (FR21-2). This audit will include testing a new sample to verify the operation of key controls.	16	Fieldwork is underway. A report will be issued in Q4 2023/24.

2.4. **Adult Social Care**

Ref	Audit title	Indicative scope	Planned days	Status
ASC23-1	Social care market instability *	A review of the effectiveness of arrangements to support social care market stability.	17	This audit has been scoped. Fieldwork will take place in Q4.
ASC23-2	Non-recent child abuse support payment scheme *	A review of the effectiveness of arrangements for distribution of payments related to non-recent child abuse. The audit will sample test payments to assess their validity, accuracy and timeliness.	17	Completed – Limited assurance. Four high priority findings were raised, details of which can be seen at Appendix 2.
FWU23-2	Adult Social Care follow up activity	Follow up activity relating to the following audit: • Mental health safeguarding processes	2	Outcomes of follow up activity are detailed in Appendix 3. Further follow up work is planned in Q4 2023/24 relating to this audit.

2.5. **Children and Young People**

Ref	Audit title	Indicative scope	Planned days	Status
CS23-1	Youth safety *	A review of the effectiveness of projects to support youth safety.	17	The audit has been deferred to Q1 2024-25 due to reduced Internal Audit team capacity. As the most recent audit of this area, completed in January 2021, found moderate assurance over governance systems and did not identify any high priority findings, this was considered less high priority than other

				principal risks on the plan. The audit was included on the plan because the area had not been audited since 2021/22, however management have confirmed that there are no known issues in this area.
CS23-2-1	Schools establishment review – Duncombe Primary School (repeat)	Risk based review of seven schools and/or children's centres. The audit programme assesses the effectiveness of governance mechanisms and financial practices.	16	This audit will not proceed due to a revised risk assessment. This was a repeat audit at the request of the school, who were last audited in the 2022/23 year. It has now been agreed that the school should go through the standard follow up process instead.
CS23-2-2	Schools establishment review – Ambler		16	Fieldwork is underway. A report will be issued in Q4 2023/24.
CS23-2-3	Schools establishment review – Grafton		16	Completed – Moderate assurance.
CS23-2-4	Schools establishment review – Montem		16	Deferred to Q1 2024/25 to allow time for a public consultation about the future of the school.
CS23-2-5	Schools establishment review – Prior Weston		16	Deferred to Q1 2024/25 in response to unforeseen circumstances at the school affecting the availability of key contacts.

CS23-2-6	Schools establishment review – Elizabeth Garrett Anderson		16	Deferred to 2024/25 due to reduced Internal Audit team capacity. Priority has been given to completing audits linked to principal risks.
CS23-2-7	Schools establishment review – Kate Greenaway		16	Deferred to 2024/25 due to reduced Internal Audit team capacity. Priority has been given to completing audits linked to principal risks.
FWU23-3	Children and Young People follow up activity	Follow up activity relating to the following audits: • Conewood Children's Centre • Domestic violence • SEN transport		Outcomes of follow up activity are detailed in Appendix 3. All recommendations have been implemented for the following audits: • Conewood Children's Centre • SEN transport Further follow up work is planned in Q4 2023/24 relating to the other audit.

2.6. **Community Engagement and Wellbeing**

Ref	Audit title	Indicative scope	Planned days	Status
FT23-1	Voluntary Sector Organisation (VSO) establishment review – Eritrean Community in the UK	Risk based review of one VSO to assess the effectiveness of governance mechanisms and financial practices.	13	Fieldwork is underway. A report will be issued in Q4 2023/24.

FWU23-6	Community Engagement and Wellbeing follow up activity	Follow up activity relating to the following audit: • Challenging Inequality Programme	3	Outcomes of follow up activity are detailed in Appendix 3. All recommendations have been implemented.

2.7. **Community Wealth Building**

Ref	Audit title	Indicative scope	Planned days	Status
CWB23-1	Contract management – inflation governance *	A review of indexation and inflation governance within the council's contract management processes.	17	Scoping is underway. Fieldwork will take place in Q4 2023/24.
FWU23-4	Community Wealth Building follow up activity	Follow up activity relating to the following audits: • Financial resilience of residents • Health and safety – asbestos governance, management and monitoring • Supplier bank amendments	15	Outcomes of follow up activity are detailed in Appendix 3. All recommendations have been implemented for the following audits: • Supplier bank amendments Further follow up work is planned in Q4 2023/24 relating to the other audits.
FWU23-12	Decline in local business resilience (extended follow up) *	Extended follow up of Decline in local business resilience (CWB21-1).	11	An extended follow up audit was completed. We looked at the rate of implementation of 11 recommendations, relating to three high priority findings, which had passed their target implementation dates. We found that:

				• 5/11 (46%) recommendations have been implemented; • 4/11 (36%) recommendations have been partially implemented; and • 2/11 (18%) recommendations have not been implemented. The partially implemented recommendations related to: • Data integration across systems; and • Optimising targeted use of data. The recommendations not yet implemented related to: • Corporate Management Board input into data sharing; and • Direct consent for data use. Revised target implementation dates between 31 December 2023 and 31 January 2024 have been agreed for the outstanding recommendations.

2.8. **Environment and Climate Change**

Ref	Audit title	Indicative scope	Planned days	Status
E23-1	Anti-social behaviour (ASB) service	A risk-based review of key controls within the ASB service	16	The audit has been deferred to 2024/25 at the request of management in the service, which is currently undergoing significant transformation. It is intended that an audit in 2024/25 will provide assurance that the transformation work has achieved its objectives. There is additional assurance in this area due to a Policy and Performance Scrutiny Committee 2023/24 review of multi-agency response to complex Anti-Social Behaviour.
E23-2	Cemeteries	A review of cemetery management arrangements. The specific focus of the audit will be determined during scoping.	17	This audit has been scoped. Fieldwork will take place in Q4 2023/24.
FWU23-5	Environment and Climate Change follow up activity	Follow up activity relating to the following audits: • Climate emergency • Parking services	6	Outcomes of follow up activity are detailed in Appendix 3. Further follow up work is planned in Q4 2023/24 relating to these audits.

2.9. **Homes and Neighbourhoods**

Ref	Audit title	Indicative scope	Planned days	Status
HN23-1	New homes supplier failure *	A review of arrangements in place to mitigate the risk of New Homes principal supplier and supply chain failures.	17	Scoping is underway. Fieldwork will take place in Q4 2023/24.
HN23-2-1	Tenant Management Organisation (TMO) establishment review – Charteris	Risk based review of five TMOs. These reviews are part a rolling programme of assurance for TMOs which operates on a cyclical basis. The programme assesses the effectiveness of governance mechanisms and financial practices.	13	Fieldwork is underway. A report will be issued in Q3 2023/24.
HN23-2-2	Tenant Management Organisation (TMO) establishment review – Harry Weston		13	Fieldwork is underway. A report will be issued in Q3 2023/24.
HN23-2-3	Tenant Management Organisation (TMO) establishment review – Hornsey Lane		13	Fieldwork is underway. A report will be issued in Q3 2023/24.

HN23-2-4	Tenant Management Organisation (TMO) establishment review – Stafford Cripps		13	Scoping is underway. A report will be issued in Q4 2023/24.
HN23-2-5	Tenant Management Organisation (TMO) establishment review – Half Moon Crescent		13	Fieldwork is underway. A report will be issued in Q3 2023/24.
HN23-3	Landlord duty of care – condensation and mould *	A review of arrangements in place to protect social housing residents from the effects of condensation and mould.	17	Fieldwork is underway. A report will be issued in Q4 2023/24.
FWU23-7	Homes and Neighbourhoods follow up activity	Follow up activity relating to the following audits: • Housing Revenue Account (HRA) •	2	Outcomes of follow up activity are detailed in Appendix 3. Further follow up work is planned in Q4 2023/24. The time budget for this work has been adjusted to reflect that there will now be an extended follow up of Medical assessments for housing allocations (FWU23-14) based on its final audit rating (see section 2.11).

FWU23-13	Extended follow up - landlord duty of care - lifts *	Extended follow up of Landlord duty of care - lifts (AD22-7).	15	An extended follow up audit was completed. We assessed the rate of implementation of 28 recommendations, relating to ten high priority findings and one medium priority finding, which had passed their target implementation dates. We found that: • 18/28 (64%) recommendations have been implemented; • 8/28 (29%) recommendations have been partially implemented; and • 2/28 (7%) recommendations have not been implemented. The partially implemented recommendations related to: • Third party lift inspections; • Completion, recording and monitoring of remedial works; • Management information; • Post-inspections; and • Remediation of SAFed issues. The recommendations not yet implemented related to: • Lift inspection quality; and • Data protection.

				Revised target implementation dates are currently being agreed for the outstanding recommendations.

2.10. **Public Health**

Ref	Audit title	Indicative scope	Planned days	Status
FWU23-8	Public Health follow up activity	Follow up activity relating to the following audit: • Public health partnership working arrangements	5	Outcomes of follow up activity are detailed in Appendix 3. Further follow up work is planned in Q4 2023/24 relating to this audit.

2.11. **Additional reviews**

Seven additional reviews have been added to the audit plan in 2023/24, with a combined audit budget of 61 days.

Ref	Audit title	Indicative scope	Planned days	Status
AD22-8	Supporting Families 2022/23	Deferred from 2022/23 plan. Review of information to verify validity of claimed programme numbers underlying grant funding.	5	Completed – management letter issued. No high priority findings were raised.
AD23-1	Schools establishment review - Vittoria	Added at the request of the Schools Finance team to look at a newly merged school.	16	Not yet started. Scoping will take place in Q4 2023/24 and reporting will be completed by Q1 2024/25.
AD23-2	Payments to staff and councillors outside MyHR	Advisory work carried out to support the Investigations team.	5	Completed. A controls awareness note was produced.

FWU23-14	Extended follow up - Medical assessments for housing allocations	Extended follow up of Medical assessments for housing allocations (HN22-4). This audit will include testing a new sample to verify the operation of key controls.	10	Fieldwork is underway. A report will be issued in Q3 2023/24.
FWU23-15	Extended follow up - Insurance settlements	Extended follow up of Insurance settlements (CC22-7). This audit will include testing a new sample to verify the operation of key controls.	10	Fieldwork is underway. A report will be issued in Q4 2023/24.
FWU23-16	Extended follow up - Key IT application - NEC Housing Platform	Extended follow up of Key IT application - NEC Housing Platform (R22-2). This audit will include testing a new sample to verify the operation of key controls.	10	Agreed actions are not yet due. Fieldwork will take place in Q4 2023/24.
FWU23-17	Extended follow up - Purchase cards	Extended follow up of Purchase cards (AD22-2). This audit will include testing a new sample to verify the operation of key controls.	5	An extended follow up audit was completed. We assessed the rate of implementation of 13 recommendations, relating to ten high priority findings and one medium priority finding, which had passed their target implementation dates. We found that: • 12/13 (92%) recommendations have been implemented; • 1/13 (8%) recommendations has been superseded because it is not possible to implement it as written. Alternative controls development activity is being

				supported by the Investigations team, providing comfort over the underlying risk. A further four recommendations have not yet reached their target implementation date. These will be followed up as they fall due.

3. Audit plan completion statistics

Audit status	Number of reviews
Total number of reviews included on the original audit plan (see sections 2.1-2.10 above for breakdown). This includes extended follow ups, but not standard follow up activity.	33
Reviews added in year *(see section 2.11 above for breakdown)*	7
Total reviews on audit plan	**42**
Audits removed from plan: *Reviews deferred to 2024/25 plan due to Internal Audit staffing constraints:* 1. Youth safety (see CS23-1 above) 2. Schools establishment review - Elizabeth Garrett Anderson (CS23-2-6) 3. Schools establishment review - Kate Greenaway (CS23-2-7) *Reviews that did not proceed due to a revised risk assessment:* 4. Review of key financial system - financial regulations (R23-1-4) 5. Information governance (R23-4)	9

Audit status		Number of reviews
6. Schools establishment review - Duncombe Primary School (CS23-2-1) *Reviews deferred at management request:* 7. Anti-social behaviour service (E23-1) 8. Schools establishment review - Montem Primary School (CS23-2-4) 9. Schools establishment review - Prior Weston (CS23-2-5)		
Remaining audits due for completion as part of the 2023/24 plan		**31**
Audits completed to reporting stage: *Audits completed and report issued in final* *Audits completed and awaiting final management response*	 *3* *4*	7 (23%)
Audits in progress: *Audit fieldwork underway* *Scoping underway or completed*	 *12* *10*	22 (71%)
Audits not yet started: *To be scoped (one school audit and grant claim work)*	 *2*	2 (6%)

Appendix 2: high priority recommendations

1. Synopsis

1.1. This appendix summarises high priority recommendations arising from audit reviews with a limited or no assurance rating since our last update to Committee in September 2023. It provides an overview of findings in areas where control weaknesses have been identified that present a high risk to specific service objectives.

1.2. Follow up reviews will be conducted to assess the level of implementation of audit recommendations.

2. Summaries of high priority recommendations

2.1. Council audits

Reference	Audit Title
HN22-3	Tenant Management Organisation (TMO) monitoring arrangements
Recommendations were made in relation to: 1. The completeness of monitoring activity; 2. Procedural documentation; and 3. The extent of performance reporting.	

Reference	Audit Title
HN22-4	Medical assessments for housing allocations
Recommendations were made in relation to:	

Reference	Audit Title
HN22-4	Medical assessments for housing allocations

1. The contractual arrangements between the council and its third party assessment provider;
2. The timeliness of notification of assessment outcomes to applicants;
3. The timeliness of notification of internal review/appeal outcomes to applicants; and
4. The effectiveness of service performance monitoring and reporting.

Reference	Audit Title
R22-2	Key IT application review – NEC (housing repairs)

Recommendations were made in relation to:

1. Application governance arrangements;
2. The segregation of duties matrix; and
3. Incomplete audit actions relating to the Access controls and rights audit.

Reference	Audit Title
ASC23-2	Non-recent child abuse support payment scheme

Recommendations were made in relation to:

1. The timeliness of independent reviews by solicitors;
2. The timeliness of independent appeal panel referrals and decision making;
3. Stakeholder relationship management; and

Reference	Audit Title
ASC23-2	Non-recent child abuse support payment scheme
4. Pre-payment checks.	

2.2. **Establishment audits**

Reference	Audit Title
FT22-1	Voluntary Sector Organisation (VSO) establishment review – Culpeper Community Garden
Recommendations were made in relation to: 1. The level and frequency of DBS checks; and 2. Venue hire costs.	

APPENDIX ENDS

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Appendix 3: Follow up outcomes

1. Synopsis

1.1. This appendix summarises the results of audit follow up work since the last report to Audit Committee in September 2023. It provides an indication of the level of implementation of audit recommendations by management.

2. Summary of audit recommendation implementation

2.1. This table sets out the rate of implementation of recommendations which have passed their target implementation date.

2.2. **Implementation rating key:**

Fully implemented	100% of medium and high priority recommendations have been closed
Good	Progress has been made on 70% or more of medium and high priority recommendations and at least 50% are fully implemented
Moderate	Progress has been made on 70% or more of medium and high priority recommendations but fewer than 50% have been fully implemented Or Progress has been made on fewer than 70% of medium and high priority recommendations but more than 50% have been fully implemented
Limited	Progress has been made on fewer than 70% of medium and high priority recommendations and fewer than 50% have been fully implemented
None	No progress has been noted on audit recommendations

Reference	Audit title	Original assurance rating	Rate of implementation of actions (see rating key above)
Cross-cutting			
CC19-4	Cyber security	Limited	Agreed actions have been fully implemented.
CC20-2	Programme Management Office	Management letter issued	Good implementation of audit actions. Further follow up activity is planned in Q4 2023/24.
CC20-3-1	Financial strategy - Adult Social Care transformation	Moderate	Agreed actions have been fully implemented.
CC20-4	Capital programme	Moderate	Good implementation of audit actions. Further follow up activity is planned in Q4 2023/24.
CC22-7	Insurance settlements	Limited	Initial follow up activity is underway.
AD22-7	Landlord Duty of Care - lifts	No assurance	Good implementation of audit actions. Further follow up activity is planned in Q4 2023/24.
Resources			
FR18-1	Payroll	Limited	Good implementation of audit actions. Further follow up activity is planned in Q4 2023/24.
FR18-5	Capital expenditure	Moderate	Agreed actions have been fully implemented.
FR20-5	Use of contingent staff (extended follow up – see Appendix 1 for outcomes)	No assurance	Good implementation of audit actions. Further follow up activity is planned in Q4 2023/24.
FR21-2	Access controls and rights	Limited	Initial follow up activity is underway.

Reference	Audit title	Original assurance rating	Rate of implementation of actions (see rating key above)
FR21-3	Business transformation	Moderate	Moderate implementation of audit actions. Further follow up activity is planned in Q4 2023/24.
FR21-1-1	Review of key financial system – accounts payable	Moderate	Agreed actions have been fully implemented.
FR21-1-3	Review of key financial system – treasury	Moderate	Agreed actions have been fully implemented.
AD22-2	Purchase cards	Limited	Good implementation of audit actions. Further follow up activity is planned in Q4 2023/24.
R22-1-1	Review of key financial system - bank and system reconciliations	Moderate	Initial follow up activity is underway.
R22-1-2	Review of key financial system - capital accounting (asset management)	Moderate	Agreed actions have been fully implemented.
R22-1-3	Review of key financial system - accounts receivable	Moderate	Initial follow up activity is underway.
Adult Social Care			
HASS18-2	Mental health safeguarding processes	Management letter issued	Good implementation of audit actions. Further follow up activity is planned in Q4 2023/24.
Children and Young People			
PS20-7	Domestic violence	Moderate	Good implementation of audit actions. Further follow up activity is planned in Q4 2022/23.
PS21-1	High Needs/SEN children's placements	Moderate	Initial follow up activity is underway.

Reference	Audit title	Original assurance rating	Rate of implementation of actions (see rating key above)
AD22-8	Supporting Families 2022/23	Management letter issued	Agreed actions have been fully implemented.
Community Wealth Building			
AD21-2	Supplier bank amendments (extended follow up – see Appendix 1 for outcomes)	Management letter issued	Agreed actions have been fully implemented.
CWB21-1	Decline in local business resilience	Limited	Moderate implementation of audit actions due to a change in action ownership. Further follow up activity is planned in Q4 2023/24.
Environment and Climate Change			
ER20-3	Parking services	Limited	Good implementation of audit actions. Further follow up activity is underway.
Homes and Neighbourhoods			
HASS19-6	Housing Revenue Account (HRA)	Moderate	Good implementation of audit actions. Further follow up activity is planned in Q4 2023/24.
HOU20-3	Health and Safety - Asbestos	No assurance	Moderate implementation of audit actions due to initial slow engagement with recommendations and dependency on the adoption of new software. Significant recent progress and improved engagement have been noted. Further follow up activity is planned in Q4 2023/24.
HN22-2	Landlord Duty of Care Housing Safety Programme Assurance	Moderate	Agreed actions have been fully implemented.

Reference	Audit title	Original assurance rating	Rate of implementation of actions (see rating key above)
HN22-4	Housing allocations for medical assessments	Limited	Initial follow up activity is underway.
Public Health			
PH18-1	Public Health	Moderate	Good implementation of audit actions. Further follow up activity is planned in Q4 2023/24.
Establishment audits - schools			
CS18-6-2	School - St John Evangelist	Moderate	Good implementation of audit actions. Further follow up activity is underway.
CS18-6-3	School - Highbury Quadrant	Moderate	Good implementation of audit actions. Further follow up activity is underway.
CS18-6-6	School - Holloway (Beacon High)	No assurance	Good implementation of audit actions. Further follow up activity is underway.
PS20-6-2	School - Gillespie Primary School	Moderate	Agreed actions have been fully implemented.
PS20-6-4	School - Robert Blair School	Moderate	Good implementation of audit actions. Further follow up activity is underway.
PS21-2-1	School - St John's Highbury Vale	No assurance	Good implementation of audit actions. Further follow up activity is underway.
PS21-2-2	School - Vittoria	Limited	Agreed actions have been fully implemented.
PS21-2-3	School - Newington Green	Limited	Good implementation of audit actions. Further follow up activity is underway.

Reference	Audit title	Original assurance rating	Rate of implementation of actions (see rating key above)
PS21-2-4	School - Duncombe	No assurance	Initial follow up activity is underway.
PS21-2-6	School - Samuel Rhodes	Limited	Initial follow up activity is underway.
PS21-2-7	School - Laycock	No assurance	Initial follow up activity is underway.
CS22-2-2	School - Pooles Park	No assurance	Initial follow up activity is underway.
CS22-2-4	School - Pakeman	Moderate	Good implementation of audit actions. Further follow up activity is underway.
AD22-5	School - St John's Upper Holloway	Limited	Good implementation of audit actions. Further follow up activity is underway.
AD22-6	School – Highbury Fields	Moderate	Initial follow up activity is underway.
Establishment audits – tenant management organisations			
HASS19-2-1	TMO - Newbery House	No assurance	Moderate implementation of audit actions. Further follow up activity is underway.
HASS19-2-4	TMO - Arch Elm	No assurance	Good implementation of audit actions. Further follow up activity is underway.
HOU20-2-2	TMO - Elthorne	No assurance	Limited implementation of audit actions. Further follow up activity is underway.
HOU21-2-1	TMO - Braithwaite	Limited	Initial directorate follow up activity is underway.

Reference	Audit title	Original assurance rating	Rate of implementation of actions (see rating key above)
HOU21-2-2	TMO - Blackstock	Moderate	Moderate implementation of audit actions. Further follow up activity is underway.
HOU21-2-3	TMO - Spa Green	No assurance	Limited implementation of audit actions. Further follow up activity is underway.
HOU21-2-4	TMO - Holbrook	Moderate	Initial directorate follow up activity is underway.
HOU21-2-5	TMO - Miranda	Limited	Limited implementation of audit actions. Further follow up activity is underway.
HN22-1-1	TMO – Seaview	Limited	Initial directorate follow up activity is underway.
HN22-1-2	TMO - Taverner and Peckett	Moderate	Initial directorate follow up activity is underway.
HN22-1-3	TMO - Brunswick	Limited	Initial directorate follow up activity is underway.
AD22-3	TMO - Pleydell	Limited	Initial directorate follow up activity is underway.
AD22-4	TMO - Dixon Clark Court	Moderate	Initial directorate follow up activity is underway.

2.3. Internal Audit aims to follow up all recommendations in the quarter after they fall due. **100%** of open council audit recommendations where responsibility for follow up and closure sits with Internal Audit have been followed up within one quarter of their target date.

2.4. Where responsibility for follow up and closure of recommendations sits with Directorate Management Teams in line with the council's Audit Methodology, follow up activity has been monitored by Internal Audit through Controls Board.

2.5. Where necessary, delays in implementation of recommendations and lack of engagement with follow up requests have been escalated to Corporate Directors.

APPENDIX ENDS

ISLINGTON
For a more equal future

Report of: Corporate Director of Resources
Meeting of: Audit and Risk Committee
Date: 29 January 2024

Council Taxbase 2024/25 and 2023/24 Collection Fund Forecast

1. Synopsis

1.1 This report covers the council taxbase estimate for the financial year 2024/25, as well as the council tax forecast for the current financial year 2023/24.

1.2 The net council taxbase in 2024/25 shows a 0.39% decrease compared to 2023/24. The key contributing factors for the decrease in the taxbase are a rise in students exemptions and 25% single person discounts (SPDs).

1.3 The gross taxbase growth in 2024/25 through new properties in the borough is only 0.61%. Although this is higher than the 0.27% growth in new properties in 2023/24, the gross taxbase remains relatively flat year-on-year. This continues to be monitored closely to help inform future year taxbase projections in the council's medium-term financial strategy (MTFS).

1.4 A key element of the council's overall funding is the amount of income raised from council tax. Islington's council tax requirement for 2024/25 is a combination of the average taxbase, expressed in terms of Band D equivalent properties (as set out in this report for 2024/25), multiplied by the relevant basic Band D council tax which will be recommended for agreement by Full Council on 29 February 2024.

2. Recommendations

2.1 To approve the council taxbase for the whole area for 2024/25 of 81,564.7 Band D equivalent properties after adjusting for the collection rate of 97%. (**Paragraph 4.7** and **Appendix A**)

2.2 To approve the council taxbase consistent with meeting the special expenses issued by the Lloyd Square Garden Committee for 2024/25. This is 43.4 Band D equivalent properties after adjusting for the collection rate of 97%. (**Paragraph 4.8** and **Appendix B**)

2.3 To note the council tax forecast for 2024/25 and distribution of this in 2024/25 between the council and Greater London Authority (GLA). (**Paragraph 5.1** and **Table 2**)

2.4 To note that the 2024/25 taxbase estimate for 2024/25 will be fully incorporated in the final version of the 2024/25 budget report and council tax calculations to be considered by the Executive on 8 February 2024 and Council on 29 February 2024. (**Paragraph 6.1**)

3. Background

3.1 The council is required to calculate its council taxbase for the next financial year and notify precepting authorities by 31 January of the preceding financial year. The council has delegated responsibility for determining the council taxbase to its Audit Committee.

3.2 The Lloyd Square Garden Management Committee issues a special levy on the council to meet the expenditure involved in the maintenance of the private garden in Lloyd Square. It is necessary for the council to calculate separately the taxbase for the Lloyd Square Garden area.

3.3 The council is required to forecast whether there will be a council tax surplus or deficit in the Collection Fund at the end of the current financial year and incorporate its share of any surplus or deficit in its budget for the next financial year.

3.4 The council is also required to make similar estimates around business rates income through the NNDR1 estimate to central government. This is being worked up ahead of the 31 January 2024 statutory submission deadline and will be reflected in the final version of the budget report to the Executive on 8 February 2024 and Council on 29 February 2024.

4. Council Tax Base Estimate 2024/25

4.1 The primary basis for the taxbase calculation, as set out in regulations, is the number of dwellings on the Valuation Office Agency (VOA) council tax valuation list as at 30 November 2023, adjusted for exemptions, discounts and disabled relief at the same date.

4.2 The calculation for the council's whole area for 2024/25 is detailed at **Appendix A** and summarised in Table 1 on a Band D equivalent (average) basis.

Table 1: Summary of Change in Taxbase for Council's Whole Area

	2023/24 Band D Equivalent	2024/25 Band D Equivalent	Change Band D Equivalent	Change %
Number of Dwellings	119,364.4	120,096.8	732.4	0.61%
Exemptions and Disabled Relief	(6,527.0)	(7,333.6)	(806.6)	12.36%
Total Chargeable Dwellings	**112,837.4**	**112,763.2**	**(74.2)**	**(0.07%)**
Discounts	(9,480.0)	(9,880.1)	(400.1)	4.22%
Total Before CTS & Local Discounts	**103,357.4**	**102,883.1**	**(474.3)**	**(0.46%)**
Council Tax Support and Local Discounts	(18,945.7)	(18,795.6)	150.1	(0.79%)
Total Adjusted Dwellings	**84,411.7**	**84,087.5**	**(324.2)**	**(0.39%)**
Less Allowance for Non-Collection	(2,529.5)	(2,522.8)	6.7	(0.51%)
Net Taxbase (to 1 decimal place)	**81,882.2**	**81,564.7**	**(317.5)**	**(0.39%)**

4.3 The taxbase calculation prudently makes no projection for additional properties that may be added to the valuation list between 30 November 2023 and the end of the 2024/25 financial year. Any additions will be reflected in future years (2025/26 onwards) once confirmed.

4.4 It is assumed that existing locally agreed council tax reliefs for care leavers up to the age of 25, foster carers and Shared Lives carers will be continued in 2024/25 at current levels.

4.5 The taxbase adjustment for the cost of council tax support has been estimated based on the latest cost of the existing scheme in 2023/24. On 14 December 2023, Full Council agreed a new banded council tax support scheme for 2024/25. The new scheme is expected to be broadly cost neutral to the existing scheme.

4.6 The budgeted collection rate for 2024/25 continues to be estimated at 97.0%. This is the percentage of 2024/25 council tax bills that the council is budgeting to receive 'over time' (as opposed to the cash collection in 2024/25). The in-year collection rate for 2022/23 was 94.37%

and 94.10% in 2021/22. The collection rate will need to be reviewed going forward, but the recent improvement of 0.27% is currently at an insufficient level to support raising the 'over time' collection rate above the current estimate of 97.0%.

4.7 This gives a net council taxbase of 81,564.7 in 2024/25, a decrease of 317.5 (-0.39%) compared to the 2023/24 taxbase of 81,882.2.

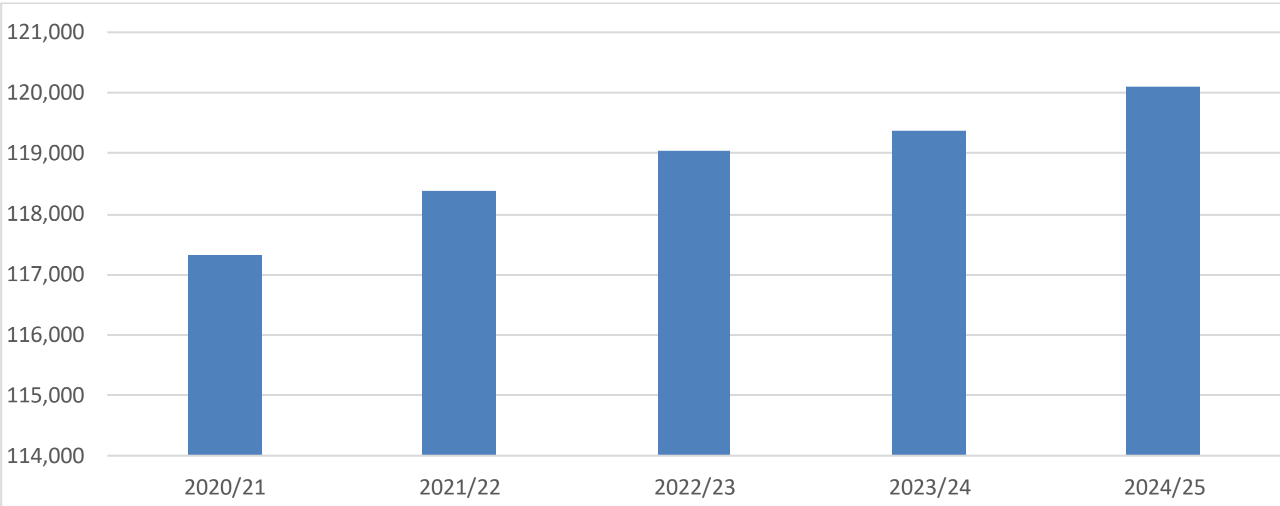
4.8 The council taxbase calculation for the Lloyd Square Garden area for 2024/25 is set out at **Appendix B**. Applying a collection rate of 97.0% results in a Lloyd Square taxbase figure of 43.4. This is a decrease of 0.7 (-1.6%) compared to the 2023/24 Lloyd Square taxbase of 44.1.

4.9 The primary reason for the decrease in the 2024/25 taxbase is due to a 12.36% increase in exemptions compared to 2023/24. This has been particularly driven by a rise in student exemptions for Band A properties, which have increased by 51.7% compared to last year.

4.10 The charts below illustrate the change in the number of gross dwellings (**Figure 1**), total exemptions by type (**Figure 2**) and total discounts (**Figure 3**), from the 2020/21 taxbase (pre-pandemic) to the 2024/25 taxbase.

4.11 **Figure 1** shows that there has been a continued, small increase in gross dwellings in the borough over recent years. This relatively flat position in the gross taxbase continues to be monitored closely to help inform future year taxbase projections in the council's MTFS.

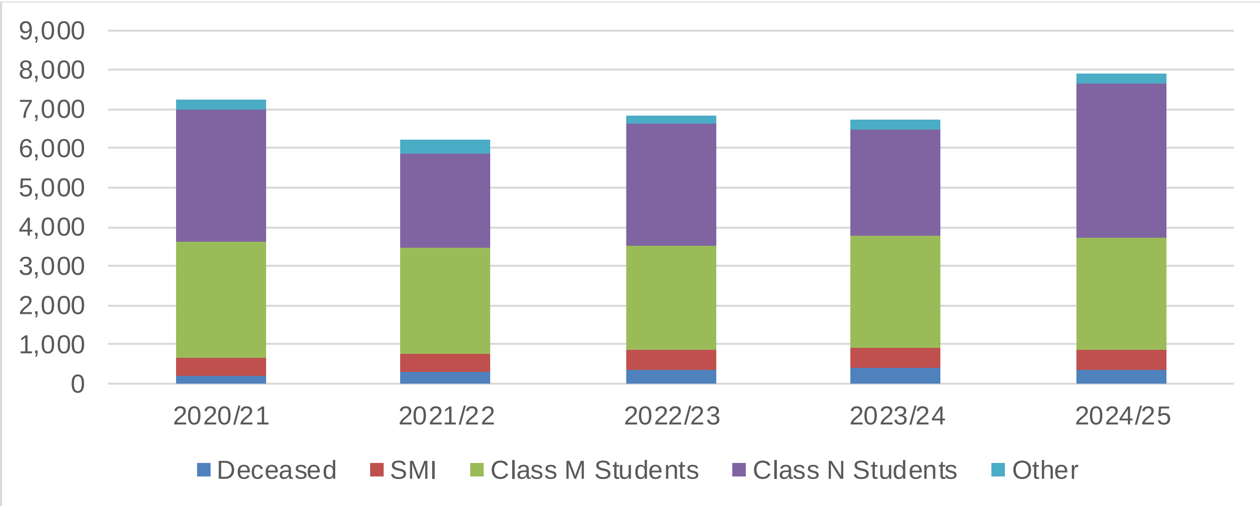
Figure 1 – Gross Dwellings (Band D Equivalent)



4.12 Total dwellings with exemptions (**Figure 2**) continue to rise across the borough. The overall exemptions between 2023/24 to 2024/25 have increased by 12.36%. The graph details exemptions awarded by the council classified as:

- Deceased
- Severe mentally impaired (SMI)
- Student exemptions (Class M - accommodation owned or managed educational establishments and Class N – other properties that are solely occupied by full time students).
- Other

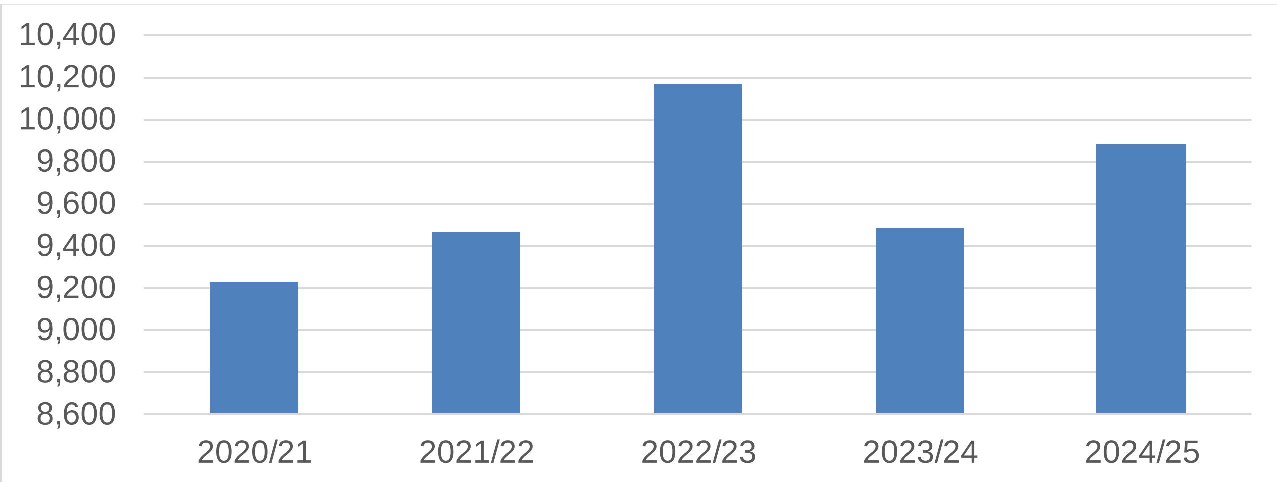
Figure 2: Total Exemptions by Type



4.13 The primary driver of the increase in exemptions is student discounts. In particular, Class N exemptions have increased due to a delay in the submission of evidence to confirm the eligibility of student discounts in respect of the properties owned by Chapter King's Cross Limited (730 units), GS Holloway Road Limited Partership (190 units) and Yugo Students Limited (184 units). These had been previously treated as standard dwellings for taxbase purposes.

4.14 There is an upward trend in 25% discounts (**Figure 3**), mostly made up of SPDs. The council undertakes regular reviews of all residents in receipt of the 25% discount and works with partners to assess the legitimacy of discount entitlement.

Figure 3: Total 25% Discounts (Band D Equivalent)



5. Council Tax Forecast 2023/24

5.1 The latest 2023/24 Collection Fund forecast for council tax, which is subject to change between now and end of the financial year, is a +£3.086m deficit (Islington share +2.348m, GLA share +£0.738m). This is summarised at **Table 2** and comprises a +£1.652m in-year deficit and a +£1.434m deficit relating to prior years.

Table 2: Distribution of Forecast 2023/24 Council Tax (Surplus)/Deficit

	Islington Council's Share £m	GLA's Share £m	Total £m
2022/23 (@January 2023) Budgeted (Surplus)/Deficit Estimate for distribution in 2023/24 Budget	(3.333)	(1.016)	**(4.349)**
Actual 2022/23 Outturn Position	(2.242)	(0.673)	**(2.915)**
Variance between Forecast and Actual 2022/23 Outturn Position	**1.091**	**0.343**	**1.434**
Forecast In-Year 2023/24 (Surplus)/Deficit	1.257	0.395	**1.652**
Total (Surplus)/Deficit in 2024/25 Budget	**2.348**	**0.738**	**3.086**

5.2 In January 2023, a -£4.349m surplus for 2022/23 was estimated. However, at the end of 2022/23 the actual surplus was -£2.915m, giving the +£1.434m deficit relating to prior years.

5.3 The forecast in-year council tax deficit of £1.652m (detailed at **Table 3**) is due to the following variances:

- Additional gross council tax income of -£1.114m, mainly due to new dwellings in the borough.
- Higher than budgeted council tax exemptions which has adversely impacted the forecast by +£5.133m, mainly because the council had to retrospectively award exemptions for student accommodations, as set out earlier in this report.
- Higher than budgeted council tax discounts (mainly SPDs) adversely impacting the forecast by +£0.737m.
- Lower than budgeted costs of the council tax support scheme, -£0.512m
- A -£2.592m improvement in forecast collection compared to assumptions around collection losses when setting the 2023/24 taxbase.

Table 3: Forecast In-Year Council Tax (Surplus)/Deficit

	Original 2023/24 Budget £m	Current 2023/24 Forecast £m	In-Year Variance £m
Gross Council Tax Income	(216.596)	(217.710)	(1.114)
Exemptions and Disabled Relief	11.843	16.976	5.133
Discounts	17.195	17.932	0.737
Council Tax Support	34.375	33.863	(0.512)
Net Council Tax Income	**(153.183)**	**(148.939)**	**4.244**
Budgeted Payment to Islington General Fund and GLA	148.588	148.588	0.000
Collection Losses	4.595	2.003	(2.592)
Budgeted January 2023 Surplus to Islington General Fund and GLA	4.350	4.350	0.000
Total Expenditure	**157.533**	**154.941**	**(2.592)**
Net (Surplus)/Deficit for the Year	**4.350**	**6.002**	**1.652**

6. Implications

Financial Implications

6.1 The financial implications of this report, which maintains the balanced budget position for 2024/25, will be incorporated in the final version of the 2024/25 budget report and council tax calculations to be considered by the Executive on 8 February 2024 and Council on 29 February 2024.

6.2 The impact of the one-off council tax deficit on the council's 2024/25 budget will be fully offset by a drawdown from the Core Funding earmarked reserve set aside for this purpose. This reserve was in part built up from council tax surpluses in prior years, so this is essentially a timing difference rather an overall call on the council's reserves.

6.3 The movement in the underlying taxbase will be monitored closely as part of 2024/25 budget monitoring to help inform the future year (2025/26 onwards) taxbase projections in the council's MTFS.

Legal Implications

6.4 The council, as billing authority, is required to calculate the amount which will be its council taxbase for the next financial year by 31 January of the preceding financial year. (Section 31B of the Local Government Finance 1992 Act (as amended) and the Local Authorities (Calculation of council tax Base) Regulations 2012).

6.5 The council must make similar calculations in relation to any items of expenditure which relate to a part only of the council's area. This enables the council to collect, as council tax, the contributions of the local residents for these expenses. In Islington, the expenses of meeting the special levy issued by the Lloyd Square Garden Management Committee qualify and the council can take such expenses into account in calculating its budgetary requirements provided it has defined them as "special expenses" in a resolution in force at the time it calculates such requirements (Section 34 of the 1992 Act and the 2012 Regulations).

6.6 The precepting authorities must be notified by the council of its council taxbase calculation for the next financial year between 1 December and 31 January of the preceding financial year to enable those authorities to calculate their budgetary requirement for the next financial year and the precept they will issue to the council before 31 March. If the council fails to comply with the end of January deadline, the regulations prescribe a notional formula for the precepting authorities to use in default, which will bind the council. Similar rules require the precepting authorities to notify the council of relevant prescribed information between 1 and 31 December of the preceding financial year.

6.7 The calculation of the council taxbase may, but no longer has to, be approved by Full Council. It may be approved by a council committee or sub-committee, but not by the Executive (Section 84 of the Local Government Act 2003 and Regulation 4(9) to (11) of the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (as amended)).

6.8 The council must set the council tax for the next financial year before 11 March of the preceding financial year (although it will not be invalid merely because it is set on or after that date). Before the council can decide this amount, it has to complete a further series of statutory calculations to establish its budgetary requirements for the next financial year. Again, these calculations under Section 31A-36 of the 1992 Act need to be made before 11 March of the preceding financial year and are usually made at the same time as the council tax is set.

6.9 The council, as billing authority, must estimate for each financial year whether there is a surplus or deficit in its Collection Fund. Any surplus or deficit on council tax must be shared between the council and its relevant major precepting authorities and the council is required to inform them should this be applicable (The Local Authorities (Funds) (England) Regulations 1992).

Environmental Implications and contribution to achieving a net zero carbon Islington by 2030:

6.10 This report does not have any environmental implications.

Equality Impact Assessment

6.11 The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

6.12 An Equality Impact Assessment has not been completed because this report in itself does not have any such implications.

7. Reason For Recommendations

7.1 The council is required to set a council taxbase for the next financial year and estimate the surplus or deficit on its Collection Fund for the current financial year.

Appendices:
Appendix A – Islington Whole Area Council Tax Base 2024/25
Appendix B – Lloyd Square Garden Area Council Tax Base 2024/25

Background papers: None
Final report clearance:

Signed by:		
	David Hodgkinson, Corporate Director of Resources	Date

Responsible Officers:
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Paul Clarke, Director of Finance

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Legal Implications Author:
Sonal Mistry, Senior Lawyer (Governance)

APPENDIX A: ISLINGTON WHOLE AREA COUNCIL TAX BASE 2024-25

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
Number of Dwellings as at 30th November 2023	4,923	6,186	29,768	33,464	19,213	10,159	7,223	942	111,878
Less Disabled Relief	0	-7	-26	-65	-58	-47	-19	-4	-226
Plus Disabled Relief	7	26	65	58	47	19	4	0	226
Less Exemptions	-3,159	-329	-1,086	-1,515	-929	-658	-193	-22	-7,891
Total Chargeable Dwellings	**1,771**	**5,876**	**28,721**	**31,942**	**18,273**	**9,473**	**7,015**	**916**	**103,987**
Discounts (25%)	-987	-3,405	-14,335	-11,913	-5,215	-2,152	-1,072	-84	-39,163
Discounts (50%)	0	-2	-3	-5	-8	-3	-13	-8	-42
Less Equivalent Discount Value	-247	-852	-3,585	-2,981	-1,308	-540	-275	-25	-9,812
Sub Adjusted Dwellings	**1,524**	**5,024**	**25,136**	**28,961**	**16,965**	**8,934**	**6,741**	**891**	**94,175**
Less Council Tax Support	-324	-1,662	-7,056	-5,806	-2,483	-1,041	-392	-9	-18,772
Total Adjusted Dwellings	**1,200**	**3,362**	**18,080**	**23,155**	**14,482**	**7,893**	**6,348**	**882**	**75,403**
Ratio to Band D	6/9	7/9	8/9	1	11/9	13/9	15/9	2	
Band D Equivalent	**800**	**2,615**	**16,071**	**23,155**	**17,700**	**11,401**	**10,581**	**1,764**	**84,087**

Band D Equivalent Assuming 97% Collection Rate **81,564.7**

APPENDIX B: LLOYD SQUARE GARDEN AREA COUNCIL TAX BASE 2024-25

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
Number of Dwellings as at 30th November 2023	0	0	0	1	2	4	18	5	30
Less Disabled Relief	0	0	0	0	0	0	0	0	0
Plus Disabled Relief	0	0	0	0	0	0	0	0	0
Less Exemptions	0	0	0	0	0	0	-1	0	-1
Total Chargeable Dwellings	**0**	**0**	**0**	**1**	**2**	**4**	**17**	**5**	**29**
Discounts (25%)	0	0	0	0	-1	-2	-3	-1	-7
Discounts (50%)	0	0	0	0	0	0	0	0	0
Less Equivalent Discount Value	0	0	0	0	-0	-1	-1	-0	-2
Total Adjusted Dwellings	**0**	**0**	**0**	**1**	**2**	**4**	**16**	**5**	**27**
Ratio to Band D	6/9	7/9	8/9	1	11/9	13/9	15/9	2	
Band D Equivalent	**0**	**0**	**0**	**1**	**2**	**5**	**27**	**10**	**45**

Band D Equivalent Assuming 97% Collection Rate **43.4**

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ISLINGTON
For a more equal future

Finance
222 Upper Street

London N1 1XR

Report of: Corporate Director of Resources

Meeting of: Audit Committee

Date: 29th January 2024

Ward(s): All

Subject: Treasury Management Mid-Year Review

1. Synopsis

1.1. This report reviews the activities of the Council's treasury management function over the half year period ended 30 September 2023. The month of September has been a challenging environment with volatile interest rate and gilt markets.

1.2. Over the reporting period, all treasury management (TM) activities have been carried out in accordance with the approved limits and the prudential indicators (PI) set out in the Council's Treasury Management Strategy.

1.3. Treasury Management comprises:

1.3.1. Managing the Council's borrowing to ensure funding of the Council's future capital programme is at optimal cost;

1.3.2. investing surplus cash balances arising from the day-to-day operations of the Council to obtain an optimal return while ensuring security of capital and liquidity.

2. Recommendations

2.1. To note the Treasury Mid-Year Review

3. Background

3.1 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

3.2 The Council's treasury management strategy for 2023/24 was approved at the Council meeting of 2nd March 2023. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

4. Detailed Report

4.1 On 31st March 2023, the Council had net borrowing of £231.906m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below:

<u>Table 1: Balance Sheet</u>

	31.3.23 Actual £m
General Fund CFR	190.703
HRA CFR	463.593
Total CFR	**734.849**
Less: *Other debt liabilities	(80.552)
Loans CFR	**654.297**
External borrowing	(285.606)
Internal (over) borrowing	**368.691**
Less: Balance Sheet Resources	(422.4)
Treasury Investments	**53.7**
Net [borrowing / investments]	**231.906**

* finance leases, PFI liabilities and transferred debt that form part of the Council's total debt

4.2 On 30th September 2023, the Council had net borrowing of £193.3m arising from its revenue and capital income and expenditure. The treasury management position as at 30th September 2023, the change over the six months is shown in Table 2.

Table 2: Treasury Management Summary

	31.3.23 Balance £m	Movement £m	30.9.23 Balance £m	30.9.23 Rate %
Long-term borrowing	265.606	(18.062)	247.544	3.95
Short-term borrowing	20.000	0.000	20.000	5.30
Total borrowing	**285.606**	**(18.062)**	**267.544**	**4.05**
Long-term investments	10.000	0.000	10.000	0.55
Short-term investment	43.700	20.500	64.200	5.18
Total investments	**53.700**	**20.500**	**74.200**	**4.55**
Net [borrowing / investments]	**231.906**	**2.438**	**193.344**	

Economic Update

4.3 The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain growth and employment. At its meeting ending on 20 September 2023, the MPC voted by a majority of 5–4 to maintain Bank Rate at 5.25%. The Committee also voted unanimously to reduce the stock of UK government bond purchases held for monetary policy purposes, and financed by the issuance of central bank reserves, by £100 billion over the next twelve months, to a total of £658 billion.

4.4 Twelve-month CPI inflation fell from 7.9% in June to 6.7% in August, 0.4 percentage points below expectations at the time of the Committee's previous meeting and triggering the exchange of open letters between the Governor and the Chancellor of the Exchequer that is being published alongside this monetary policy announcement. Core goods CPI inflation has fallen from 6.4% in June to 5.2% in August, much weaker than expected in the August Report. Services CPI inflation rose from 7.2% in June to 7.4% in July but declined to 6.8% in August, 0.3 percentage points lower than expected in the August Report.

Arlingclose View:

4.5 Q2 GDP growth surprised to the upside, with the office for national statistics (ONS) revising the first estimate of -0.1% to +0.2%, driven by upward revisions to household and government spending. While the revision suggests that the UK economy has avoided a technical recession so far, growth remains soft and is on a downward track. We expect growth to be negative in Q3 and thereafter due to the heightened impact of the rising cost of living, higher interest rates and slowing global growth. However, this will not stop the BoE tightening monetary policy further to combat perceived inflationary pressures.

Borrowing

4.6 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decisions that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the council.

4.7 Public Works Loan Board (PWLB) loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council intends to avoid this activity to retain its access to PWLB loans.

4.8 The 2023/24 Treasury Management Strategy sets out an operational borrowing limit of £383.4m and maximum borrowing limit of £533.9m for the year. As at 30th September there is still a potential for the Council to borrow up to a further £115.8m, this level of borrowing has been revised due the current level of capital programme slippage. This matter is being closely monitored through the Council's 5-year capital programme model and the cash flow model.

4.9 As outlined in the treasury strategy, the Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required.

4.10 The Council retains flexibility to renegotiate loans should the Council's long-term plans change. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

4.11 A new PWLB HRA rate which is 0.4% below the certainty rate was made available from 15th June 2023. Initially available for a period of one year, this discounted rate is to support local authorities borrowing for the Housing Revenue Account (HRA) and for refinancing existing HRA loans, providing a window of opportunity for HRA-related borrowing and to replace the Council's loans relating to the HRA maturing during this time frame.

4.12 In keeping with these objectives, the strategy is to replace the HRA maturing debt of £8m, borrow additional sums to fund the existing capital programme and the purchase of ex-right to buy properties in line with the authorised borrowing limits. This strategy enabled the Council to reduce net borrowing costs and reduce overall treasury risk.

Borrowing Update

4.13 The Council currently holds £267.5 million of loans, a reduction of £18.06 million from the previous year, as in line with the strategy to borrow only if required hence use internal resources in lieu of borrowing despite the increase in rates. During this half year the Council considered it to be more cost effective in the near term to either use internal resources and short to medium term borrowing to minimise the "cost of carry". Outstanding loans on 30th September 2023 are summarised in Table 3 below:

Table 3: Borrowing Position

	31.3.23 Balance £m	**Net Movement £m**	**30.9.23 Balance £m**	**30.9.23 Weighted Average Rate %**	**30.9.23 Weighted Average Maturity (years)**
Public Works Loan Board	234.606	(8.062)	226.544	4.1465	19.92
Local authorities (long-term)	31.000	(10.000)	21.000	1.8595	1.33
Local authorities (short-term)	20.000	(0.000)	20.000	5.3000	0.22
Total borrowing	**285.606**	**(18.062)**	**267.544**	**4.0532**	**16.99**

4.14. The Council's short-term borrowing cost has continued to increase with the rise in line with the Bank and England base rate and short-dated market rates. The average rate on the Council's short-term loans at 30th September 2023 of £20m was 5.3%.

4.15 There was a substantial rise in the cost of both short- and long-term borrowing over the last 18 months. The base rate rose by 1% from 4.25% at the beginning of April to 5.25% at the end of September. The base rate was 2% higher than at the end of September 2022.

4.16 UK gilt yields were volatile, mainly facing upward pressure since early April following signs that UK growth had been more resilient, inflation stickier than expected, and that the Bank of England saw persistently higher rates through 2023/24 as key to dampening domestic demand. Gilt yields, and consequently PWLB borrowing rates, rose and broadly remained at elevated levels. On 30th September, the PWLB certainty rates for maturity loans were 5.26% for 10-year loans, 5.64% for 20-year loans and 5.43% for 50-year loans. Their equivalents on 31st March 2023 were 4.33%, 4.70% and 4.41% respectively.

Forward starting loans

4.17 To enable certainty of cost to be achieved without suffering a cost of carry in the intervening period, the Council may arrange forward starting loans with fixed interest rates of for the delivery of cash a specified future year date. The Council has not actively pursued this option currently and does not seem prudent with rates at their current levels.

4.18 There remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields + 0.80%. The Authority will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose.

Other Debt Activity

4.19 After £4.5m repayment in 2022/23 of Private Finance Initiative liabilities, total debt other than borrowing stood at £77.6m on 31st March 2023.

Treasury Investment Activity

4.20 CIPFA revised TM Code defines treasury management investments as those which arise from the Council's cash flows or treasury risk management activity that ultimately represents balances which need to be invested until the cash is required for use in the course of business.

4.21 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Council's investment balances ranged between £54 million and £110 million due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.23 Balance £m	Net Movement £m	30.9.23 Balance £m	30.9.23 Income Return %
Government (incl. local authorities)	53.7	(8.5)	45.2	4.09
MMF	0.0	29.0	29.0	5.28
UK Banks	0.0	0.0	0.0	0.00
Total investments	**53.7**	**20.5**	**74.2**	**4.56**

4.22 Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

4.23 The Council expects to be a long-term borrower and new treasury investments therefore primarily made to manage day-to-day cash flows short-term low risk instruments where limited additional risk is accepted in return for higher investment income to support local public services.

4.24 Bank of England base rate increased by 1%, from 4.25% at the beginning of April to 5.25% by the end of September. Short-dated cash rates rose commensurately, with 3-month rates rising to around 5.25% and 12-month rates to nearly 6%. The rates on DMADF deposits also rose, ranging between 4.8% and 5.4% and Money Market Rates between 5.22% and 5.35%.

4.25 The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking – Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
30.09.2023	4.62	A+	39%	95	4.54
30.09.2022	4.73	A+	19%	154	1.12
Similar LAs	**4.54**	**A+**	**67%**	**48**	**4.94**
All LAs	**4.47**	**AA-**	**59%**	**50**	**4.79**

Non-Treasury Investment

4.26 The definition of investments in CIPFA's revised 2021 Treasury Management Code covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

4.27 Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government also includes within the definition of investments all such assets held partially or wholly for financial return.

4.28 The Council lends money to its subsidiaries, local businesses, local charities, local residents and its employees to support local public services and stimulate local economic growth.

4.29 As at 31/03/2023, the Council had lent £0.639m (including accrued interest) to three private companies responsible for managing schools under the Building Schools for the Future programme (Transform Islington Phase 1 Holdings Limited, Transform Islington Phase 2 Holdings Limited and Transform Islington Limited). All loans were issued at market rates. Where loans are advanced at below market rates they are classed as 'soft loans. As at 31/3/2023 the Council had also issued around £1.302m of soft loans, mainly to employees (e.g., travel season ticket, gym membership, home computer loans).

4.30 The Council invests in the shares of its subsidiaries and local businesses to support local public services and stimulate local economic growth. The Council holds equity investments in Islington Limited (iCo), a wholly owned subsidiary providing local services, and minority (10%) equity investments in three private companies responsible for managing schools under the Building Schools for the Future programme (Transform Islington Phase 1 Holdings Limited, Transform Islington Phase 2 Holdings Limited and Transform Islington Limited). The fair value of these shares is nil, and the shares are not traded in an active market. The Council has no current plans to dispose any of these shareholdings.

4.31 The Council holds investments in local and regional, commercial property with any profits spent on local public services. The Council does not actively invest in these markets currently. The market value of all such properties as at 31/3/2023 was £43.6m. In 2022/23, rental income from investment property was £1.6m against direct operating expenditure arising from investment property of £0.3m.

4.32 The Council also made a loan to the Highbury Roundhouse Association which is valued at £78k on the balance sheet (31/03/23).

Compliance

4.33 The Corporate Director of Resources reports that all treasury management activities undertaken during the period complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

4.34 Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 7 below.

Table 7: Debt Limits

	H1 Forecasted	**30.9.23 Actual**	**2023/24 Operational Boundary £m**	**2023/24 Authorised Limit £m**	**Complied?** Yes/No
Borrowing	345.848	267.5	383.393	533.860	Yes
PFI and Finance Leases			74.973	79.973	
Total debt			**458.366**	**608.833**	Yes

4.35 Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Treasury Management Indicators

4.36 The Council measures and manages its exposures to treasury management risks using the following indicators.

4.37 **Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Table 8: Credit Ratings

	30.9.23 Actual	2023/224 Target	Complied?
Portfolio average credit rating	A+	A+	Yes

4.38 **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling one-month period, without additional borrowing.

Table 9: Liquidity of investments

	30.9.23 Actual	2023/24 Target	Complied?
Total cash available within 1 months	£48m	£25m	Yes

4.39 **Interest Rate Exposures**: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interests was:

Table 10: Interest Rate risk (income)

Interest rate risk indicator	30.9.23 Actual	2023/24 Limit	Complied?
Upper limit on one-year revenue impact of a 1% rise in interest rates	£0.530m	£2.6m	Yes
Upper limit on one-year revenue impact of a 1% fall in interest rates	£0m	£1.6m	Yes

4.40 The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates.

4.41 **Maturity Structure of Borrowing:** This indicator is set to control the Councils exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

Table 11: Maturity Structure

Refinancing rate risk indicator	30.9.23 Actual	Upper Limit	Lower Limit	Complied?
Under 12 months	18%	30%	0%	Yes
12 months and within 2 years	5%	35%	0%	Yes
24 months and within 5 years	6%	40%	0%	Yes
5 years and within 10 years	19%	40%	0%	Yes
10 years and within 20 years	9%	50%	0%	Yes
20 years and above	43%	100%	40%	Yes

4.42 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

4.43 **Principal Sums Invested for Periods Longer than a year:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

Table 12: Amounts invested for more than one year

	2022/23	2023/24	2024/25
Actual principal invested beyond year end	£10m	£10m	£0
Limit on principal invested beyond year end	£30m	£20m	£20m
Complied?	Yes	Yes	Yes

5. Implications

5.1. **Financial Implications**

5.1.1. The report is wholly financial in nature.

5.2. **Legal Implications**

5.2.1. Treasury risk management at the Council is conducted within the framework of the CIPFA Code, which requires the Council to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

5.2.2. In addition, Section 151 of the Local Government Act 1972 states that: "without prejudice to section 111, every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". Good Treasury Management supports the discharge of this responsibility.

5.3. **Environmental Implications and contribution to achieving a net zero carbon Islington by 2030**

5.3.1. There are no environmental considerations.

5.4. **Equalities Impact Assessment**

5.4.1. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

5.4.2. An Equalities Impact Assessment is not required in relation to this report, as it does not impact individuals.

Appendices:

Appendix 1: External context

Appendix 2: Interest Rate Forecast

Final report clearance:

Signed by: **Corporate Director of Resources**

Date: 13 December 2023

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Appendix 1

External Context from Arlingclose

Economic background

UK inflation remained stubbornly high over much the period compared to the US and euro zone, keeping expectations elevated of how much further the Bank of England (BoE) would hike rates compared to the regions. However, inflation data published in the latter part of the period undershot expectations, causing financial markets to reassess the peak in BoE Bank Rate. This was followed very soon after by the BoE deciding to keep Bank Rate on hold at 5.25% in September, against expectation for another 0.25% rise.

Economic growth in the UK remained relatively weak over the period. In calendar Q2 2023, the economy expanded by 0.2%. However, monthly GDP data showed a 0.5% contraction in July, the largest fall to date in 2023 and worse than the 0.2% decline predicted which could be an indication the monetary tightening cycle is starting to cause recessionary or at the very least stagnating economic conditions.

July data showed the unemployment rate increased to 4.3% (3mth/year) while the employment rate rose to 75.5%. Pay growth was 8.5% for total pay (including bonuses) and 7.8% for regular pay, which for the latter was the highest recorded annual growth rate. Adjusting for inflation, pay growth in real terms were positive at 1.2% and 0.6% for total pay and regular pay respectively.

Inflation continued to fall from its peak as annual headline CPI declined to 6.7% in July 2023 from 6.8% in the previous month against expectations for a tick back up to 7.0%. The largest downward contribution came from food prices. The core rate also surprised on the downside, falling to 6.2% from 6.9% compared to predictions for it to only edge down to 6.8%.

The Bank of England's Monetary Policy Committee continued tightening monetary policy over most of the period, taking Bank Rate to 5.25% in August. Against expectations of a further hike in September, the Committee voted 5-4 to maintain Bank Rate at 5.25%. Each of the four dissenters were in favour of another 0.25% increase.

Financial market Bank Rate expectations moderated over the period as falling inflation and weakening data gave some indication that higher interest rates were working. Expectations fell from predicting a peak of over 6% in June to 5.5% just ahead of the September MPC meeting, and to then expecting 5.25% to be the peak by the end of the period.

Following the September MPC meeting, Arlingclose, the authority's treasury adviser, modestly revised its interest forecast to reflect the central view that 5.25% will now be the peak in Bank Rate. In the short term the risks are to the upside if inflation increases again, but over the remaining part of the time horizon the risks are to the downside from economic activity weakening more than expected.

The lagged effect of monetary policy together with the staggered fixed term mortgage maturities over the next 12-24 months means the full impact from Bank Rate rises are still yet to be felt by households. As such, while consumer confidence continued to improve over the period, the GfK measure hit -21 in September, it is likely this will reverse at some point. Higher rates will also impact business and according to S&P/CIPS survey data, the UK manufacturing and services sector contracted during the quarter with all measures scoring under 50, indicating contraction in the sectors.

The US Federal Reserve increased its key interest rate to 5.25-5.50% over the period, pausing in September following a 0.25% rise the month before, and indicating that it may have not quite completed its monetary tightening cycle.

Having fallen throughout 2023, annual US inflation started to pick up again in July 2023, rising from 3% in June, which represented the lowest level since March 2021, to 3.2% in July and then jumping again to 3.7% in August, beating expectations for a rise to 3.6%. Rising oil prices were the main cause of the increase. US GDP growth registered 2.1% annualised in the second calendar quarter of 2023, down from the initial estimate of 2.4% but above the 2% expansion seen in the first quarter.

The European Central Bank increased its key deposit, main refinancing, and marginal lending interest rates to 4.00%, 4.50% and 4.75% respectively in September, and hinted these levels may represent the peak in rates but also emphasising rates would stay high for as long as required to bring inflation down to target.

Although continuing to decline steadily, inflation has been sticky, Eurozone annual headline CPI fell to 5.2% in August while annual core inflation eased to 5.3% having stuck at 5.5% in the previous two months. GDP growth remains weak, with recent data showing the region expanded by only 0.1% in the three months to June 2023, the rate as the previous quarter.

Financial markets

Financial market sentiment and bond yields remained volatile, with the latter generally trending downwards as there were signs inflation, while still high, was moderating and interest rates were at a peak.

Gilt yields fell towards the end of the period. The 5-year UK benchmark gilt yield rose from 3.30% to peak at 4.91% in July before trending downwards to 4.29%, the 10-year gilt yield rose from 3.43% to 4.75% in August before declining to 4.45%, and the 20-year yield from 3.75% to 4.97% in August and then fell back to 4.84%. The Sterling Overnight Rate (SONIA) averaged 4.73% over the period.

Credit review: Having completed a review of its credit advice on unsecured deposits at UK and non-UK banks following concerns of a wider financial crisis after the collapse of Silicon Valley Bank purchase of Credit Suisse by UBS, as well as other well-publicised banking sector issues, in March Arlingclose reduced the advised maximum duration limit for all banks on its recommended counterparty list to 35 days. This stance continued to be maintained at the end of the period.

During the second quarter of the period, Moody's revised the outlook on Svenska Handelsbanken to negative from stable, citing concerns around the Swedish real estate sector.

Having put the US sovereign rating on Rating Watch Negative earlier in the period, Fitch took further action in August, downgrading the long-term rating to AA+, partly around ongoing debt ceiling concerns but also an expected fiscal deterioration over the next couple of years.

Following the issue of a Section 114 notice, in September Arlingclose advised against undertaking new lending to Birmingham City Council, and later in the month cut its recommended duration on Warrington Borough Council to a maximum of 100 days.

Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress and although no changes were made to recommended durations over the period, Northern Trust Corporation was added to the counterparty list.

Heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

Appendix 2

Arlingclose's Economic and Interest Rate Forecast as at 25th September 2023

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00
Central Case	5.40	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.05	3.05
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.38	4.50	4.50	4.40	4.25	4.00	3.75	3.50	3.40	3.30	3.30	3.30	3.35
Downside risk	0.00	-0.50	-0.70	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
10yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20
Central Case	4.27	4.40	4.35	4.30	4.25	4.15	4.00	3.80	3.75	3.65	3.60	3.65	3.70
Downside risk	0.00	-0.50	-0.70	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
20yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20
Central Case	4.67	4.65	4.60	4.55	4.45	4.35	4.25	4.20	4.20	4.20	4.20	4.20	4.20
Downside risk	0.00	-0.50	-0.70	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
50yr gilt yield													
Upside risk	0.00	0.50	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20
Central Case	4.25	4.25	4.20	4.15	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
Downside risk	0.00	-0.50	-0.70	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%; PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
PWLB HRA Rate (Maturity Loans) = Gilt yield + 0.40%; UKIB Rate (Maturity Loans) = Gilt yield + 0.60%

UK inflation and wage growth remain elevated, but the August CPI data suggested that inflation was falling more rapidly. In a narrow 5-4 vote, the MPC took the opportunity to hold rates at

5.25%, a level we see as the peak. Near-term rate cuts are unlikely, although downside risks will increase as the UK economy inevitability slides into recession.

While the MPC vote was close, and the minutes contained the warning about the need for further tightening if inflationary pressures persist, both the decline in closely-watched inflation measures and confidence that wage growth had peaked, clearly allowed policymakers to focus on the weaker activity data.

The UK economy has so far been resilient. However, recent data indicates a further deceleration in business and household activity growth as higher interest rates start to bite. Global demand will be soft, so offer little assistance in offsetting weakening domestic demand. A recession remains a likely outcome.

Employment demand has weakened and unemployment has increased, although the tight labour market has resulted in higher nominal wage growth. Anecdotal evidence suggests slowing recruitment and wage growth, and we expect unemployment to rise.

Consumer confidence has improved due to signs of real wage growth amid strength in the labour market, but household spending will remain weak as mortgaged households suffer higher interest payments and unemployment rises. Business investment/spending will fall back due to higher borrowing costs and weaker demand.

Inflation will fall continue to fall over the next 12 months, albeit with upside risk. The MPC's attention will remain on underlying inflation measures and wage data. Policy rates will remain at the peak for another 10-12 months, until the MPC is comfortable the risk of further second round effects have diminished.

Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling (as the recent PMI data indicate), will require significant policy loosening in the future to boost demand and inflation.

Global bond yields remain volatile. Like the UK, the Federal Reserve and other central banks see persistently higher policy rates through 2023/2024 as key to dampening domestic inflationary pressure. Data points will therefore prompt changes in bond yields as global interest rate expectations shift.

ISLINGTON
For a more equal future

Report of: Corporate Director of Resources
Meeting of: Audit and Risk Committee
Date: 29 January 2024

Covering Report – 'Draft Budget Proposals 2024/25 and Medium-Term Financial Strategy (Post Settlement)'

1. Synopsis

1.1 The report 'Draft Budget Report 2024/25 and Medium-Term Financial Strategy (Post Settlement)' was considered by the Executive on 11 January 2024. The Policy and Performance Scrutiny Committee reviewed the budget proposals on 18 January 2024 and its comments will be considered in finalising the budget proposals and proposed level of council tax, for consideration by the Executive on 8 February 2024, and onward recommendation to Full Council on 29 February 2024. In addition, the Council invited comments from residents and business rates payers (and representatives) in Islington on the draft 2024/25 budget proposals set out in the 11 January Executive budget report. The consultation period ran from 4 January 2024 to 24 January 2024.

2. Recommendations

2.1 To note the report 'Draft Budget Report 2024/25 and Medium-Term Financial Strategy (Post Settlement)' considered by the Executive on 11 January 2024, and included with this covering report.

2.2 To consider how in future budget processes the observations and comments of the Audit and Risk Committee could be formally reflected in the budget process and report.

3. Discussion Points

3.1 Audit and Risk Committee are asked to note the report 'Draft Budget Report 2024/25 and Medium-Term Financial Strategy (Post Settlement)' as considered by the Executive on 11 January 2024. In line with the formal process, the budget report was reviewed by the Policy and Performance Scrutiny Committee on 18 January 2024 for its comments to be be considered in finalising the budget proposals and proposed level of council tax, for consideration by the Executive on 8 February 2024, and onward recommendation to Full Council on 29 February 2024. In addition, the Council has invited comments from residents and business rates payers (and representatives) in Islington on the draft 2024/25 budget proposals, with the consultation period running from 4 January 2024 to 24 January 2024.

3.2 Particular attention is drawn to the following key financial sections and components of the budget report:

3.2.1 The summary of the Medium-Term Financial Strategy position in **Section 3** and **Appendix A**, and the savings proposals at **Appendix B**.

3.2.2 The Reserves and Balance Sheet Strategy in **Section 4**, with reference to the schedule of Earmarked General Fund Reserves at **Appendix C**, the CIPFA Financial Management Code Compliance Assessment at **Appendix E1**, the balance sheet analysis at **Appendix E2** and the proposed Minimum Level of General Fund Balance and Earmarked Reserves set out in **Figure 1** (**paragraph 4.7**).

3.2.3 The Housing Revenue Account and Capital Programme in **Sections 5 and 6**.

3.2.4 The Comments of the Section 151 Officer in **Section 9**.

3.3 Audit and Risk Committee are asked to discuss and consider how in future budget processes, observations and comments of the Audit and Risk Committee could be formally reflected in the budget process and report.

Appendix : Draft Budget Report 2024/25 and Medium-Term Financial Strategy (Post Settlement)

Final report clearance:

Signed by:		
	David Hodgkinson, Corporate Director of Resources	Date

Responsible Officers:
David Hodgkinson, Corporate Director of Resources
Paul Clarke, Director of Finance

Report Authors:
Tony Watts, Strategic Finance Manager – MTFS
Martin Houston, Assistant Director – Corporate Finance

Report of: Executive Member for Finance, Planning and Performance

Meeting of: Executive

Dates: 11 January 2024

Ward(s): All

The Policy and Performance Scrutiny Committee is invited to review the draft budget proposals as submitted to the Executive.

Draft Budget Proposals 2024/25 and Medium-Term Financial Strategy (Post-Settlement)

1. Synopsis

1.1. The principal purpose of this report is for the Executive to agree draft proposals in respect of the council's 2024/25 budget, the estimated level of council tax and the latest assumed medium-term financial position.

1.2. The budget setting process for the 2024/25 financial year has been particularly challenging due to the national cost-of-living and energy crisis, and the ongoing economic and political uncertainty. The long-term economic impact of COVID-19 and global conflicts, have contributed towards the current cost-of-living crisis with inflation, as measured by the Consumer Prices Index (CPI), high throughout 2023 and only recently falling, with the latest figure 3.9% in November 2023.

1.3. The cost-of-living crisis is still having a significant impact on Islington residents and businesses, and the council. High, prevailing inflation has resulted in significant budget pressures in respect of energy and fuel costs, pay inflation and significant levels of contract inflation for key service areas.

1.4. Very high demand pressures have been evident in the 2023/24 budget monitoring reports, including significant demographic pressures within key services such as Adult Social Care and Children's Services. These pressures are anticipated to continue into the 2024/25 financial year and to grow further over the medium term.

1.5. The scale of the current demographic pressures are unprecedented over recent times, and when added to the huge challenge of persistently high inflation, the result is council financial health that is very delicately positioned. Local government finance settlements, although slightly improved in recent years, are still not keeping pace with inflation and do nothing to address the historic under funding of the local government sector since the austerity budgets commenced in 2010.

1.6. The 2024/25 and medium-term budget setting process started with a very significant funding gap to close. To set a balanced budget in 2024/25, the council is proposing savings of £10.820m in 2024/25. A further £7.061m of savings are planned over 2025/26 to 2026/27 towards the medium-term gap. The underlying, structural financial position is extremely challenging, exacerbated by the in-year financial position in 2023/24, with a gross General Fund (GF) overspend at Quarter 2 (Q2) of £17.729m. The estimate of the net budget gap for 2025/26 is approximately £34m at this stage in the medium-term planning cycle and around £25m for 2026/27. Over a 5-year financial planning cycle, the level of the budget gap stretches to over £100m. If there is not a significant increase in local government funding settlements, other revenue sources or a reduction in assumed budget pressures, then the savings requirement in 2025/26 alone will be over three-times the level of GF savings being proposed for 2024/25 in this budget report. This will require very difficult decisions as regards expenditure in order for the council to maintain a sustainable and robust financial position going forward.

1.7. Despite the very challenging financial position, the Council continues to protect and enhance the vital council services that residents rely on. The 2024/25 budget enables the delivery of the principles and priorities set out in the council's Strategic Plan – *Islington Together 2030*. Budget proposals include growth to support manifesto commitments and continued transformation funding to put strategic principles into practice.

1.8. The current council tax assumption in the 2024/25 budget report is for an increase of core council tax by the maximum amount (2.99%) and a further 2% Adult Social Care (ASC) precept. The assumptions were confirmed in the Provisional Local Government Finance Settlement (the 'settlement') on 18 December 2023. For the average (Band D) property, the proposed 4.99% increase in the basic 2024/25 Islington council tax (excluding the GLA precept) equates to an increase of around £1.32 per week for full council taxpayers.

1.9. The Mayor of London is due to publish the draft GLA consolidated budget, capital spending plan and provisional council tax precept for 2024/25 on 17 January 2024, following a budget consultation period.

1.10. The Policy and Performance Scrutiny Committee will review the budget proposals on 18 January 2024 and its comments will be considered in finalising the budget proposals and proposed level of council tax for recommendation by the Executive on 8 February 2024 and agreement by Full Council on 29 February 2024.

1.11. The Council is inviting comments from residents and business rates payers (and representatives) in Islington on the draft 2024/25 budget proposals set out in this report. The consultation period runs for 21 days from 4 January 2024 to 24 January 2024. Any comments received will be considered by the council before the final budget proposals for consideration by the Executive on 8 February 2024 and Full Council on 29 February 2024.

1.12. The contents of the report are summarised below:

- **Section 2** sets out the recommendations.
- **Section 3** summarises the assumptions within the GF Medium-Term Financial Strategy (MTFS) and sets out the 2024/25 net revenue budget, fees and charges.
- **Section 4** sets out the reserves and balance sheet strategy, reserves analysis including key risks and mitigations, and the CIPFA Financial Management (FM) Code assessment.
- **Section 5** covers the Housing Revenue Account (HRA) and includes HRA savings, rents, service charges and other fees and charges.
- **Section 6** summarises the 2024/25 to 2026/27 capital programme and funding, and the latest indicative programme up until 2032/33. In the final version of the budget report, which goes to the Executive on 8 February 2024 and Full Council on 29 February 2024, the Capital Strategy, Treasury Management Strategy, Minimum Revenue Provision (MRP) Policy Statement and Investment Strategy will also be included here.

- **Section 7** provides an overview of work the council is doing in respect of climate action and its Greener, Healthier Islington Mission.
- **Section 8** will include the detailed, statutory council tax calculations and any matters relating to retained business rates in the final version of the budget report which goes to the Executive on 8 February 2024 and Full Council on 29 February 2024.
- **Section 9** details the matters to formally consider in setting the final budget, namely the comments of the Section 151 Officer and the Monitoring Officer, a cumulative Equality Impact Assessment (EQIA) of the budget proposals and budget consultation requirements.

2. Recommendations

The General Fund Budget 2024/25 and MTFS (Section 3)

2.1. To agree and recommend to Full Council the latest assumed MTFS and 2024/25 budget, including the underlying MTFS principles, in-year monitoring position (to date) and the budget assumptions. (**Paragraphs 3.7-3.8, Table 1,** and **Appendix A**)

2.2. To agree and recommend to Full Council the proposed 2024/25 net budgets by directorate. (**Paragraph 3.9**, **Table 2,** and **Appendix A**)

2.3. To agree the annual budget for the London Councils Grants Committee and proposed Islington contribution, following consideration by the London Councils Leaders' Committee on 12 December 2023, and to note that this will be reported (for noting purposes) to the Voluntary and Community Sector (VCS) Committee on 30 January 2023. (**Paragraph 3.26**)

2.4. To agree and recommend to Full Council the 2024/25 savings and note that individual savings may be subject to individual consultation before they can be implemented. (**Paragraphs 3.28-3.31**, **Table 4**, and **Appendix B**)

2.5. To note the funding assumptions following the announcement of the Provisional Local Government Settlement on 18 December 2023. (**Paragraphs 3.37**-**3.48**)

2.6. To note that the fees and charges policy and the GF fees and charges from 1 January 2024 are as agreed by Executive on 30 November 2023. (**Paragraph 3.59**)

2.7. To agree that a green garden waste chargeable service is introduced from 1 April 2024. (**Paragraph 3.61**)

2.8. To agree and recommend to Full Council that the Section 151 Officer is delegated responsibility for any technical adjustments required for the 2024/25 budget (in line with the council's Financial Regulations).

2.9. To agree and recommend to Full Council that centrally held demographic growth be allocated to service budgets in-year once a more evidenced assessment is available and has been approved by the Section 151 Officer. (**Paragraph 3.19**)

Reserves and Balance Sheet Strategy & CIPFA Financial Management Code Assessment (Section 4)

2.10. To agree and recommend to Full Council the Reserves and Balance Sheet Strategy, including proposed minimum reserves levels, and agree the movements to/from earmarked reserves assumed as part of the 2024/25 revenue budget. (**Paragraphs 4.1-4.14** and **Table 8**)

2.11. To note the assessment of compliance against the CIPFA Financial Management Code and that this will be re-visited annually as part of the budget process, with any actions or recommendations implemented on an ongoing basis. (**Paragraphs 4.15-4.17** and **Appendix E1**)

2.12. To note the balance sheet analysis, which provides a snapshot of the council's financial position detailing assets, liabilities, and reserves, and aids understanding of the underlying financial position of the council. (**Paragraphs 4.18-4.20 and Appendix E2**)

The HRA Budget and MTFS (Section 5)

2.13. To agree and recommend to Full Council, the balanced HRA 2024/25 budget and note the latest estimates over the 3-year MTFS period. (**Paragraphs 5.1-5.9, Table 9**, and **Appendix D1**)

2.14. To agree the HRA rents and other HRA fees and charges for 2024/25. (**Paragraphs 5.10-5.44, Tables 11-13**, and **Appendix D2**)

2.15. To agree and recommend to Full Council the 2024/25 savings and note that individual savings may be subject to individual consultation before they can be implemented. (**Table 9**, and **Appendix D3**)

2.16. To note that the HRA 30-year business plan is currently being updated to reflect latest government policy (**Paragraph 5.2**)

2.17. To agree to delegate authority to the Corporate Director of Homes & Neighbourhoods in consultation with the Executive member for Housing and the Corporate Director of Resources to amend the heating and hot water charges, in year, between budget setting cycles.

Capital Investment and Treasury and Investment Management (Section 6)

2.18. To agree and recommend to Full Council, the proposed 2024/25 to 2026/27 capital programme and latest indicative capital programme for 2027/28 to 2033/34. (**Paragraphs 6.1-6.4, Tables 14-15**, and **Appendix F**)

2.19. To agree and recommend to Full Council the funding of the 2024/25 to 2033/34 capital programme and to delegate authority to the Section 151 Officer, where necessary, to apply capital resources to fund the capital programme in the most cost-effective way for the council. (**Paragraphs 6.5-6.7** and **Table 16**)

2.20. To note that the final version of the budget report to the Executive on 8 February 2024 and to Full Council on 29 February 2024 will include the Capital Strategy, Minimum Revenue Provision (MRP) Policy Statement, Treasury Management Strategy, and Investment Strategy. (**Paragraph 6.2**)

Council Tax and Retained Business Rates (Section 8)

2.21. To note that the detailed, statutory council tax calculation and the recommendations for the final 2024/25 council tax, including the GLA precept, will be included for agreement in the final budget report to the Executive on 8 February 2024, and Full Council on 29 February 2024. (**Paragraph 8.1-8.3**)

2.22. To agree that authority be delegated to the Section 151 Officer to finalise the council's 2024/25 NNDR1 (detailed business rates) estimate ahead of the 31 January 2024 statutory deadline. (**Paragraphs 8.4-8.5**)

Matter to Consider in Setting the Budget (Section 9)

2.23. To have regard to the Section 151 Officer's report on the robustness of the estimates included in the budget and the adequacy of the proposed financial reserves when making decisions about the budget and the level of council tax, as required under Section 25(2) of the Local Government Act 2003. (**Paragraphs 9.1-9.9**)

2.24. To note the Monitoring Officer comments. (**Paragraphs 9.10-9.15**)

2.25. To note the Equality Impact Assessment (**Paragraphs 9.22-9.24** and **Appendix G**) and to take fully account of it in approving the overall budget and related proposals.

2.26. To note that the council is inviting residents and business rate payers (or representatives of business rate payers) in Islington to comment on the draft 2024/25 budget proposals in this report, as required under Section 65 of the Local Government Finance Act 1992. (**Paragraphs 9.25-9.27**)

2.27. To agree and recommend to Full Council the Retail Relief Scheme for 2024/25 (**Appendix H** and **Paragraph 9.28**)

3. General Fund MTFS and 2024/25 Revenue Budget

The Budget and Islington Together 2030 Plan

3.1. In the 2030 Plan, Islington Together, the ambition was set to create a more equal Islington where everyone is able to thrive. The council has set five missions to create a more equal future for Islington in 2030. These are:

- Child-friendly Islington
- Fairer Together
- A Safe Place to Call Home
- Community Wealth Building
- Greener, Healthier Islington

3.2. Islington is a unique borough with specific demographic requirements:

- Islington is the most densely populated local authority area in England and Wales.
- There has been a population increase of approximately 19% since 2011.
- Socially rented properties make up 35% of the borough.
- The pattern of deprivation differs to other London boroughs with affluent areas being immediately next to deprived areas.

3.3. To deliver on these missions, we are committed to put communities at the heart of everything we do. This includes how we manage and spend our finances.

3.4. The council's funding will drive these five missions, with new investment already in place to ensure we achieve our objectives. Budgets will be set with a strong focus on mission delivery. Examples of this include:

- A safe place to call home: Continuing to deliver new genuinely affordable homes as part of the council's commitment to build 750 new council homes by 2027.
- Greener, healthier borough: Continued investment of more than £10m for School Streets and Liveable Neighbourhoods to reduce air pollution, and make it easier to walk, cycle and scoot. This includes work on Liveable Neighbourhoods for Mildmay, The Cally, Barnsbury and Laycock, Bunhill and Dartmouth Park, and school streets across Islington including secondary schools. Almost £6m investment in electric vehicles for council services, and £1.8m to create more electric charging points.
- A fairer local economy: Continuing to support thousands of residents into work by protecting investment in our pioneering iWork services and investing in affordable workspaces.
- Child-friendly Islington: Protecting an extra £500,000 investment, first begun in 2019, to tackle serious youth violence and opening our third Family Hub.
- Help and support where and when people need it: Continuing to fund new Access Islington hubs that bring together help and support under one roof and maintain funding support key voluntary sector partners.

3.5. The council can put residents at the heart of our work in lots of different ways, including by changing the way we do things. For example *Let's Talk* Islington aims to work with communities to fundamentally change the way we work to tackle inequality over the next decade.

3.6. In the context of the challenges we face, providing genuine power for residents and local businesses to influence decisions and deliver on key issues impacting their lives can fundamentally change and transform the relationship between state and citizen. It is an essential component to enable us to realise our ambition of a more equal Islington. This includes developing initiatives such as participatory budgeting pilots allowing residents to decide how money is spent in their local area.

Summary of MTFS 2024/25 to 2026/27

3.7. The latest assumed budget position for 2024/25 and over the medium term is summarised in **Table 1** and detailed at **Appendix A**, with a balanced budget position in 2024/25. There is a remaining estimated £34m gap in 2025/26 and £25m in 2026/27, as set out below.

Table 1 – Summary Budget Gap 2024/25 to 2026/27

	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Pay and pension inflation	5.695	6.200	6.000	**17.895**
Non-pay/contract inflation	13.070	6.819	5.146	**25.036**
Demographic growth	8.866	11.468	12.602	**32.936**
Base budget adjustments/growth	4.297	0.928	0.286	**5.511**
Corporate levies/capital financing costs	6.145	6.596	5.527	**18.268**
Transfer to/(from) reserves movement	(0.991)	4.000	0.000	**3.009**
Inflation, energy & demand contingency	(5.000)	5.000	0.000	**0.000**
Government funding	(12.671)	1.240	0.000	**(11.431)**
Gross Budget Gap	**19.411**	**42.251**	**29.562**	**91.224**
Proposed savings	(10.820)	(5.457)	(1.604)	**(17.881)**
Business rates inflation funding	(3.412)	0.000	0.000	**(3.412)**
Assumed council tax base decrease/(increase)	0.487	(0.570)	(0.584)	**(0.666)**
Budget Gap (Before Council Tax Increases)	**5.667**	**36.225**	**27.374**	**69.265**
Assumed Council Tax Increase	(3.396)	(2.385)	(2.445)	**(8.226)**
Assumed ASC precept increase	(2.272)	0.000	0.000	**(2.272)**
Remaining Budget Gap to Close	**0.000**	**33.840**	**24.929**	**58.768**

MTFS Principles

3.8. The proposed 2024/25 budget is under-pinned by the following key principles.

- Compliance with the CIPFA Financial Management Code.
- Setting a balanced budget for the year ahead and working up robust estimates and funding scenarios over a 3-year period, as well as longer-term horizon scanning.
- Fully budgeting for ongoing budget pressures, and as a general rule not applying one-off funding to bridge ongoing funding gaps. If one-off funding is used, to ensure that any residual, ongoing budget gap is resolved using ongoing savings over the medium term and that one-off funds are restored.
- Reflecting the ongoing revenue cost of the capital programme (both the cost of interest and prudently setting aside enough to repay debt principal) in the revenue budget, in particular considering the potential for interest rate volatility.
- Not assuming additional funding from central government until it is confirmed and developing exit plans for specific funding streams that are due to come to an end.
- Increasing the level of council tax in line with the government's expectations in local government finance settlements to avoid an ongoing shortfall in the base budget.
- Budgeting for sufficient contingency provision for in-year budget risks and using available one-off funding to strengthen financial resilience in reserves for hardening budget risks over the medium term.
- Maintaining a minimum balance in the Core Funding Reserve to mitigate against a potential fall in retained business rates funding to the government safety net level.

Summary Net Revenue Budget 2024/25

3.9. **Table 2** summarises the 2024/25 net revenue budget by directorate (cash-limited budgets). The table is subject to change based on the final settlement and January 2024 Collection Fund Forecast.

3.10. A breakdown of the movement between the 2023/24 and 2024/25 budget is shown in **Appendix A**. Movement in the table below is broken down by:

- Inter-Directorate Changes - Representing virements and structural adjustments between council directorates (e.g., due to restructures that transfer responsibilities between directorates). These inter-directorate changes net off to nil across the council.
- Growth and Base Budget Adjustments – Representing any agreed growth, management actions such as contract efficiencies or new funding allocations as a result of specific grant funding or additional forecast income.
- Savings – Representing the total of savings proposed as part of the 2024/25 process. A further breakdown can be found at **Table 4.**

Table 2 – Net Revenue Budget 2024/25

	2023/24 Net Budget £m	Inter-Directorate Changes £m	Growth/ Base Budget Adjs. £m	Savings £m	2024/25 Net Budget £m
Adult Social Care	52.232	7.085	1.414	(1.965)	58.767
Chief Executive's Directorate	1.327	(1.284)	0.000	0.000	0.043
Children and Young People	87.594	(2.801)	2.681	(0.577)	86.897
Community Engagement and Wellbeing	8.563	4.918	0.609	(0.764)	13.326
Community Wealth Building	21.312	0.100	(0.115)	(1.513)	19.784
Environment and Climate Change	0.496	(4.200)	5.510	(2.867)	(1.061)
Homes and Neighbourhoods	7.888	4.616	1.317	(0.787)	13.034
Public Health (fully grant funded)	0.000	0.000	0.000	0.000	0.000
Resources	35.146	(1.518)	0.741	(0.150)	34.219
Central Costs	29.944	(6.916)	17.490	(2.197)	38.322
Net Cost of Services	**244.502**	**0.000**	**29.647**	**(10.820)**	**263.329**
General Contingency	5.000	0.000	0.000	0.000	5.000
Inflation, Energy and Demand Contingency	5.000	0.000	(5.000)	0.000	0.000
Transfer to/(from) Earmarked Reserves	13.518	0.000	(7.225)	0.000	6.293
Non-Specific Grants	(3.530)	0.000	2.290	0.000	(1.240)
Net Budget Requirement	**264.490**	**0.000**	**19.712**	**(10.820)**	**273.382**
Settlement Funding Assessment	(116.967)	0.000	(6.534)	0.000	(123.501)
Business Rates Growth	(24.770)	0.000	(3.412)	0.000	(28.182)
Collection Fund (Surplus)/Deficit	(9.714)	0.000	6.234	0.000	(3.480)
Council Tax Requirement	**113.039**	**0.000**	**16.001**	**(10.820)**	**118.220**

Budget Monitoring Position 2023/24 – Q2 Budget Monitoring

3.11. The estimated outturn position for the current financial year (2023/24) is reported through the Executive at quarterly intervals throughout the financial year and on to the Policy and Performance Scrutiny Committee. Where there are significant variances to the financial position, management actions are identified and detailed within the report, with the intention of bringing the anticipated year-end position back to target. Any ongoing impact on budgets beyond the current financial year, that would remain even after management actions have been implemented, is considered within the budget planning process for the forthcoming financial year and over the medium term. Where such ongoing variances are identified late in the budget process, then there can be a knock-on impact to future financial year budget gaps if the pressures are not fully closed by ongoing savings.

3.12. High inflation and low economic growth have created a very uncertain backdrop to the 2023/24 financial year. When combined with significant demand pressures within services and the ongoing effect of 13 years of central government under-funding of council services, the 2023/24 financial position presents a challenge to keep in balance even after using available inflation energy and demand and general contingencies as at the Q2 2023/24 financial position reported to the Executive on 30 November 2023.

3.13. The Q2 2023/24 financial position estimates significant, adverse outturn variances in the three main spending directorates of Adult Social Care (£4.911m), Children and Young People (£2.480m), and Environment and Climate Change (£9.084m). In total at Q2 the financial position shows a £17.729m gross GF overspend. This is partly mitigated by applying the inflation, energy and demand, and general contingencies. It is possible that there will be a further erosion of earmarked reserves at year end as a result of the estimated outturn GF overspend. This follows a £37m reduction in earmarked reserves in the 2022/23 financial year. A significant proportion of the 2023/24 GF overspend has been factored into the ongoing GF budget in 2024/25 and over the medium term. This is reflected in the MTFS at **Appendix A** and the significant budget gaps presented in this budget report for the financial years 2025/26 (£34m) and 2026/27 (£25m).

3.14. Maintaining sufficient earmarked reserves and contingencies for future budgetary pressures and risks is a key component of a council's overall financial resilience. Earmarked reserves can only be used once. They cannot sustainably be used to fund recurrent expenditure. Persistent and significant in-year overspends are very damaging to the council's ongoing financial health and when coupled with significant budget gaps over the medium term bring into question financial sustainability over a medium to longer term forecast period if not addressed.

3.15. Taking forward the strategic implications of the in-year budget monitoring position into the medium-term budget planning process is a crucial aspect of the overall budget monitoring process. This can take the form of:

- Ensuring that ongoing budget implications of in-year gross and net expenditure are fully reflected in base budgets, informing future budget processes.
- Reviewing base savings proposals for deliverability in-year and over the medium term and assessing overall savings requirements for future budget processes as far in advance of the next budget setting cycle as possible.
- Working up new savings proposals in the context of financial and performance monitoring data analysed within the in-year budget monitoring process.
- Reviewing reserve positions in light of any drawdown in-year to ensure that there are sufficient reserves to provide financial resilience going forward, and measures to replenish earmarked reserves and contingency budgets over the medium term.

Key Revenue Budget Cost Pressures

3.16. The MTFS assumes a 3% pay award in 2024/25 (and budget provision for the final 2023/24 pay settlement) and 3% over the remainder of the medium term.

3.17. The MTFS provides for contract and non-pay inflation that cannot be managed within existing budgets. Where it is possible to do so, management actions are taken to reduce contract inflation additions to the budget. This includes:

- Adults Social Care Pay Contracts – The council contracts staff to provide social care provision across the borough and is required to pay National and London Living Wages as part of these contracts. This is set by Living Wage foundation annually and the council bears the additional cost.
- Temporary Accommodation (TA) and No-Recourse to Public Funds (NRPF) – The combination of high inflation on private sector rents and energy bills impacts the Council's expenditure on TA and NRPF. Attempts are made to control this through representation in the London council Inter-Borough Temporary Accommodation agreement.
- Parking NSL Staffing Contract – Inflationary growth is required to meet pressures existing from 2023/24 and forecast in 2024/25 as a result of high-CPI levels, London Living Wage announcement and Cost-of-Living pay claims contributions.
- Children Looked After Placements – Inflationary growth for Residential and Independent Fostering Agency Placements. There is a programme of management actions in place to reduce placement cost pressures.

3.18. A further, significant cost pressure for the council is the increasing quantum and complexity of demand for council services. Based on latest estimates, the MTFS assumes demographic budget growth of £11m in 2024/25 and on average £12m per annum over the remainder of the medium term. This is the net growth requirement after planned management actions to mitigate cost increases. There is considerable uncertainty around these estimates, in particular due to the unknown lasting impact of the pandemic on demand.

3.19. It is recommended that demographic growth, as in previous financial years, is held centrally and allocated to service budgets in-year once a more evidenced assessment is available and has been approved by the Section 151 Officer.

3.20. The number of residents requiring adult social care has risen over the past number of years. This demand is driven by:

- An ageing population with people living longer with multiple of complex needs requiring social care.
- Increased prevalence of learning disabilities or physical or mental illness among working-age adults over recent years.
- Significant backlogs and longer waits in the NHS have exacerbated demand.

3.21. The demographic growth for Adult Social Services is split into the following client groups:

- Mental Health Service Users
- Learning Disability Service Users
- Memory, Cognition and Physical Support Service Users

3.22. The demographic growth for Children's Services relates to the following service areas:

- Children Looked After (Under 18/18+)
- SEND Transport
- Short Breaks and Personal Budgets

Levies

3.23. The council is required to pay levies to various external organisations, estimated to total £21m in 2024/25. The most significant levies are the council's contribution to Transport for London (TfL) for the cost of concessionary fares (London Freedom Pass) and the North London Waste Authority (NLWA) levy towards the disposal of household waste in partnership with six other north London boroughs.

3.24. The estimated levies for 2024/25 are shown in **Table 3**.

Table 3 – Levies 2024/25

	2023/24 Budget £m	2024/25 Estimate £m	Increase/ (Decrease) £m
Concessionary Fares	8.341	10.475	**2.134**
NLWA Household Levy	5.497	8.305	**2.808**
Inner North London Coroner's Court	0.510	0.520	**0.010**
London Pensions Fund Authority (LPFA)	0.493	0.493	**0.000**
Traffic and Control Liaison Committee	0.296	0.243	**(0.053)**
Lee Valley Regional Park Authority	0.208	0.212	**0.004**
Environment Agency (Thames Region)	0.194	0.198	**0.004**
London Boroughs Grants Scheme	0.184	0.164	**(0.020)**
Total Levies	**15.723**	**20.611**	**4.888**

3.25. Islington's two largest levies are forecast to increase by 36% in 2024/25. The NLWA is reporting increased charges relating to operating costs and interest charge increases. Costs are forecast to increase over the medium term but likely to remain moderate compared to other waste authorities.

3.26. The London Boroughs Grants Committee contributes towards the funding of many London-wide organisations providing a wide range of services. These services are accessible by Islington residents and contribute towards the council's priorities including tackling homelessness, dealing with violence against women and girls and support people with no recourse to public funds.

3.27. The London Councils Grant Committee report was considered by the London Councils Leaders' Committee on 12 December 2023 and will be reported to the VCS Committee on 30 January 2024 for information. The report proposes an overall level of expenditure in 2024/25 of £6.732 million, which requires borough contributions of £6.668m, the same level of contribution as for 2023/24, and a transfer from the Premises Transition Reserve of £64,000. Two-thirds of boroughs need to agree the grants budget by the third Friday in January. Islington's contribution in 2024/25 will be £164,317 compared to £183,779 in 2023/24, a reduction of £19,462.

Revenue Savings

3.28. The 2024/25 revenue budget assumes the delivery of savings totalling £17.881m in 2024/25 (**Appendix B**). This is summarised by directorate in **Table 4**.

Table 4 – General Fund Budget Savings Proposals by Directorate

Directorate	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Adult Social Care	1.965	1.601	-	**3.566**
Children & Young People	0.577	0.212	0.165	**0.954**
Cross-Cutting	2.197	1.112	1.358	**4.667**
Community Wealth Building	1.498	0.469	-	**1.967**
Community Engagement & Wellbeing	0.764	0.504	-	**1.268**
Environment & Climate Change	3.112	0.588	0.081	**3.781**
Homes and Neighbourhoods	0.557	0.511	-	**1.068**
Public Health	-	0.060	-	**0.060**
Resources	0.150	0.400	-	**0.550**
Total	**10.820**	**5.457**	**1.604**	**17.881**

3.29. It should be noted that some savings may be subject to individual consultation before they can be implemented. In the event that any savings do not proceed as planned following consultation, any in-year pressure would need to be funded from the corporate contingency budget and the ongoing implications considered as part of the next budget process.

3.30. The identification and delivery of savings gets more challenging every year. This is particularly the case for cross-cutting savings. In order to enhance delivery of cross cutting savings in the 2024/25 budget it is imperative that all cross-cutting savings are applied to directorate cash limited budgets at the earliest opportunity post budget setting and in advance of the 2024/25 financial year.

3.31. Updates on the delivery of the 2024/25 budget savings will be provided as part of the budget monitoring process, reported up through the Executive and scrutinised by the Policy and Performance Committee.

Economic Forecasts

3.32. The Chancellor of the Exchequer announced the Autumn Statement (‘the Statement’) on 22 November 2023. The Office for Budget Responsibility’s (OBR) economic forecasts were published alongside the Statement.

3.33. Looking further ahead over the medium term, prospects for local government finance settlements look very bleak with expected real-terms funding cuts for unprotected departmental spending, including most of local government. This could equate to cash flat local government funding settlements, or even cash cuts given that inflation is estimated to fall over the government’s forecast period. Islington’s core spending power has been cut by 45% since 2010 and is highly likely to be cut further. The Resolution Foundation has estimated that unprotected departments’ core spending power is set to be cut by 16% between 2022/23 and 2027/28.

3.34. The negative local government funding outlook is reinforced by the Chancellor setting out his aim in the Statement that growth in public sector spending should be lower than the growth in the wider economy (in theory to indicate an improvement in public sector productivity) over the forecast period.

3.35. Living standards, as measured by real household disposable income (RHDI) per person, are forecast to be 3.5% lower in 2024/25 than their pre-pandemic level and are not forecast to recover to the pre-pandemic level until 2027/28. This represents the largest reduction in real living standards since Office for National Statistics began in the 1950s.

3.36. The fiscal forecasts by 2027/28 improved by £27bn since the Spring Budget in March 2023 due to higher tax receipts offset by higher interest rates and inflation. However, the Autumn Statement spends nearly all of this net fiscal improvement on a 2% cut in employee National Insurance Contributions (NICs), permanent corporation tax write-offs for business investment, and welfare and health reforms aimed at boosting employment.

Funding Announcements (Provisional Local Government Finance Settlement)

3.37. The settlement for 2024/25 was announced on 18 December 2023. The final settlement is due to be announced in early February 2024.

3.38. The settlement was broadly in line with expectations following the Autumn Statement 2023 announcement in November, except for the scale of the cut to the Services Grant (£2.9m). The Services Grant is an unringfenced (general) grant first introduced in the 2022/23 settlement, cut in 2023/24 and now being further cut in 2024/25. This will further reduce the council's capacity in the 2024/25 budget to absorb additional budget pressures or risks and makes a further call on reserves over the next financial year more likely. The £2.9m cut is partially offset by small favourable movements in other grants in the settlement totalling £0.8m and an estimated £1.1m favourable movement in 2023/24 pay award estimates compared to previous budget assumptions.

3.39. This settlement is for one-year only, representing the final year of the current spending review period. The next spending review announcement is expected in Autumn 2024 which will set out government spending forecasts for the financial planning period from 2025/26. It is conceivable however that the next spending review and the 2025/26 settlement could subsequently be amended by the outcome of the next General Election.

3.40. Based on the government's methodology, Islington's Core Spending Power (CSP) will increase by 6.54% in 2024/25, broadly in line with the England average. CSP is the government's measure of a local authority's resources available to fund service delivery. It mainly consists of income from retained business rates, grants, and council tax (assuming that council tax is increased by the maximum allowed without a referendum).

3.41. In calculating Islington's CSP the government has applied the council's average annual growth in taxbase between 2019/20 and 2023/24 to project growth in taxbase for 2024/25. However, based on local knowledge, Islington's taxbase is currently estimated to fall by 0.39% in 2024/25. This means that the government is over-estimating Islington's council tax raising ability in 2024/25 by approximately £1.4m.

3.42. Islington's Settlement Funding Assessment (SFA) is made up of a Baseline Funding Level under the partial (30%) business rates retention system (comprising a business rates baseline amount and a 'top-up' grant) and Revenue Support Grant. This is summarised in **Table 5** below.

3.43. The increase in SFA announced in the 2024/25 settlement does not fully keep pace with the inflationary pressures underpinning the 2024/25 budget and headline increase in CSP, and so represents a real-terms funding cut. Furthermore, it does not address the historical funding shortfalls since 2010 whereby Islington's spending power decreased by 45% in real terms between 2010/11 and 2023/24.

Table 5 – Settlement Funding Assessment

	2023/24 £m	2024/25 £m	Change £m	Change %
Business Rates Baseline	79.160	82.453	3.290	4.16%
Top-Up Grant	9.284	10.355	1.070	11.54%
Baseline Funding Level	**88.444**	**92.808**	**4.364**	**4.93%**
Revenue Support Grant	28.523	30.412	1.890	6.62%
Settlement Funding Assessment	**116.967**	**123.220**	**6.253**	**5.35%**

3.44. Islington does not benefit from the government's minimum funding guarantee because the council's CSP increase is already higher than 3%.

3.45. Previous announcements of additional social care grant funding in 2024/25 were confirmed at authority level, as shown in **Table 6** below. This includes £80m nationally that was diverted to the Social Care Grant from elsewhere in the settlement.

Table 6 – Social Care Funding (Ringfenced)

	2023/24 £m	2024/25 £m	Change £m
Improved Better Care Fund	14.501	14.501	-
Social Care Grant	23.690	28.147	4.457
Adult Social Care Discharge Fund	2.033	3.388	1.355
Market Sustainability and Improvement Fund	4.967	5.626	0.659
Total Social Care Funding	**45.191**	**51.662**	**6.472**

3.46. The Services Grant is an unringfenced (general) grant first introduced in the 2022/23 settlement, cut in 2023/24 and now being further cut in 2024/25. The Services Grant will be cut nationally from £483m in 2023/24 to £77m in 2024/25 to fund other parts of the settlement. For Islington, this equates to a £2.905m funding cut on the 2023/24 allocation of £3.448m. Whilst a cut in this grant was anticipated after the Autumn Statement, the cut is significantly higher than expected. The government intends to hold back a proportion of the Services Grant as contingency to cover any unexpected movement, such as adjustments to New Homes Bonus allocations.

3.47. The settlement confirmed that the New Homes Bonus grant will continue for an additional year. Islington's allocation, based on housing growth in the borough over the past year, is £0.697m (£0.615m higher than the 2023/24 allocation of £0.082m).

3.48. Service specific grants outside of the settlement such as the Public Health and Homelessness Prevention have not yet been confirmed but are currently expected to be in line with forecasts.

Dedicated Schools Grant (DSG) Funding and Schools Balances

3.49. The following analysis is based on funding announcements from the Department for Education (DfE) following the settlement.

3.50. The table below shows a summary of the DSG funding by various blocks. The total DSG funding for 2024/25 of £177.748m is an increase of £12.304m (7.4%) as compared to the 2023/24 position.

Table 7 – DSG Funding by Block

Blocks	2024/25 (£m)	2023/24 (£m)	Variance (£m)	%
Schools	107.626	102.643	4.983	4.9%
Central	1.319	1.379	-0.060	-4.3%
High Needs	43.902	42.429	1.473	3.5%
Early Years	24.900	18.992	5.909	31.1%
Total	**177.748**	**165.443**	**12.304**	**7.44%**

3.51. An increase of per-pupil funding for primary and secondary schools is being provided for in the Schools Block in 2024/25 of 5.5% and 5.8% respectively when compared to the 2023/24 funding rates. This is expected to be equivalent to an increase in funding of £4.983m (4.9%) after allowing for the 2.2% reduction in pupil numbers from October 2022 to October 2023. Had pupil numbers not reduced, then a further £2.533m in funding would have been received for schools. The School's Block is the main source of funding for mainstream schools, over 96% of which is based on pupil numbers.

3.52. There will be a further reduction in the historic duties' element of Central Schools Services Block funding for Council services provided to mainstream schools of £0.067m (20%) in 2024/25. This follows a 20% reduction in each of the last four years, in line with the DfE's plans to phase out this funding for local authorities by 2026/27. Funding for ongoing duties is increasing by £0.008m (0.7%). The net reduction in funding is £0.059m (4.3%).

3.53. There is a year-on-year increase of £1.473m (3.5%) in the High Needs Block after recoupment following the provision of additional funding for high needs nationally. The High Needs Block provides funding for special schools, funding for children and young people with Special Educational Needs and Disabilities in other settings, and related local authority services. Demand for education health and care plans is increasing by an average of 8% per annum, therefore funding is not keeping pace with demand.

3.54. Early Years Block funding is provided for the statutory entitlements to early education and childcare. Funding is has increased by £5.909m (31.1%) in 2024/25. This is an initial position based on the January 2023 headcount. It will be updated by the DfE for the January 2024 headcount when they become available and will form part of the June / July DSG updated allocations from the DfE. The hourly funding provided to local authorities for 2-year-olds provision has increased by 47.1%, while the 3- and 4-year-old rate has increased by 1.0%. There will be further growth in the provisional settlement for the new entitlements for free early education and childcare that come in from April and September 2024.

3.55. A recent survey by London Councils that was responded to by 31 boroughs (including Islington) showed forecast accumulated surplus / deficits as a percentage of their DSG allocation range from -17% to +5% in 2023/24 (Islington +2.3%). The London average stood at -3%. Islington is forecast to enter into an accumulated DSG deficit in 2025/26 across all spending blocks due to High Needs funding allocations from the DfE not keeping pace with demand and falling pupil numbers. This is being addressed through the Council's SEND strategy.

3.56. Schools Balances are forecast to enter a net accumulated deficit overall in 2024/25 based on current spending plans from schools due to falling pupil numbers and increasing cost pressures. 23% of maintained schools in London are forecast to be in deficit by the end of 2023/24, just below the forecast percentage in Islington of 25%.

3.57. A school organisation plan is being put in place to reduce surplus capacity in schools and bring schools back onto a more sustainable financial footing. The first two phases of this plan have been agreed by the Executive that will reduce the forecast deficit, but further significant actions are required to eliminate the forecast deficit and bring balances back into surplus overall.

Fees and Charges

3.58. Some fees and charges are prescribed by statute and are not within the council's power to vary locally, others are discretionary and set as part of the annual budget suite of papers, including the fees and charges report. The fees and charges policy considers the current level of inflation in the economy as well as the level of inflation expected to prevail over the forthcoming financial year.

3.59. It was agreed by Executive on 30 November 2023 that all discretionary fees and charges be increased by an average 6.7% (based on CPI) from 1 January 2024, unless a variation was otherwise stated.

3.60. Any increase in fees and charges income that has not already been included separately as part of the budget savings proposals is fully factored into the overall budget planning assumptions for the relevant services to cover corresponding inflation in costs incurred by the council.

3.61. It is recommended to agree that a chargeable green garden waste fortnightly recycling service is introduced from 1 April 2024. The current free green garden waste weekly recycling service would no longer be offered to residents after 31 March 2024. A separate green garden waste collection schedule will be implemented to collect from subscribed customers. The weekly charge would be set at an initial charge equivalent to £1.44 per week, or £2.88 per collection, payable as an annual fee.

3.62. HRA fees and charges are considered in the **Section 5** of this report.

4. Reserves and Balance Sheet Strategy & CIPFA Financial Management Code Assessment

Reserves and Balance Sheet Strategy

4.1. A fundamental element in assessing the robustness of the council's annual budget and MTFS is the level of contingency budget(s), earmarked reserves, and GF balance, as determined by the Section 151 Officer. The Local Government Finance Act 1992 requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. However, there is no specified minimum level of reserves that an authority should hold. It is the responsibility of the Section 151 Officer and the Members of the Council to determine the level of reserves and to ensure that there are procedures for their initial formation and use.

4.2. Historically Islington has had comparatively low reserves with similar authorities. There was also a higher-than-average decrease in reserves at 2022/23 outturn. In addition, the significant expenditure pressures and income shortfalls incurred as a result of COVID-19, the high levels of inflation and the sustained economic downturn have highlighted the underlying level of risk inherent in the council's budget position.

4.3. There are different types of reserve held across the Council which are split between usable and unusable reserves. Unusable Reserves are used to hold unrealised gains or losses for assets not yet disposed of and accounting adjustments, which are required by statute. These reserves cannot be used to fund capital or revenue expenditure.

4.4. The different categories of usable reserves are broken down below:

- General Balances (GF or HRA) are unallocated funds which do not have any restrictions on their use. They cushion the impact of uneven cash flows, offset budget requirements, if necessary, or can be held in case of unexpected events or emergencies. These are split between GF and HRA.
- Earmarked Reserves - these must be held for genuine and intended purposes. Earmarked funds within the GF are categorised into:
    - **Budget Risk –** These are held to protect the council against the significant and wide-ranging budget risk within the MTFS. This includes to:
        - Mitigate specific budget risks, particularly the impact of delayed savings delivery.
        - Protect against wider, external events and the impact of this on the council's budget e.g., Economic events and forecasts such as inflation and interest rate announcements and future Local Government Funding Settlements and announcements.
        - Mitigate the impact of business rates and council tax income fluctuations and timing differences.
        - Provide resilience for business continuity in the event of exceptional circumstances such as a cyber-attack.
    - **Planned Spend –** This comprises reserves that are earmarked to fund one-off expenditure. This includes to:
        - Provide for agreed Transformation projects and other agreed one-off budget growth.
        - Set aside funds for specific projects such as the potential direct and indirect costs of the non-recent child abuse support payment scheme.
    - **Ringfenced –** This comprises ring-fenced grants and contributions such as Dedicated Schools Grant (DSG) and Public Health grant where the funds cannot be used to resource anything other than the specified purpose due to funding or legal restrictions.
    - The HRA also holds earmarked reserves.
- Other Capital Reserves – these are broken down between:
    - Major Repairs Reserve – Applies to the HRA only and is used to build up capital sums that can be used to finance the capital programme and repayment of housing debt.
    - Capital Receipts Reserve – Holds funds received from sales of non-current assets (primarily receipts from the sale of property). The use of receipts is normally restricted to funding other capital expenditure or paying off debt.

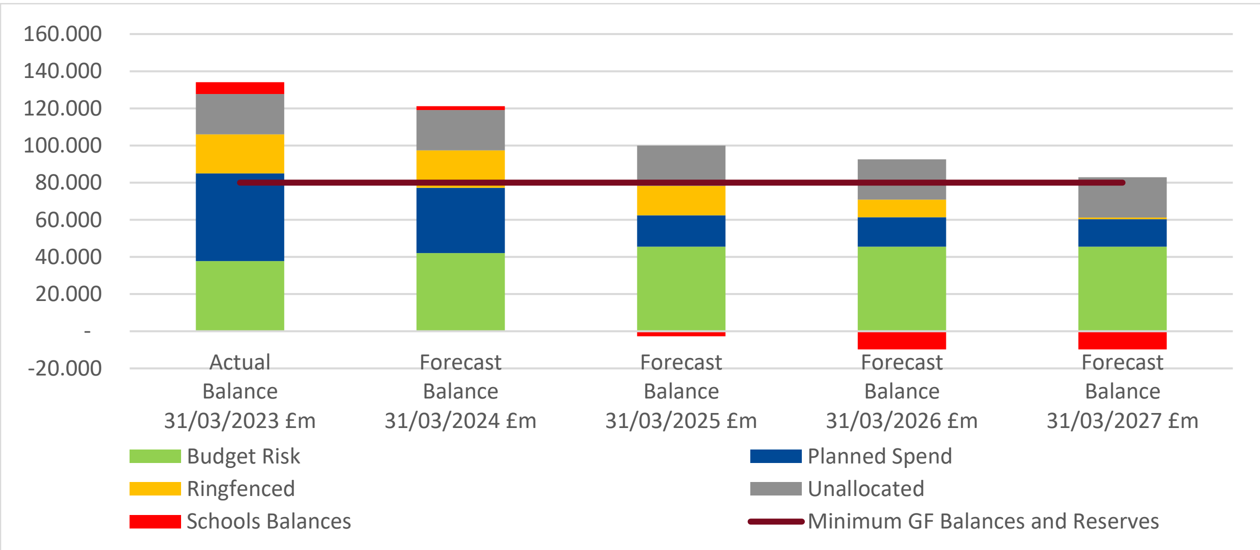
- Capital Grants Unapplied – Holds capital grants that have been received in advance of the associated expenditure being incurred. They are not available for revenue purposes.

4.5. Islington's current GF balance (£21.7m, excluding balances held on behalf of schools) equates to just over one week of gross expenditure. It is recommended that a minimum GF balance is set at £20m, broadly in line with the current GF balance which is widely viewed as being low, it representing, for example, just one week of the council's gross annual GF expenditure in the current financial year, and is still at only half of the level of the MTFS GF balance target of £40m.

4.6. It is proposed that any underspend on the GF and contingency budget at the end of each financial year is used to increase the GF balance (excluding schools balances) from the current level towards the target level of £40m GF balance over the medium term. It is the view of the Section 151 Officer that this remains a reasonable proxy, subject to annual review, for the level of unquantifiable risk in the council's budget, and therefore the target GF balance needed to deal with economic shocks and insulate the council from potential compensating cuts to key services that could arise in a given financial year.

4.7. Decreasing reserve levels are a key indicator of financial distress in councils. It is important that the medium-term budget makes provision to sustain reserve levels. It is recommended that an absolute Minimum GF Earmarked Reserves Level is set at £60m (combined with the proposed £20m General Balances minimum level). This is set out in **Figure 1** below, which illustrates that GF reserves are currently forecast to fall significantly over the medium term.

Figure 1 – General Fund Earmarked Reserves and Balances Forecast



4.8. The above graph shows that the 2025/26 and 2026/27 forecast reserves balances are close to breaching the recommended absolute minimum of £80m GF Balances and Earmarked Reserves Level. Remaining above the minimum level and replenishing reserves over the forecast period will require the following:

- Delivering balanced in-year budget positions. A repeat of the £17.729m Q2 gross GF overspend in 2024/25 and over the medium term would deplete reserves further to balance the year-end position.

- Fully closing the forecast, significant GF budget gaps over the medium term, as set out in this budget report, with ongoing savings. Use of any reserves to close an ongoing budget gap will further push the council towards breaching the Minimum GF Balances and Earmarked Reserves Level, and simply push the budget gap to later financial years, potentially unsustainably.
- Receiving adequate, above inflation funding settlements from central government over the next Spending Review period commencing 2025/26, which would enable the council to meet the unprecedented inflationary, demographic and demand pressures faced over recent financial years and forecast to continue over the financial planning period. Adequate funding settlements would assist the council in restoring reserves to more sustainable levels.

4.9. Ongoing and significant budget savings of a level not seen in recent budget processes will need to be delivered over the medium term to ensure the adequacy and robustness of reserves is at least maintained and, as an objective, significantly strengthened.

Reserve Movements, Budget Risks and Contingencies

4.10. The pressures across councils have resulted in increasing numbers of local authorities issuing Section 114 (S114) notices. A S114 notice puts spending controls in place and prohibits all new expenditure by a council, other than that required to provide statutory services. A council's Chief Financial Officer (CFO) has a statutory duty to issue a S114 notice if they believe the council will be unable to meet its expenditure commitments from its income. The CFO does not need councillors' consent to issue this notice. The rising numbers of S114 notices highlight how difficult it is becoming for all councils to set a balanced budget and this is going to become even more challenging if service demands increase further and funding continues to be outstripped by inflation.

4.11. Use of reserves to balance ongoing budget gaps is not advised for a number of significant reasons:

- The level of the medium-term budget gap would stay the same, with the relevant budget gap merely pushed to the following financial year.
- Future budget gaps tend to widen as the budget process for that financial year is approached – a combination of an expanding prior year budget gap and an underlying gap to close for the following financial year would be extremely difficult to balance in a single budget year.
- It would reduce flexibility to use reserves in-year for any unforeseen events (e.g., to fund local risks such as a cyber-attack that would be unlikely to be funded by the government) or to resource one-off requests such as transformational costs.
- It would essentially be a 'sticking plaster' to deal with a long-term budget problem – potentially leading to much bigger problems down the line, as evidenced with recent high profile council failures.

4.12. There have been GF savings made consistently in recent years, including those proposed as part of this budget. However, sources of savings become harder to find each year without impact local services. Furthermore, when savings are identified, the delivery of savings is more difficult to manage.

4.13. The 2024/25 budget includes an ongoing, general corporate contingency budget of £5m per annum, unchanged from 2023/24. A contingency budget is an ongoing budget intended to be applied on a one-off basis only against unforeseen expenditure in-year. If it were to be applied on an ongoing basis against ongoing expenditure pressures, then the budget would not be available for future financial years. The contingency budget is viewed as a last resort for in-year budget pressures that cannot be funded from compensating underspends elsewhere and is subject to approval in line with the council's Financial Regulations. Directorates agree cash limited budget allocations and take responsibility for delivering a balanced budget unless a business case, presenting an exceptional circumstance, for contingency or reserve funding is agreed. Given the level of gross in-year overspends in recent financial years, a £5m contingency budget is at the very low end of acceptability in terms of providing assurance against unanticipated or unexpected expenditure over and above budget. The Inflation, Energy and Demand contingency budget available in the 2023/24 budget has been removed from the 2024/25 budget as part of the measures to set a balanced budget. The MTFS assumes that this additional Inflation, Energy and Demand contingency budget is restored at the earliest opportunity, given the risk in removing from the 2024/25 budget on a one-off basis. It forms part of the estimated budget gap for 2025/26.

4.14. The estimated level of usable reserves, reflecting current known movements is shown in **Table 8** and detailed by individual reserve at **Appendix C**. This reflects known reserves movements including:

- Previous budget reports have made provision of £4m earmarked to be transferred to GF Earmarked Reserves. Due to the pressures faced in 2024/25 this has been removed for one year only to resource the pressures and growth required to set a balanced budget. As a result, it is forecast that Earmarked Reserves will fall further in 2024/25, reducing the council's financial resilience.
- It is expected that additional movements to/from reserves will be brought forward for agreement once there is greater clarity on their timing and amount. This includes reserves movements related to the finalisation of the 2023/24 financial outturn after the end of the current financial year.

Table 8 – Forecast Usable Reserves

Reserve Category	31/03/23 Actuals £m	31/03/24 Estimate £m	31/03/25 Estimate £m	31/03/26 Estimate £m	31/03/27 Estimate £m
Budget Risk*	37.851	42.030	45.510	45.510	45.510
Planned Spend	47.076	35.150	16.866	15.866	14.866
Ringfenced	21.145	20.168	15.804	9.458	0.780
Total GF Earmarked Reserves**	**106.073**	**97.348**	**78.181**	**70.834**	**61.156**
General Fund	21.718	21.718	21.718	21.718	21.718
Schools Balances***	6.292	2.151	-2.677	-9.745	-9.745
Total General Balances	**28.01**	**23.869**	**19.041**	**11.973**	**11.973**
HRA Earmarked Reserves	32.424	45.696	47.514	66.535	82.075
HRA Balances	17.521	17.521	17.521	17.521	17.521
Total HRA Earmarked Reserve and Balances	**49.945**	**63.217**	**65.035**	**84.056**	**99.596**
Capital Grants Unapplied	24.807	TBC	TBC	TBC	TBC
Capital Receipts	49.988	45.171	44.354	31.092	20.680
Major Repairs	0.921	11.872	4.290	12.111	17.370
Total Capital Reserves	**75.716**	**57.043**	**48.644**	**43.203**	**38.050**
Total Usable Reserves	**258.824**	**229.605**	**206.611**	**197.955**	**193.405**

*Core Funding Reserve movements are subject to potentially significant change following completion of the NNDR1 and Council Tax Forecast in January 2024. This will be updated in the final version of the budget report.

**These reserve forecasts do not assume use of the approved Flexible Use of Capital Receipts policy, which will be determined by the Section 151 Officer based on the overall reserves position at the end of the financial year. Utilising the flexibility would result in a reduced fall in GF earmarked reserves, but higher borrowing and revenue costs of borrowing.

***Schools balances forecasts will be updated as required for the final version of the budget report.

CIPFA Financial Management Code Compliance Assessment

4.15. An initial compliance analysis against the CIPFA Financial Management Code has been undertaken as part of the 2024/25 budget assurance work. The CIPFA Financial Management Code applies a principle-based approach. It does not prescribe the financial management processes that local authorities should adopt. Instead, the Code requires that a local authority demonstrates that its processes satisfy the principles of good financial management for an authority of its size, responsibilities, and circumstances. Each local authority should demonstrate that the requirements of the CIPFA Financial Management Code are being satisfied.

4.16. Demonstrating this compliance with the CIPFA Financial Management Code is a collective responsibility of elected members, the Section 151 Officer, and professional colleagues in the leadership team.

4.17. The annual compliance analysis is included at **Appendix E1** and shows that the council achieves a high level of compliance against the vast majority of the CIPFA Financial Management Code statements of standard (or best) practice. Where there is only a medium level of compliance, actions are suggested that would take the council to high level. The compliance analysis should be seen as an organic piece of work, re-visited at least annually as part of the budget process, with any actions or recommendations implemented on an ongoing basis.

Balance Sheet Analysis

4.18. The balance sheet provides a snapshot of the council's financial position detailing assets, liabilities, and reserves. The balance sheet shows the complex and closely interlinked relationship between revenue, capital, borrowing and other existing and emerging risks. Analysing the council's balance sheet on a regular and ongoing basis (and not just at financial year-end) is key to understanding the underlying financial position of the council. Effective balance sheet analysis is very useful as a measure to indicate whether or not a local authority is showing signs of financial stress currently and over time within an overall direction of travel.

4.19. To be effective, balance sheet analysis needs to look at a wide range of measures to enhance overall understanding of financial resilience and direction of travel.

4.20. Detailed balance sheet analysis can be found at **Appendix E2**. In summary, the analysis has found that:

- The council has been able to build reserves, and therefore financial resilience, over the previous 6 years, partly due to additional transitory income received during the COVID-19 pandemic. However, the recent significant decrease in reserves demonstrates the importance of strengthening and maintaining sufficient levels of the reserves where the council is able to do so.
- Furthermore, the council has been able to defer external borrowing, despite the increasing need to borrow, by using its own resources to finance capital expenditure. However, if reserves continue to decline and the need to borrow continues to rise, the council will be required to externally borrow and will risk paying high interest rates.

5. Housing Revenue Account

5.1. The HRA is a ringfenced account covering the cost of managing and maintaining council-owned housing stock, servicing both existing debts taken on as part of self-financing and new debt taken on to support the delivery of the new build and property acquisitions programmes, the funding of which comes primarily from rents and tenants' and leaseholders' service charges.

5.2. The draft updated HRA 30-year business plan is planned to be reported to the Executive on 8 February 2024 and Full Council on 29 February 2024.

5.3. The proposed HRA budget includes the balance of the savings package identified as part of the 2023/24 budget process and the continuation of these savings in 2026/27 totalling £3.646m (detailed at **Table 10** and **Appendix D3**). In addition, the draft HRA 30-year business plan assumes that the new build programme will continue towards attempting to meet the Council's manifesto commitment of delivering an additional 750 social rented homes (with a start on site by December 2027).

5.4. The current challenging economic climate, which includes much higher interest rates as compared to recent years and increased construction costs, means that the interest charges on the borrowing required to balance the financing of new schemes can no longer be fully funded from the net rent generated from the new council homes. As such the HRA

30-year business plan includes subsidised new build borrowing of £34.2m to take 180 new council homes through to completion and a further provision of £20.2m to continue developing a pipeline programme of 570 new council homes through to Planning stage. This new build programme budget pressure has been met by reducing the budget provision available to the major works and improvement capital programme for investment in existing council homes, by 5% (or £2.8m) per year over 30 years.

5.5. It should also be noted that whilst the draft HRA 30-year business plan balances this is achieved by limiting the budget provision for the investment in existing council homes. There remains an investment gap of; £933m (over 30 years) when comparing this budget limited provision to a "replacement of life expired components" investment model and £1.829b (over 30 years) when comparing this budget limited provision to a "traditional" investment model.

5.6. Whilst within the limited budget provision included in the HRA 30-year business plan, priority will be given to building safety works & meeting statutory compliancy, the shortfall in available resources will inevitably reduce the Council's capacity to invest in maintaining the condition of existing homes and over time will lead to significant deterioration in our housing stock, with our non-decency levels rising.

5.7. The major works capital programme investment gap referred to above is driven in significant part because of past Government interventions in relation to Local Authority rent setting which include the minus 1% rent reduction applied over the 4 years 2016/17 - 2019/20 and the 7% rent cap applied in 2023/24, these interventions led to a loss in rental income over 30 years of £1.7b.

5.8. Consideration of options and measures to bridge the investment gap is currently underway.

5.9. The proposed HRA budget for 2024/25 and latest estimates for the medium term, including HRA reserves estimates, is set out at **Appendix D1**. The movement between the approved 2023/24 budget and the proposed 2024/25 budget is summarised in **Table 9**.

Table 9 – Summary of HRA Budget Changes 2023/24 to 2024/25

Expenditure	**£m**
Pay and pensions inflation	6.213
HRA savings proposals (See **Table 10**)	(1.443)
Increase in contributions to HRA reserves	8.181
Contractual inflationary increases and other budgetary changes	4.955
Reduction in the cost of communal gas and electricity	(4.062)
Increase in Leaseholder property insurance costs	3.171
Increased funding for New Build Pipeline programme	14.412
Decrease in bad debt provision resulting from a reduction in energy prices	(0.997)
Capital related items (borrowing, RCCO and depreciation charges)	(0.201)
Total Expenditure Increase	**30.229**
Income	**£m**
Rent and Tenant charges	(26.775)
Heating charges (Tenants and Leaseholders)	1.010
Leaseholder annual service charges	(3.073)
Other income net increases	0.227
Change in interest receivable on HRA balances	(1.618)
Total Income Increase	**(30.229)**

Table 10 – Summary of HRA Savings 2024/25 to 2026/27

Savings type	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Efficiency	0.530	0.150	0.220	**0.900**
Service reconfiguration	0.853	0.500	1.038	**2.391**
Income generation	0.000	0.295	0.000	**0.295**
Budget Realignment	0.060	0.000	0.000	**0.060**
Total	**1.443**	**0.945**	**1.258**	**3.646**

Rental Income and Other HRA Fees and Charges

5.10. The Welfare Reform and Work Act 2016 required local authorities to reduce the rents, in respect of all properties (excluding PFI managed properties) held in the HRA, by 1% each year for 4 consecutive years between 2016/17 and 2019/20.

5.11. In February 2019, the Government issued a policy statement on rents for social housing effective from April 2020.

5.12. Compliance with this policy is effectively mandatory, for the first time the government has included local authority social housing within the remit of the Social Housing Regulator (previously the Regulator's remit was limited to private registered providers of social housing only (i.e., housing associations). The Regulator is required by "direction" from the secretary of state for the Dept. of Levelling-Up Housing & Communities (DLUHC) to have regard to the government's policy statement referred to above and as such, the Regulator issued the first rent standard effective from April 2020. The rent standard was subsequently updated with effect from April 2023 to reflect the Government's "direction" which capped existing tenant rent increases to a maximum of +7% in 2023/24.

5.13. The rent standard has not yet been updated in respect of 2024/25 rent setting. However, the Council has been advised by DLUHC that 2024/25 rent setting policy will revert to previous long-term Government rent setting policy i.e., a maximum increase of September 2023 CPI + 1% which equates to +7.7%.

5.14. A review of new build rent setting policies has been carried out to align existing tenant & re-let rents over a period of 3 years from 2023/24 to 2025/26 to ensure a consistent approach across all new build rents.

5.15. The Social Housing Regulator has advised that all properties that are currently or that were previously managed under a private finance initiative (PFI) arrangement are exempt from the rent standard.

Islington Council Managed General Needs Properties (excluding New Build and current plus ex PFI properties)

5.16. **Table 11** sets out the average rent in 2024/25 for existing tenancies. The maximum 2024/25 permitted rent is the prior year (2023/24) actual rent plus 7.7% (Sept.23 CPI +1%)

5.17. However, if the maximum rent exceeds the lower of the 2024/25 national rent cap (for the relevant bed size) or the property's 2024/25 national target rent then the 2024/25 rent will be the higher of A or B:

A. The lower of 2024/25 national target rent or the 2024/25 national rent cap or

B. The 2023/24 actual rent plus 7.7%

5.18. All the council’s general needs properties will be subject to the maximum rent increase in 2024/25 of plus 7.7% as their maximum rents in 2024/25 do not exceed the lower of the 2024/25 national target rents or the 2024/25national rent caps.

5.19. 1% (215) of the council’s general needs properties have a national target rent greater than the national rent cap.

Table 11 – Existing Tenancies Average Weekly Rent 2024/25

Average Weekly Rent 2023/24	£126.13
Increase (£)	£9.71
Increase (%)	7.70%
Average Weekly Rent 2024/25	£135.84

5.20. General needs properties will be re-let at the lower of the 2024-25 national rent cap (for the relevant bed size) or their 2024-25 national target rent. As 99% of Islington Council general needs properties have a national target rent below the national rent cap, it is likely that re-lets will be at national target rent.

5.21. In accordance with DLUHC advice 2024/25 national target rents will reflect an increase of CPI (Sept. 2023) plus 1% and the 2024/25 national rent caps will reflect an increase of CPI 6.7% (Sept. 2023) plus 1.5%.

5.22. **Table 12** sets out the likely average rent in 2024/25 for re-let properties.

Table 12 – Re-Let Properties Likely Average Weekly Rent 2024/25

Average Weekly National Target Rent 2023/24	£136.85
Increase (£)	£10.53
Increase (%)	7.70%
Average Weekly National Target Rent 2024/25	£147.38

Islington Council Managed General Needs New Build Properties

5.23. 2024/25 new build existing tenants’ rents will increase by an average of 5.5% as compared to revised 2023/24 rents. This reflects the proposal referred to above which seeks align all new build rents, over 3 years commencing in 2023/24, to ensure a consistent approach.

5.24. 2024/25 re-let and first-let new build rents will, like the LBI managed general needs stock, be based on the lower of the 2024/25 national rent cap or the 2024/25 national target rent.

5.25. 27% of existing new build national target rents are greater than the national rent cap (for the relevant bed size), hence these re-let rents will be set at the national rent cap.

LBI Managed Property Acquisitions used for Temporary Accommodation (TA) (including reception centres and general needs properties assigned to TA clients)

5.26. Existing tenancies and re-let rents in 2024/25 will be set on the same basis as general needs properties referred to above, with the exception that for reception centres the plus 5% flexibility has been applied to the national target rent calculation.

LBI Managed Property Acquisitions - purchased using right to buy 141 receipts or GLA Grant

5.27. Existing Tenancies – 2024/25 rents will be set at the lower of:

A) The 2023/24 rent plus 7.7% or

B) The lower of; Bi) the relevant 2024/25 local housing allowance rate (noting that the Chancellor's 2023 Autumn Statement indicates that LHA rates will be updated to reflect the 30th percentile of local market rents to be effective from April 2024) or Bii) 80% of the relevant market rent.

5.28. Re-lets and first-lets in 2024/25 will be set at the lower of:

A) The relevant 2024/25 local housing allowance rate (noting that the Chancellor's 2023 Autumn Statement indicates that LHA rates will be updated to reflect the 30th percentile of local market rents to be effective from April 2024) or

B) 80% of the relevant market rent

LBI Managed Property Acquisitions - purchased using DLUHC grant

5.29. Existing Tenancies – 2024/25 rents will be set at the lower of:

A) The 2023/24 rent plus 7.7% or

B) 80% of relevant market rent

5.30. Re-lets and first-lets in 2024/25 will be set at 80% of the relevant market rent

Properties Currently Managed (PF1) and Properties Previously (Until April 2022) Managed (PFI2) under a Private Finance Initiative (PFI) Contract by Partners for Islington

5.31. Properties that were previously or are currently managed under a PFI contract are exempt from the government rent setting policy and as such the 1% rent reduction relating to the period 2016/17 to 2019/20 was not applied to these property rents. The council is now seeking to align PFI rents, over time, with standard social rents as they apply to the rest of the housing stock.

5.32. To move towards achieving this alignment, existing tenants 2024/25 rents for properties that continue to be managed by Partners for Islington under the PFI (1) contract and properties that returned to Council management from 4th April 2022, that were previously managed by Partners for Islington under the PFI (2) contract will be based upon the prior year 2023/24 rent plus 7.7% minus 50p per week towards convergence with standard social rents.

5.33. Re-Lets will be based on the outgoing tenants' rent as set out above.

5.34. **Table 13** sets out the average rent in 2024/25 for existing tenancies and likely average rent in 2024/25 for re-lets for current PFI (1) properties and ex PFI (2) properties.

Table 13 – Existing Tenancies + Re-Lets – PFI (1) current contract and PFI (2) returned to Council management - Average Weekly Rent 2024/25

Average Weekly Rent 2023/24	£177.30
Increase (£)	£13.18
Increase (%)	7.43%
Average Weekly Rent 2024/25	£190.48

Shared Ownership Rents

5.35. Rent charged with effect from 1 April 2024 in respect of the unsold equity in relation to shared ownership properties will be based on the prior year rent plus the lower of:

A) CPI (2 months before the rent increase review date) +1% or

B) RPI (2 months before the rent increase review date) +0.5%

Other HRA Fees and Charges

5.36. Other HRA fees and charges are set out at **Appendix D2** and summarised below.

5.37. Caretaking/Cleaning and Estate Services - Caretaking and Estate Service Charges will reduce by £0.84 (-4.2%) per week as compared to the 2023/24 Charges. This £0.84 reduction per week primarily reflects the net impact of; the reduction in the weekly charge for communal electricity that has come down because of fall in energy prices in 2024/25 as compared to 2023/24, and the increase in staffing related costs covering the increase in the 2023/24 pay award, and the estimated 2024/25 pay award.

5.38. Digital TV Maintenance - Charges have remains unchanged at 22p per week in 2024/25 reflecting the cost of the provision of this service.

5.39. Heating and Hot Water - Gas prices are forecast to reduce in 2024/25, together with a forecast reduction in consumption, weekly heating charge have come down by 41% as compared to 2023/24 charges. The average weekly heating and Hot Water charge in 2024/25 will be £17.28 per week. Unlike, Caretaking, Estate Service and Concierge charges, Heating and Hot Water charges are not covered by housing benefit or universal credit.

5.40. Concierge Service Charges - These have increased by 6.3% this increase relates primarily to the increase in staffing costs.

5.41. Estate based Parking and Storage Charges - Charges in respect of facilities used for vehicles i.e., Garages, parking spaces and car cages increase by 6.7% in line with September 2023 CPI.

5.42. Diesel Surcharge (Off Street) - This charge has increased by £10 per year in 2024/25 in line with September 2023 CPI Sept.

5.43. Home Ownership Administration costs - Increase by 6.7% in line with September 2023 CPI to reflect inflationary cost pressures whilst also acknowledging the cost-of-living pressures facing leaseholders.

5.44. Carpet Charges - Increase by 2% in line with the agreed annual contractual uplift.

6. Capital Programme

6.1. The council takes a strategic, long-term approach to managing and enhancing our community asset base through the setting of a 10-year capital programme. The 10-year programme comprises the current year approved programme, a proposed 3-year programme, followed by an indicative programme for the final 6 years.

6.2. The final version of the budget report to the Executive on 8 February 2024 and Full Council on 29 February 2024 will include for agreement the Capital Strategy that underpins the capital programme, as well as the inter-linked Treasury Management Strategy, MRP Statement and Investment Strategy. The Capital Strategy will be fully aligned with the council's Strategic Asset Management Plan.

6.3. The proposed 2024/25 to 2026/27 capital programme as well as indicative estimates for 2027/28 to 2033/34, totalling £1,150.287m of capital investment in the Borough, are summarised by directorate and council priority in **Tables 14 and 15** below and detailed by scheme at **Appendix F**.

Table 14 - Capital Programme 2024/25 to 2033/34 Summarised by Directorate

Directorate	2024/25 £m	2025/26 £m	2026/27 £m	2024/25 - 2026/27 Total £m	2027/28 - 2033/34 £m	Total Future Years £m
Community Wealth Building	28.119	20.052	24.784	**72.955**	18.986	**91.941**
Environment	19.708	10.251	13.014	**42.973**	77.741	**120.714**
Housing General Fund	20.081	44.629	40.541	**105.251**	5.416	**110.667**
General Fund Total	**67.908**	**74.932**	**78.339**	**221.179**	**102.143**	**323.322**
HRA Total	**238.741**	**109.637**	**97.336**	**445.714**	**381.251**	**826.965**
Total Capital Programme	**306.649**	**184.569**	**175.675**	**666.893**	**483.394**	**1,150.287**

Table 15 - Capital Programme 2024/25 to 2033/34 by Strategic Priority

Strategic Priority	2024/25 £m	2025/26 £m	2026/27 £m	2024/25 - 2026/27 Total £m	2027/28 - 2033/34 £m	Total Future Years £m
A Safe Place to Call Home	260.376	154.266	137.877	**552.519**	388.067	**940.586**
Child-Friendly Islington	11.574	3.862	3.628	**19.064**	8.400	**27.464**
Community Wealth Building	11.506	16.590	21.406	**49.502**	18.986	**68.488**
Fairer Together	1.000	1.000	1.150	**3.150**	-	**3.150**
Greener, Healthier Islington	22.193	8.851	11.614	**42.658**	67.941	**110.599**
Total	**306.649**	**184.569**	**175.675**	**666.893**	**483.394**	**1,150.287**

6.4. The council's capital investment plans recommended in this report have been drawn up in accordance with the CIPFA Prudential Code framework and have been demonstrated to be prudent, affordable and sustainable. The proposed programme is currently set at an overall affordable level and the increased revenue costs associated with additional borrowing are considered manageable within the assumptions of the MTFS. However, it is important to note that there are significant budgetary risks around the funding of this ambitious capital programme, including:

- Inflation rates provide a risk to the delivery of the capital programme to budget. If inflation rises, the cost of materials and labour will increase which can lead to overspends within the capital programme. This risk will be mitigated to some extent by contingency built into scheme budgets.
- Increasing interest rates in turn increase the revenue impact of borrowing to fund the capital programme. Future iterations of this report will include sensitivity analysis to illustrate the impact that this risk has on the affordability of the programme overall.
- The funding of some capital schemes is linked to delivery of the scheme's asset and may be subject to timing differences between expenditure being incurred and receipt of the funding, particularly regarding housing open market sale properties. In these instances, alternative interim funding will be applied such as short-term

borrowing, with additional short-term revenue cost implications, or the use of HRA reserves.

- As the ambition for the capital programme increases, it is important that project delivery is monitored and managed to ensure appropriate profiling of the programme in future years and robust budget setting to provide assurance on affordability of the programme. In recent years, there has been significant in-year reprofiling of the capital programme to later in the MTFS period. This has been due to various internal and external factors such as COVID-19 restrictions, capacity constraints, the global supply chain and more recently economic uncertainty affecting project viability assessments.
- As part of the ongoing management of the capital programme and its affordability, in addition to the regular budget management it is proposed to conduct a more detailed review of the capital programme in Summer 2024. This will be a review of projects' performance delivering to schedule, to budget and of their associated funding across all years of the programme.

6.5. **Table 16** summarises the funding of the capital programme by funding source, with this detailed at scheme level at **Appendix F**.

Table 16 - Capital Financing 2024/25 to 2033/34

	2024/25 £m	2025/26 £m	2026/27 £m	2024/25 - 2026/27 Total £m	2027/28 - 2033/34 £m	Total Future Years £m
Grants	6.290	4.029	4.028	**14.347**	8.400	**22.747**
S106/Local CIL	3.555	-	-	**3.555**	0.600	**4.155**
Strategic CIL	-	-	1.276	**1.276**	-	**1.276**
Capital Receipts	20.081	44.629	40.541	**105.251**	5.416	**110.667**
Revenue Contributions and Other	0.470	0.560	-	**1.030**	1.500	**2.530**
Borrowing	37.512	25.714	32.494	**95.720**	86.227	**181.947**
Total General Fund Financing	**67.908**	**74.932**	**78.339**	**221.179**	**102.143**	**323.322**
Grants	57.801	-	-	**57.801**	-	**57.801**
S106/Local CIL	2.478	-	-	**2.478**	-	**2.478**
Strategic CIL	5.174	3.200	-	**8.374**	-	**8.374**
Capital Receipts	26.060	46.588	25.423	**98.071**	21.315	**119.386**
Revenue Contributions and Other	18.590	29.033	32.326	**79.949**	334.056	**414.005**
Borrowing	128.638	30.816	39.587	**199.041**	25.880	**224.921**
Total HRA Financing	**238.741**	**109.637**	**97.336**	**445.714**	**381.251**	**826.965**
Total Capital Financing	**306.649**	**184.569**	**175.675**	**666.893**	**483.394**	**1,150.287**

6.6. Over the life of the proposed and indicative capital programme, there is a total borrowing requirement of £406.868m, of which £181.947m relates to the GF. There will be GF revenue implications from this borrowing in the form of interest costs and the statutory Minimum Revenue Provision (MRP) that the GF is required to make towards the repayment of debt. These revenue costs need to be provided for and managed within the MTFS, in addition to the borrowing costs associated with the council's current and prior year capital programme. **Table 17** shows the estimated GF revenue impact of the proposed new borrowing. Interest costs have been prudently modelled for budget setting purposes at 4.82% which was the annuity certainty rate on a 50-year loan from the Public Works Loan Board on the afternoon of 20th December 2023.

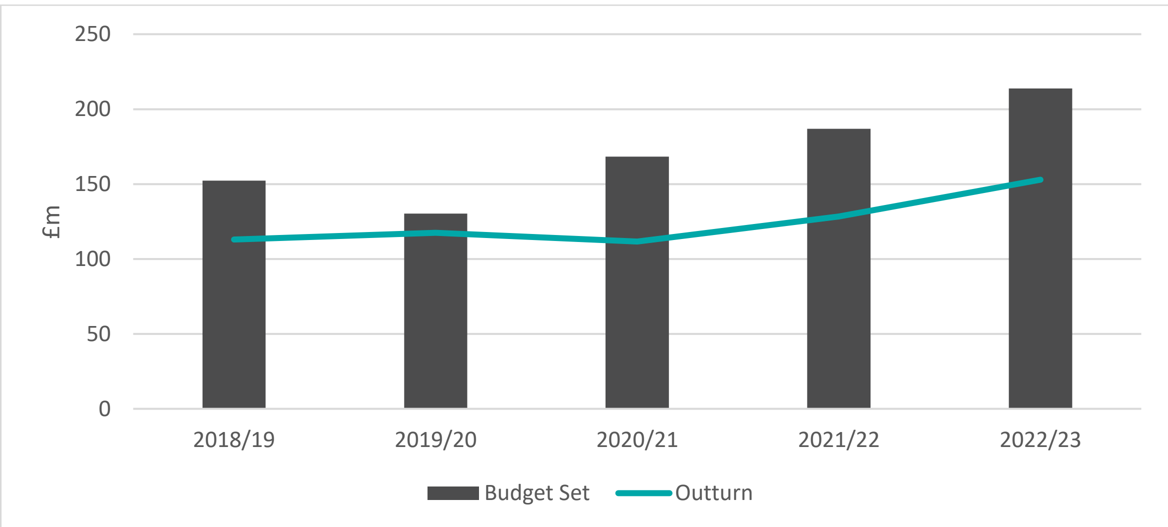
Table 17 – General Fund Revenue Borrowing Implications of the Proposed 3-Year Capital Programme

	2024/25 £m	2025/26 £m	2026/27 £m	2024/25 - 2026/27 Total £m
New Interest Charge (4.82%)	2.290	1.498	1.403	**5.190**
New MRP Charge	1.349	1.153	1.172	**3.673**
Total Additional Revenue Charge	**3.638**	**2.651**	**2.574**	**8.863**

6.7. It is recommended that delegated authority is given to the Section 151 Officer, where necessary, to apply capital resources to fund the capital programme in the most cost-effective way for the council.

6.8. It is typical for there to be slippage in the capital programme where works delivered, and so spend incurred, fall below what is expected at budget setting. Capital spend has been increasing in recent years at the council, by 35% since 2018/19, however the average delivery on the programme set in the budget has remained consistent at 74%. **Figure 2** below shows historic trends of outturn compared to budget set. Robust budget monitoring in-year will identify where these slippages are occurring and with timely raising and reporting management actions can be taken to adjust the borrowing requirements and associated revenue charges.

Figure 2 – Analysis of Capital Budgets to Outturn



7. Climate Action

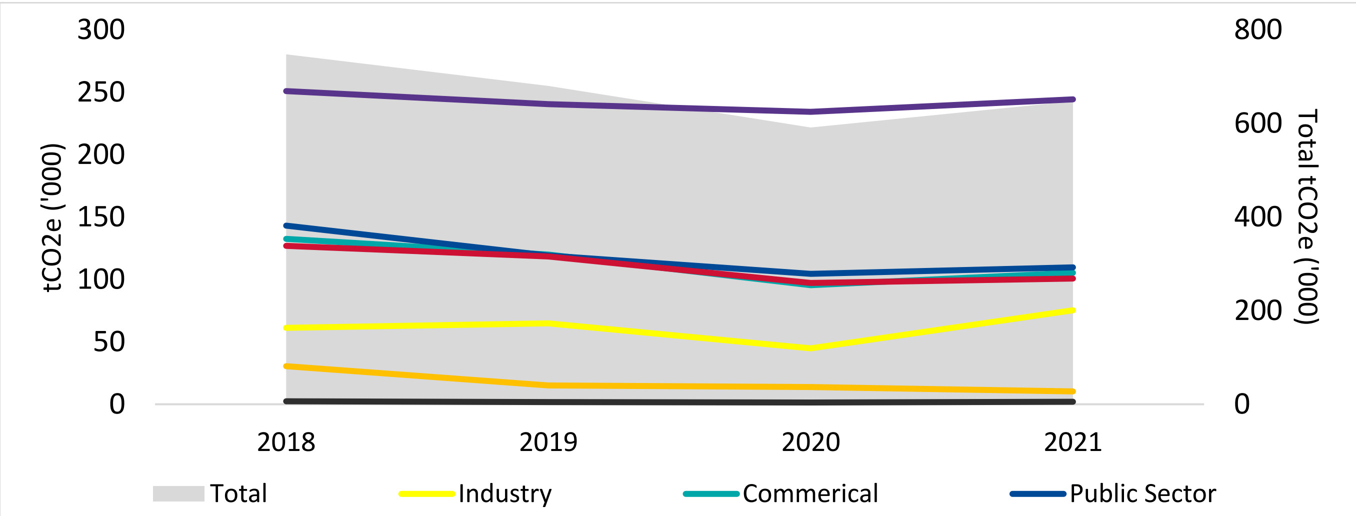
7.1. The council first declared a climate emergency in June 2019, and it set out its approach to achieving a net zero borough in 'Vision 2030 Building a Net Zero Carbon Islington by 2030'. In this strategy we established our Net Zero Carbon (NZC) programme which coordinates and delivers our commitments to deliver change with eight multi-disciplinary workstreams

7.2. Recent polling from London Councils (September 2022) states that 84% of Londoners are concerned about climate change and 62% believe their day-to-day life in London has been impacted by the changing climate. Current projections suggest that by 2070 summers in the UK could be anywhere up to 6°C warmer and up to 60% drier (Met Office). Islington is one of the six London boroughs most at risk to climate change (Bloomberg) affecting the health and wellbeing of our residents including for example from flooding and heat deaths. We are increasingly looking at what we can do to adapt and improve our resilience to the impacts of climate change (subject to council resources) and in October 2023 we renamed (and repurposed) our Net Zero Carbon Programme Team to a new 'Climate Action Team'.

7.3. Performance against all our commitments is monitored through the Climate Action Steering Board and Climate Action Executive Board together with Environment and Regeneration Scrutiny Committee which is a public meeting. The council also holds an annual scrutiny meeting on engaging local stakeholders on the climate emergency.

7.4. Our boroughwide greenhouse gas emissions (tCO2e) (at July 2023) shows an overall 10% increase from 2020 to 2021 which is mainly attributable to the easing of the nationwide lockdowns post COVID-19. Our emissions in 2021 are still approx. 13% lower in Islington compared to our baseline of 2018 (648,000 tCO2e vs 748,000 tCO2e).

Figure 3 – Islington Greenhouse Gas Emissions 2018-2021 (UK local authority and regional greenhouse gas emissions national statistics (BEIS and DESNZ))



7.5. We continue to invest in our buildings including a new heat pump installation at Bevin Court (commencing 2024) and solar PVs at a number of sites including Islington Ecology Centre. We are on track to deliver our 600th Electric Vehicle Charging Point before March 2024 and in November 2023 we chaired a discussion panel at the Net Zero Festival in Angel.

7.6. We have also cut direct emissions from our pension fund by 40% between 2021 and 2023 as we continue to strive to make our £1.7 billion pension fund net zero by 2050 (or earlier).

7.7. The council has been working closely with partners and stakeholders including the Anchor Institutions Network and is committed to continued local government collaboration through the London Councils' climate programme. We have also been working on a new 'Net Zero Neighbourhood' proposal for Arsenal and Finsbury Park Wards with Arsenal Football Club and London Metropolitan University to help stimulate both public and private investment in Islington. 3Ci (Cities Commission for Climate Investment) included our proposal in their prospectus which was showcased at COP28 (United Arab Emirates) in November 2023.

7.8. In 2024/25 we will further engage with our residents and businesses on climate action. We have direct control over only 4% of the carbon emissions in the borough (and a further 5% as a landlord) so we must lead the way in supporting others to reduce their impact.

7.9. For the first time in 2024/25 the Climate Action Team worked with officers from Finance to complete a qualitative assessment of the NZC Impact of each new savings proposal in this budget report from ‘Very Positive’ to ‘Very Negative’. A number of proposals are expected to have a ‘Positive’ or a ‘Very Positive’ NZC Impact (see Environmental Implications) and these assessments help to ensure both members and officers consider the environmental implications of their decision making.

7.10. The council is now an active member of a new Climate Budgeting Working Group with The Mayor (GLA), London Councils and select London Boroughs and is committed to reporting on how the organisation plans to achieve net zero carbon across our operations including both the funded and unfunded measures required to meet these commitments. This is work in progress but for 2025/26 the council endeavours to complete a quantitative assessment of the capital programme incorporating estimates of annual and lifetime greenhouse gas emissions savings.

7.11. Further ahead our ambition is to track our greenhouse gas emissions alongside the budget setting process to ensure spending plans are consistent with our climate goals. Oslo has published a climate budget since 2017 and it supported The Mayor (GLA) on proposals for @2023/24. Our work with The Mayor (GLA) on Local Area Energy Planning (LAEP) will help us identify the unfunded measures required between now and 2030 and we are part of a new Subregional LAEP to help develop data-driven, collaborative and cost-effective action plans. Islington is also part of the Advanced Zoning Pilot (AZP) and North London Heat Study. The AZP has produced a Heat Network Zone for London which will mandate most new and existing developments to connect to a network as part of the Energy Act 2023.

7.12. The council’s budget proposes continued investment in the Climate Action Team over the current MTFS period and the capital programme proposes investment of £29.959m (including grants and income) as part of its Greener, Healthier Islington Mission. This does not include additional funding for council building decarbonisation, and it reflects wider economic pressures impacting on council funding (e.g. cost inflation, interest rates). Additional borrowing requires a c. 10% increase in revenue budgets for interest and MRP. The Finance & Investment workstream continues to investigate green finance opportunities including from The GLA (Mayor) and UKIB as well as alternative delivery model.

Table 18 – Proposed Revenue and Capital Investment in Climate Action

	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Revenue Investment	0.740	0.740	0.740	2.220
Capital Investments	13.070	7.451	9.438	29.959

7.13. Nationally there has been recent relaxation of net zero targets (September 2023) including on the ban of the sale of new petrol and diesel cars and vans (was 2030, now 2035) and on the phasing out of gas boilers (was 100% by 2035, now 80% by 2035). UK Government is also committed to expansion of fossil fuel production. Combined with the latest Climate Change Committee (CCC) Progress Report (June 2023) indicating a ‘lack of urgency’ in the policy framework for net zero and climate action this is concerning.

7.14. One of the key recommendations from the CCC is 'clearer, simpler and longer-term funding and resourcing of local authority delivery of net zero.' UK Government acknowledges that 'green and growth go hand in hand' (Powering Up Britain Report, 2023) and 'the costs of global inaction significantly outweigh the costs of action' (Net Zero Review Report, 2021). The climate emergency and health inequalities are intrinsically linked (Strategic Plan 2021) and the changes to our climate make it harder to create a more equal future for residents and businesses. The council campaigns at a local and national level for longer-term policy and funding certainty to adapt and improve our resilience to the impacts of climate change.

8. Council Tax and Retained Business Rates

Council Tax Forecast 2023/24

8.1. The detailed, statutory council tax calculation and the recommendations on 2024/25 council tax, including the GLA precept, will form part of the final budget report to the Executive on 8 February 2024, for onward recommendation to Full Council on 29 February 2024.

8.2. This will also incorporate the level of the council taxbase due to be set by Audit Committee on 29 January 2024 and the statutory forecast of the surplus/deficit on the Collection Fund as at 15 January 2024 (the Local Government Finance Act 1992 requires the council as the Billing Authority to calculate a Collection Fund estimate by 15 January each year for council tax).

8.3. The GLA final draft budget is schedule to be considered at the London Assembly on 22 February 2024. Following this, the Mayor will confirm formally the final precept and GLA group budget for 2024/25.

Retained Business Rates

8.4. The council's 2023/24 NNDR1 (detailed business rates) estimate is currently being worked up ahead of the 31 January 2023 statutory submission deadline to central government. This will be reflected in the final version of the budget report to the Executive on 8 February 2024 and Full Council on 29 February 2024.

8.5. In line with previous years, it is recommended that authority be delegated to the Section 151 Officer to finalise the council's 2023/24 NNDR 1 (detailed business rates) estimate ahead of the statutory deadline.

9. Matters to Consider in Setting the Budget

9.1. This section contains the Section 151 Officer's comments on the robustness of the estimates included in the budget and the adequacy of the proposed financial reserves, as required under Section 25(1) of the Local Government Act 2003. Section 25(2) of the same Act requires the authority to have regard to this report of the Section 151 Officer when making decisions about the budget and the level of council tax.

9.2. Developing the budget estimates for a given financial year is an ongoing, iterative process within the medium-term financial planning cycle. This is a council-wide process involving all spending departments whereby estimates are worked up, challenged, and refined as further information becomes available. It considers the most recently available budget monitoring information and the latest assumptions for the forthcoming financial year. In particular, the proposed savings have been reviewed and signed off as deliverable by key stakeholders across the organisation. The thoroughness of this process is a source of assurance in determining that overall estimates in the budget are robust and that financial reserves, whilst needing to be significantly strengthened over the medium term, are adequate for the 2024/25 budget.

9.3. The 2024/25 budget report and MTFS has been compiled against a backdrop of continued and significant macro-economic uncertainty with the national cost-of-living crisis continuing to severely impact residents and the council. High inflation has remained for a period way beyond initial government forecasts. This has impacted council pay settlements, major contract inflation costs and other costs of service provision. Alongside this has been an unprecedented level of service demand in key services such as Adult Social Care and Children and Young People. Further, there have been significant challenges in income budgets partly due to the sustained economic downturn, with parking income particularly badly impacted in the 2023/24 in-year financial position. The latest (Q2) forecast is a £17m gross GF overspend in 2023/24. Any residual, ongoing impact of this forecast gross GF overspend for 2023/24 will impact the council's budget in 2024/25 and over the medium term. In addition, any residual overspend at the end of 2023/24 will be a further drain on the council's earmarked reserves.

9.4. The significant recurrent budget impact of the in-year financial position has meant that there has been greater use made of the council's financial sustainability mechanisms, such as contingency budgets, in delivering a balanced budget for 2024/25. These financial sustainability mechanisms must be restored at the very earliest opportunity, in the 2025/26 budget round. In total, £11m is factored into the 2025/26 budget forecast to restore previously held contingency, financial resilience, and capital financing budgets. As it stands the MTFS only contains a £5m ongoing, general contingency budget in 2024/25 to be applied against unforeseen expenditure in-year and on a one-off basis. This level of contingency cover is only barely adequate against a £274m 2024/25 net budget requirement on the GF and given the level of unforeseen service pressures in the current financial year.

9.5. The medium-term local government funding outlook is very negative following the Autumn Statement and settlement, with expected real-terms funding cuts (and potentially cash cuts) for unprotected departmental spending, including most of local government. Added to this are potential government funding reforms (including 'fair funding' and a business rates reset) on the horizon that could have a significant, negative impact on funding levels in the next Spending Review period (commencing 2025/26). All of this means that additional government funding is highly unlikely to be a route to restoring the council to a sustainable financial footing.

9.6. The budget report includes a commentary and analysis on the financial health of the council's balance sheet and the level of the council's earmarked reserves. A recommended Minimum GF Balance and Earmarked Reserves Level of £80m is proposed within this budget report. This is the absolute minimum level of GF balance and reserves that the council cannot sustainably breach and is strictly not a target. The target, albeit extremely challenging in the current environment, should be to restore earmarked reserves to a level well in excess of the 2023/24 opening position, and to increase the GF balance over time. In order to take steps towards this target, the council will need to return to delivering on or under budget and to fully close future year budget gaps with robust ongoing savings. This will require early and sustained engagement from all stakeholders to make the difficult service and financial decisions critical to the financial resilience of the council.

9.7. Schools' budget plans submitted in the summer term indicated that schools would have a significant and widening medium-term deficit due to falling pupil numbers and increasing cost pressures. This represents a significant risk, as even with current plans to reduce surplus capacity agreed by the Executive, further proposals are required to bring school budgets onto a more sustainable financial footing and bring forecast balances back into surplus overall.

9.8. The 2024/25 Housing Revenue Account (HRA) budget has been prepared based on robust estimates and adequate reserves for next financial year. The HRA Business Plan presents a balanced position over the next 30 years, which is an essential framework in safeguarding the HRA from on-going pressures. Balancing the HRA budget has become more challenging due to the turbulent macro-economic environment, changing legislative requirements, government restrictions on the council's ability to increase rents, and the growing demand for increasingly costly resources. This has resulted in the proposed reduced investment in Major Works improvements to existing council dwellings from 2024/25, which is a risk to the Decent Homes commitment, as we balance corporate priorities by subsidising New Build schemes with external borrowing. The medium-term impact of these risks is under continual review. Measures to bridge the investment gap are being considered through quarterly budget monitoring and financial challenge. Understanding the changing economic and service-specific environments, adopting best practice, and lobbying central government on key issues are essential in maintaining a balanced and viable HRA Business Plan in future.

9.9. It is concluded that the estimates are sufficiently robust for the purposes of the calculation and setting of the 2024/25 budget and to ensure the adequacy of the proposed financial balances and reserves in 2024/25. It should be highlighted, as stated in this report, that recent years' budgets have made provision of £4m annually to be transferred to GF earmarked reserves. Due to the significant expenditure pressures and income shortfalls encountered in setting a balanced 2024/25 budget, this has been removed for one year, along with some previously held contingency budgets. As a result, it is forecast that earmarked reserves will fall further in 2024/25 than they otherwise would have. In addition, there is a real risk of spending pressures coupled with real-terms government funding cuts over the medium term causing a further, significant depletion of reserves. This trend will need to be reversed, with a commitment from all stakeholders to agree to a course of action in the 2025/26 and medium-term budget setting process. This will be necessary for the council to remain on a sound financial footing going forward.

Comments of the Monitoring Officer

9.10. Local authorities are under an explicit statutory duty to ensure that their financial management is adequate and effective and that they have a sound system of internal control and management of financial risk. This report set out the basis upon which a recommendation will be made for the adoption of a lawful budget and the basis for the level of the council tax for 2024/25. s25 Local Government Act 2003 sets a specific duty on an Authority's Chief Financial Officer to make a report to the authority for it to take into account when it is considering its budget and funding for the forthcoming year. This report outlines the council's current and anticipated financial circumstances, including matters relating to the GF budget and MTFS, the HRA, the capital programme and borrowing and expenditure control.

9.11. Section 26 of the Act gives the Secretary of State power to set a minimum level of reserves for which an authority must provide in setting its budget. There is an ongoing need to prepare for contingencies including maintaining sound risk management and level of reserves which enables the authority to be prepared to deal with risks, contingencies, and its future strategic vision.

9.12. By law a local authority is required under the Local Government Finance Act 1992 to produce a ‘balanced budget’. The setting of the budget and council tax by Members involves their consideration of choices through the provision of adequate evidence on which to base their decisions on the level and quality at which services should be provided. No genuine and reasonable options should be dismissed without robust consideration and Members must consider their fiduciary duty to the council taxpayers of Islington.

9.13. Where a service is provided pursuant to a statutory duty, it would not be lawful to fail to discharge it properly or abandon it, and where there is discretion as to how it is to be discharged, that discretion should be exercised reasonably. Whenever there are proposals for the closure or discontinuance of a service or services, there will be a need for appropriate consultation, with consideration of the Equality Act 2010 and the Public Sector equality duty.

9.14. All decisions must be lawfully exercised, and the council must not come to a decision which no reasonable authority could come to; balancing the nature, quality, and level of services which they consider should be provided against the costs of providing such services.

9.15. Under the constitutional arrangements, the setting of the council budget is a matter for the council, having considered recommendations made by the Executive. Before the final recommendations are made to the council, the Policy and Performance Scrutiny Committee must have been given the opportunity to scrutinise these proposals and the Executive should take into account its comments when making those recommendations.

Environmental Implications and Contribution to Achieving a net zero carbon (NZC) Islington by 2030

9.16. The council’s budget can influence the behaviour of residents and businesses which can result in both positive and negative environmental implications. The budget proposals and MTFS affects various services across the council and have been developed in line with our new Islington Together 2030 Plan to create a more equal future for our borough in tandem with Vision 2030 - Building a Net Zero Carbon Islington by 2030.

9.17. For 2024/25 the Climate Action Team worked with officers from Finance to complete a new qualitative assessment of the NZC Impact of each new saving proposal from ‘Very Positive’ to ‘Very Negative’. A number of proposals for Parking are expected to have a ‘Very Positive’ NZC Impact and should increase levels of active travel and/or use of public transport. Only one proposal could have a marginally ‘Negative’ NZC Impact (new green garden waste collection subscription charge) as residents may send more green waste to landfill. These assessments help to ensure both members and officers consider the environmental implications of their decision making.

9.18. For 2025/26 the council endeavours to complete a quantitative assessment of the capital programme (see Climate Action section) which will incorporate estimates of annual and lifetime greenhouse gas emissions (tCO2e) savings.

9.19. Services were also asked to consider environmental implications on all GF fees and charges. These were included in a report to Executive dated 30 November 2023 and all the proposed fees and charges were approved by the Executive.

9.20. The council's budget proposes continued investment in the Climate Action Team and the capital programme as part of its Greener, Healthier Islington Mission.

9.21. The council is committed to considering the environmental impact of all its decision making to align with our climate action commitments and improve our resilience to the impacts of climate change.

Equalities Impact Assessment

9.22. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

9.23. After more than a decade of significant budget savings, it is difficult to make new savings without any impact on residents. There will inevitably be some impact on particular groups, including those with protected characteristics as defined by the Equality Act. The council is not legally obligated to reject savings with negative impacts on any particular groups but must consider carefully and with rigour the impact of its proposals on the Public Sector Equality Duty, take a reasonable and proportionate view about the overall impact on particular groups and seek to mitigate negative impacts where possible.

9.24. The cumulative EQIA assessment of the budget proposals was completed on 9 November 2023. The main findings are that there is a potential neutral impact as a result of the budget proposals. The cumulative EQIA is set out at **Appendix G**. It is supplemented at a departmental level by detailed EQIAs of major proposals. These demonstrate that the council has met its duties under the Equality Act 2010 and has taken account of its duties under the Child Poverty Act 2010.

Budget Consultation

9.25. Section 65 of the Local Government Finance Act 1992 requires the council each financial year to consult persons or bodies representative of business ratepayers about expenditure proposals.

9.26. The council must make available the information described in the Non-Domestic Ratepayers (Consultation) Regulations 1992/3171, including:

- Details of proposals for expenditure in the financial year to which the consultation relates.
- Estimates of expenditure in the preceding financing year.
- Particulars of significant changes in the level of proposed expenditure between the two years.

9.27. The council will be inviting comments from residents, business rates payers and representatives of business rates payers in Islington on the draft 2024/25 budget proposals set out in this report. The consultation period will run for 21 days from 4 January 2024 to 24 January 2024. Any comments received will be considered by the council before the final budget proposals for consideration by the Executive on 8 February 2024 and Full Council on 29 February 2024.

Retail Relief Policy

9.28. In the 2018 Budget, the Government introduced a new relief scheme for retail properties and these ‘retail relief’ schemes have existed, albeit with some variations, since the 2019/20 financial year. **Appendix H** addresses the need to adopt the government’s scheme variation, for the financial year 2024/25. The adoption of the local policy described in Appendix H is recommended, which will award Retail Relief in accordance with the Discretionary Rate Relief powers as contained within Section 47 of the Local Government Finance Act 1988 (as amended), for the year 2024/25. The Islington Retail Relief Scheme proposed reflects the Government’s guidance.

Appendices

Appendix A: General Fund Medium-Term Financial Strategy 2024/25 to 2026/27

Appendix B: General Fund Proposed Savings 2024/25 to 2026/27

Appendix C: Earmarked Reserves Balances

Appendix D1: HRA MTFS 2024/25 to 2026/27

Appendix D2: HRA Fees and Charges 2024/25

Appendix D3: HRA Proposed Savings 2024/25 to 2026/27

Appendix E1: CIPFA Financial Management Code Compliance Assessment

Appendix E2: Balance Sheet Analysis

Appendix F1: Capital Programme 2024/25 to 2033/34

Appendix G: Budget Cumulative Equality Impact Assessment 2024/25

Appendix H: Retail Relief Policy 2024/25

Background papers: None

Signed by:		
	Executive Member for Finance, Planning and Performance	Date

Responsible Officers:

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Monitoring Officer: Alison Stuart, Director of Law and Governance (Monitoring Officer)

Appendix A: Medium-Term Financial Strategy 2024/25 to 2026/27

	2023/24	2024/25					2025/26				2026/27			
	Budget	Virements/ Structrual Adjs	Inflation/ Demography	Adjustments / Growth	Savings	**Budget**	Inflation/ Demography	Adjustments / Growth	Savings	**Estimate**	Inflation/ Demography	Adjustments / Growth	Savings	**Estimate**
	£m	£m	£m	£m	£m	**£m**	£m	£m	£m	**£m**	£m	£m	£m	**£m**
Adult Social Care	**52.232**	7.085	10.335	(8.921)	(1.965)	**58.767**	5.609	(0.300)	(1.601)	**62.475**	4.573	(0.600)	0.000	**66.448**
Chief Executive's Directorate	**1.327**	(1.284)	0.000	0.000	0.000	**0.043**	0.000	0.000	0.000	**0.043**	0.000	0.000	0.000	**0.043**
Children and Young People	**87.594**	(2.801)	2.551	0.130	(0.577)	**86.897**	0.840	1.508	(0.212)	**89.033**	0.409	(0.393)	(0.165)	**88.884**
Community Engagement and Wellbeing	**8.563**	4.918	0.000	0.609	(0.764)	**13.326**	0.000	0.000	(0.504)	**12.822**	0.000	0.000	0.000	**12.822**
Community Wealth Building	**21.312**	0.100	0.000	(0.115)	(1.513)	**19.784**	0.000	0.000	(0.469)	**19.315**	0.000	0.000	0.000	**19.315**
Environment and Climate Change	**0.496**	(4.200)	1.382	4.128	(2.867)	**(1.061)**	0.500	(0.290)	(0.588)	**(1.439)**	0.500	0.250	(0.081)	**(0.770)**
Homes & Neighbourhoods	**7.888**	4.616	1.312	0.005	(0.787)	**13.034**	0.000	0.000	(0.511)	**12.523**	0.000	0.000	0.000	**12.523**
Public Health (net nil as wholly grant funded)	**0.000**	0.000	0.000	0.000	0.000	**0.000**	0.000	0.000	0.000	**0.000**	0.000	0.000	0.000	**0.000**
Resources	**35.146**	(1.518)	0.658	0.083	(0.150)	**34.219**	0.000	(0.075)	(0.400)	**33.743**	0.000	(0.150)	0.000	**33.593**
Central Costs	**29.944**	(6.916)	17.539	(0.048)	(2.197)	**38.322**	24.134	2.086	(1.172)	**63.370**	23.794	1.179	(1.358)	**86.985**
NET COST OF SERVICES	**244.503**	**(0.000)**	**33.777**	**(4.129)**	**(10.820)**	**263.329**	**31.083**	**2.929**	**(5.457)**	**291.884**	**29.276**	**0.286**	**(1.604)**	**319.842**
General Contingency	**5.000**					**5.000**				**5.000**				**5.000**
Inflation, Energy and Demand Contingency	**5.000**			(5.000)		**0.000**		5.000		**5.000**				**5.000**
Transfer to/(from) Earmarked Reserves	**13.518**			(7.225)		**6.293**		1.520		**7.813**				**7.813**
Transfer to/(from) General Balances	**0.000**					**0.000**				**0.000**				**0.000**
New Homes Bonus Grant	**(0.082)**			(0.615)		**(0.697)**		0.697		**0.000**				**0.000**
Services Grant	**(3.448)**			2.905		**(0.543)**		0.543		**0.000**				**0.000**
NET BUDGET REQUIREMENT	**264.491**	**(0.000)**	**33.777**	**(14.064)**	**(10.820)**	**273.382**	**31.083**	**10.689**	**(5.457)**	**309.697**	**29.276**	**0.286**	**(1.604)**	**337.655**
Revenue Support Grant	**(28.523)**			(1.889)		**(30.412)**				**(30.412)**				**(30.412)**
Business Rates Baseline	**(79.160)**			(3.293)		**(82.453)**				**(82.453)**				**(82.453)**
(Top-up)/Tariff	**(9.284)**			(1.352)		**(10.636)**				**(10.636)**				**(10.636)**
SETTLEMENT FUNDING ASSESSMENT	**(116.967)**	**0.000**	**0.000**	**(6.534)**	**0.000**	**(123.501)**	**0.000**	**0.000**	**0.000**	**(123.501)**	**0.000**	**0.000**	**0.000**	**(123.501)**
Additional business rates related income	**(24.770)**			(3.412)		**(28.182)**				**(28.182)**				**(28.182)**
Collection Fund (Surplus)/Deficit:														
- Business Rates	**(6.381)**			0.553		**(5.828)**		5.828		**0.000**				**0.000**
- Council Tax	**(3.333)**			5.681		**2.348**		(2.348)		**0.000**				**0.000**
COUNCIL TAX REQUIREMENT	**113.040**	**(0.000)**	**33.777**	**(17.776)**	**(10.820)**	**118.220**	**31.083**	**14.169**	**(5.457)**	**158.014**	**29.276**	**0.286**	**(1.604)**	**185.972**

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Appendix B: General Fund Proposed Savings 2024/25 - 2026/27

No.	Directorate	Proposal Title	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
1	Adult Social Care	The introduction of a 7 day 'Recovery Model' of home care to reduce the demand for ongoing care services.	0.939	0.563	-	**1.502**
2	Adult Social Care	The introduction of the new in-house re-ablement service will increase available capacity, increase face to face resident contact, increase the potential to maximise more peoples independence through a greater emphasis on strength based practise, reduce care packages and therefore reduce the demand for ongoing care services.	0.356	0.213	-	**0.569**
3	Adult Social Care	Review of Mental Health contracted services to deliver good outcomes for residents and value for money.	0.125	-	-	**0.125**
4	Adult Social Care	Review housing related floating support contract to reduce inefficiencies such as duplication of provision and deliver value for money.	0.120	-	-	**0.120**
5	Adult Social Care	Refresh of older people's day services to provide more choice to residents and therefore reducing the need for homecare during the day.	-	0.100	-	**0.100**
6	Adult Social Care	Review, redesign & re-procurement of Housing Related Support Services	-	0.100	-	**0.100**
7	Adult Social Care	Review, re-design & re-procurement of Mental Health Early Intervention and prevention offer.	0.050	0.150	-	**0.200**
8	Adult Social Care	Review, redesign and re-procurement of the Adult Social Care Wellbeing Service.	0.050	-	-	**0.050**
9	Adult Social Care	Commission fewer beds at Hilldrop Road Care Home	-	0.100	-	**0.100**
10	Adult Social Care	Introduction of charging for use of Assistive Technology	0.125	0.125	-	**0.250**
11	Adult Social Care	Implement eligibility and charging policies for people receiving legacy Supporting People services.	0.200	0.250	-	**0.450**
12	Children and Young People	Pupil Services:1) Elective Home Education - charging of general fund post to the DSG. 2) SEND transport	0.080	-	-	**0.080**
13	Children and Young People	Review of operating model in Children's Services to make efficiency savings by realigning the service to meet service needs at lower cost	0.077	0.027	-	**0.104**
14	Children and Young People	Reduction in scale of the motivational practice model in line with reduction in demand and budget and realignment of model to better reflect need and meet the requirements of the Children's Social Care Review once in force.	0.420	0.020	-	**0.440**
15	Children and Young People	Repurpose school premises houses	-	0.165	0.165	**0.330**
16	Community Engagement & Wellbeing	Redirecting money from commissioning budgets into the new Voluntary & Community Sector (VCS) grants programme to ensure local and more efficient delivery of services through our local VCS organisations	-	0.150	-	**0.150**
17	Community Engagement & Wellbeing	Reduced call volumes	0.330	-	-	**0.330**
18	Community Engagement & Wellbeing	Merging Call Centres	0.434	0.354	-	**0.788**
19	Community Wealth Building	Council Tax Support (CTS) - banded scheme.CTS is currently based on a discount of up to 95% for working age households. The Council proposing moving to a banded scheme for working age households, offering varying levels of discount linked to financial need. This will allow the CTS scheme to be better targeted on households most in need. A banded scheme would also be simpler to administer, generating a cost saving. All changes to CTS require public consultation and Full Council approval.	0.250	-	-	**0.250**
20	Community Wealth Building	New administrative fee for adult social care self-funders who secure social care via the council. Introducing a new charge would require public consultation, so the full year income target would be achieved by 2024/25	0.040	-	-	**0.040**
21	Community Wealth Building	New administrative charge for Appointeeships, where the council manages benefits income on behalf of adult social care users. Introducing a new charge would require public consultation, so the full year income target would be achieved by 2024/25	0.040	-	-	**0.040**
22	Community Wealth Building	The Council is developing its long term approach to flexible and hybrid working - the FutureWork Programme. This work has identified excess office space which will be released to generate both cost savings and additional income, as well as creating opportunities to build new Council homes.	0.793	0.069	-	**0.862**
23	Community Wealth Building	Restructure corporate landlord services	0.375	-	-	**0.375**
24	Community Wealth Building	Additional income from commercial estate	-	0.400	-	**0.400**
31	Community Wealth Building	Increase in statutory Pavement License Fees in line with central government legislation.	0.015	-	-	**0.015**
25	Cross Cutting	Corporate Transformation Review	0.235	0.449	0.088	**0.772**
26	Cross Cutting	Simplifying and automating administrative processes	0.172	0.539	1.270	**1.981**
27	Cross Cutting	Encouraging Apprenticeships	0.290	0.124	-	**0.414**
28	Cross Cutting	Enhanced Business Efficiency and Redundancy Scheme	1.000	-	-	**1.000**
29	Cross Cutting	Challenge Panels and Agency Levy: Reducing Overtime, Additional Payments & Agency Staffing	0.500	-	-	**0.500**
35	Environment and Climate Change	Revise Street Cleansing and Enforcement operations to meet the needs of the borough.	0.379	-	-	**0.379**
36	Environment and Climate Change	Additional enforcement operations to increase the level of littering enforcement and other environmental enforcement.	0.478	-	-	**0.478**
37	Environment and Climate Change	Improve debt recovery of Penalty Charge Notices. This will be achieved by strengthening the debt management function, enabling the council to review debt cases more effectively and efficiently before they are passed to the council's specialist parking debt recovery contractors, reducing council costs.	0.025	0.025	-	**0.050**
38	Environment and Climate Change	Integration of the appeals processing and correspondence staff into the parking services contract, with the saving generated from improved productivity as part of a larger 'back-office' operation and reduced accommodation costs.	0.075	-	-	**0.075**

39	Environment and Climate Change	Accelerated vehicle purchases funded from the existing capital programme to reduce hire/leasing costs charged to the revenue account.	0.140	0.140	-	**0.280**
40	Environment and Climate Change	Implementation of a commercial waste and recycling strategy to increase commercial customers and recycling.	-	0.250	-	**0.250**
41	Environment and Climate Change	Increasing Controlled Parking Zones (CPZ) controllable hours on a Saturday in 11 CPZ areas.	0.120	-	-	**0.120**
42	Environment and Climate Change	Reducing energy consumption and costs in Street lighting by replacement of older technology street lights.	0.010	-	-	**0.010**
43	Environment and Climate Change	Introduce a Green garden waste chargeable service	0.045	0.083	0.081	**0.209**
44	Environment and Climate Change	Environment & Climate Change Business Support	0.500	-	-	**0.500**
45	Environment and Climate Change	Extended Controlled Parking Zone Hours	0.394	-	-	**0.394**
46	Environment and Climate Change	Parking Pay and Display Peak Charging	0.214	-	-	**0.214**
47	Environment and Climate Change	Removal of Evening Pay & Display Concessions for CPZ Zone C	0.035	-	-	**0.035**
48	Environment and Climate Change	Increase Maximum Pay and Display Parking Charges for Electric Vehicles	0.452	-	-	**0.452**
30	Homes and Neighbourhoods	Align the operations of the out of hours Anti-Social Behaviour service and the commissioned Patrolling and ASB Enforcement service (currently operated by Parkguard) to achieve efficiency savings	0.030	0.040	-	**0.070**
32	Homes and Neighbourhoods	Reconfigure and target the Out of Hours, Anti-Social Behaviour and Noise Service, changing the service timings.	0.100	-	-	**0.100**
33	Homes and Neighbourhoods	Secure additional compliance funding for Town Centre Management arrangements in Nags Head and Archway town centres.	0.050	0.050	-	**0.100**
34	Homes and Neighbourhoods	Improving night-time waste crime enforcement.	0.050	-	-	**0.050**
49	Homes and Neighbourhoods	Temporary Accommodation (TA) a range of measures to be put in place that aim to both reduce the cost of the provision of TA (e.g. by using lower cost accommodation) and managing demand by expanding homelessness prevention strategies.	0.407	0.511	-	**0.918**
50	Homes and Neighbourhoods	Income from Selective Licensing scheme	0.050	-	-	**0.050**
51	Homes and Neighbourhoods	Revised management of Civic Services	0.100	-	-	**0.100**
52	Public Health	Introduce targeted offer of oral health fluoride varnish within Children's Centres and Primary Schools.	-	0.060		**0.060**
53	Resources	Reduced costs of the Finance service, through the consolidation of systems, improvements in processes and development of staff to deliver a more efficient service.	0.050	0.300	-	**0.350**
54	Resources	Additional Legal income from s.42 Notices (leaseholder lease extensions and other requests), s.106 Agreements (covering development contributions) and Right to Buy applications.	0.050	0.050	-	**0.100**
55	Resources	Reduced costs of the Human Resources service, by improving systems and processes.	0.050	0.050	-	**0.100**
		TOTAL	**10.820**	**5.457**	**1.604**	**17.881**

Appendix C: Earmarked Reserve Balances

Category	Reserve Name	Actual Balance 31/03/2023 £m	2023/24 Movement	Forecast Balance 31/03/2024 £m	2024/25 Movement	Forecast Balance 31/03/2025 £m	2025/26 Movement	Forecast Balance 31/03/2026	2026/27 Movement	Forecast Balance 31/03/2027
Planned Projects	BSF PFI 1 reserve	**4.748**	0.504	**5.252**	0.490	**5.742**	0.000	**5.742**	0.000	**5.742**
Budget Risk	Budget Risk and Insurance	**18.070**	(3.373)	**14.697**	0.000	**14.697**	0.000	**14.697**	0.000	**14.697**
Planned Projects	Budget Strategy	**18.604**	(5.877)	**12.727**	(12.247)	**0.480**	9.000	**9.480**	(1.000)	**8.480**
Budget Risk	Business Continuity	**10.000**	0.000	**10.000**	0.000	**10.000**	0.000	**10.000**	0.000	**10.000**
Planned Projects	Capital Financing	**1.806**	(1.237)	**0.569**	0.000	**0.569**	0.000	**0.569**	0.000	**0.569**
Planned Projects	Care Experience	**18.527**	(2.000)	**16.527**	(6.527)	**10.000**	(10.000)	**0.000**	0.000	**10.000**
Planned Projects	Community Infrastructure Levy	**0.029**	0.000	**0.029**	0.000	**0.029**	0.000	**0.029**	0.000	**0.029**
Budget Risk	Core Funding	**9.781**	7.552	**17.333**	3.480	**20.813**	0.000	**20.813**	0.000	**20.813**
Ringfenced	Dedicated Schools Grant	**5.083**	(0.079)	**5.004**	(2.072)	**2.932**	(4.055)	**(1.123)**	(6.386)	**(7.509)**
Planned Projects	Digital Transformation Projects	**0.000**	0.000	**0.000**	0.000	**0.000**	0.000	**0.000**	0.000	0.000
Planned Projects	Islington Assembly Hall Restoration Levy	**0.047**	0.000	**0.047**	0.000	**0.047**	0.000	**0.047**	0.000	**0.047**
Ringfenced	Joint Cemeteries Trading Account	**1.715**	0.000	**1.715**	0.000	**1.715**	0.000	**1.715**	0.000	**1.715**
Planned Projects	Levies	**3.315**	(3.315)	**0.000**	0.000	**0.000**	0.000	**0.000**	0.000	**0.000**
Ringfenced	Pooled Schools Budgets	**1.167**	(0.828)	**0.339**	0.000	**0.339**	0.000	**0.339**	0.000	**0.339**
Ringfenced	Public Health	**1.522**	(0.070)	**1.452**	0.000	**1.452**	0.000	**1.452**	0.000	**1.452**
Ringfenced	Restricted Grants & Contributions	**11.458**	0.000	**11.458**	(2.292)	**9.166**	(2.292)	**6.875**	(2.292)	**4.583**
Ringfenced	Street Markets	**0.201**	0.000	**0.201**	0.000	**0.201**	0.000	**0.201**	0.000	**0.201**
TOTAL EARMARKED RESERVES		**106.072**	**(8.724)**	**97.348**	**(19.167)**	**78.181**	**(7.347)**	**70.834**	**(9.678)**	**61.156**

Below are narrative descriptions for each of the earmarked reserves held in the General Fund:

- Building Schools for the Future (BSF) PFI Smoothing reserve – The annual costs of PFI schemes fluctuate over the lifecycle of the schemes. This reserve helps to smooth the budgetary impact of PFI costs across financial years.
- Budget Risk and Insurance reserve – This reserve is set aside to mitigate budget risks, particularly the impact of delayed savings delivery, and for one-off expenditure commitments that span more than one financial year.
- Budget Strategy reserve – This reserve provides one-off funding for expenditure related to the delivery of the medium-term financial strategy (e.g., transformation projects, one-off growth, redundancy costs).
- Business Continuity – This reserve mitigates the risk of disruption to key council services and systems, including cyber security risks.
- Capital Financing – This reserve helps to smooth the potential budgetary impact in future financial years of an increased revenue cost of financing the capital programme, in the context of rising interest rates and a very uncertain interest rate outlook.
- Care Experience – This reserve provides for the potential direct and indirect costs of the non-recent child abuse support payment scheme.
- Cemeteries reserve – The council operates a shared cemeteries service with the London Borough of Camden, and any surplus at the end of each financial year is carried forward through this reserve.
- Community Infrastructure Levy (CIL) reserve – This reserve is the balance of CIL funding earmarked for administration costs in future financial years.
- Core Funding – This reserve comprises the one-off financial gain from the former London Business Rates Retention Pilot Pool, and up-front government grant income that will fund Collection Fund losses that will come out of future year budgets (due to Collection Fund accounting timing differences). The remaining balance not relating to Collection Fund losses has been set aside for risks around taxation income and government funding streams.
- Dedicated Schools Grant – This reserve is the balance of Dedicated Schools Grant held by the council that will be spent in future financial years.
- Digital Transformation Projects - This reserve holds budget provision for Digital Transformation projects to smooth the impact of expenditure across the Council. There are a variety of digital and technology related projects to enhance and modernise the council's systems and processes planned over the medium term. This is a live reserve with matching transfers to and drawdowns from the reserve.
- Islington Assembly Hall Restoration Levy – This reserve earmarks income from the Islington Assembly Hall Restoration Levy on events ticket sales towards funding restoration works in future financial years.
- Levies – This reserve holds funds as a result of the North London Waste Authority rebate and mitigates the significant uncertainty around levies estimates over the medium term, particularly concessionary fares, and the North London Waste Authority levy.
- Pooled Schools Budgets – This reserve holds the unspent balance of pooled schools' budgets that will be spent in future financial years.

- Public Health – This reserve is the balance of ring-fenced public health grant funding carried forward to spend in future financial years.
- Social Care - This reserve mitigates significant uncertainty in social care demographic growth estimates and earmarks funding for one-off social care expenditure.
- Street Markets – The council operates three street markets at Chapel Market, Whitecross Street and Exmouth Market. Under laws governing the operation of these markets, any surplus at the end of each financial year is carried forward through this reserve for the future costs of operating the markets.

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Appendix D1: HRA MTFS 2023/24 to 2026/27

	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Indicative Estimate £m	2026/27 Indicative Estimate £m
HRA INCOME				
Tenant Rents	181.341	208.372	214.623	221.062
Tenant Service Charges	23.270	23.013	23.446	23.942
Sub-Total Income from Dwellings	**204.611**	**231.385**	**238.069**	**245.004**
Commercial Income	1.384	1.015	1.310	1.310
Heating Charges (Tenants & Leaseholders)	4.584	3.574	3.574	3.574
Sub-Total Other Income	**5.968**	**4.589**	**4.884**	**4.884**
Leaseholder Annual Service Charges	15.542	18.614	18.985	19.362
Leaseholder Major Works Charges	3.500	3.500	3.500	3.500
Sub-Total Leaseholder Charges	**19.042**	**22.114**	**22.485**	**22.862**
Other Charges for Services & Other Income	2.764	2.907	2.953	2.999
PFI - Government Subsidy	6.140	6.140	6.140	6.140
Interest Receivable	0.643	2.261	1.435	1.800
Transfer from the General Fund for Shared Services	0.816	0.816	0.816	0.816
Gross Income	**239.984**	**270.212**	**276.782**	**284.505**
HRA EXPENDITURE				
General Management	63.751	86.062	92.937	96.894
Special Services	33.309	31.286	32.225	33.191
PFI Payments	14.598	15.120	15.573	16.041
Repairs & Maintenance	45.115	48.789	49.603	49.951
Rent, Rates & Other Charges	1.024	1.024	1.054	1.086
Sub-Total	**157.797**	**182.281**	**191.392**	**197.163**
Interest Charges on Borrowing	17.932	24.269	28.137	30.218
Revenue Contributions to fund Capital Expenditure	15.215	8.050	0.000	0.000
Depreciation - Contribution to the Major Repairs Reserve to fund the Major Works Capital Prog.	35.511	36.138	36.854	37.585
Sub-Total Capital Financing Costs	**68.658**	**68.457**	**64.991**	**67.803**
Increase in Bad Debt Provision	3.247	2.250	2.250	2.250
Contingency	7.962	7.824	6.949	7.008
Contribution to Reserves	2.320	9.400	11.200	10.281
Gross Expenditure	**239.984**	**270.212**	**276.782**	**284.505**
NET	**0.000**	**0.000**	**0.000**	**0.000**
RESERVES				
Opening Balance	**49.945**	**63.217**	**65.035**	**84.056**
Movement in the Major Repairs Reserve	10.952	(7.582)	7.821	5.259
Movement in Risk Equalisation Reserve	2.320	9.400	11.200	10.281
Closing Balance	**63.217**	**65.035**	**84.056**	**99.596**

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Appendix D2: HRA Fees and Charges 2024/25

Tenant Service Charges and Digital TV Charges

	Proposed weekly charge or compensation sum
Caretaking and Cleaning	£12.93
Estate Services (estate lighting, communal estate repairs and grounds maintenance)	£ 6.38
Tenant Service Charge	**£19.31**
Digital TV (maintenance only)	£0.22
Compensation for loss of caretaking service	£3.41 per day (after 5 consecutive days of lost service)
Note: The weekly tenant service charge for caretaking and estate services reduces by £0.84 (-4.2%) per week from £20.15 per week to £19.31 per week. The overall Tenant Service Charge reduction of £0.84 per week (-4.2%) primarily relates to a reduction in electricity prices partially offset by an increase in staffing costs as compared to 2023/24. Caretaking compensation has increased in line with caretaking charges. Digital TV maintenance only have remained unchanged at 22p per week.	

Heating and Hot Water Charges

	Bedsit Weekly Charge £	1-Bed Weekly Charge £	2-Bed Weekly Charge £	3-Bed Weekly Charge £	4-Bed Weekly Charge £
General:					
Heating and Hot Water	12.87	14.25	16.90	19.88	22.52
Heating Only (60% of Full Charge)	7.72	8.55	10.14	11.93	13.51
Heating Only (60% of Full Charge + 15%) All Year heating (Braithwaite)			11.66		
Bunhill Energy Network Heat & Hot Water (St Luke's, Stafford Cripps, Redbrick & Kings SQ. excl. Turnpike House)	11.59	12.82	15.21	17.89	20.27
Bunhill Energy Network Heating Only (60% of Full Charge) (Turnpike House Kings SQ.)	6.95	7.69	9.13		
Compensation has been frozen at 2023/24 levels (after 5 consecutive days or more of lost service, backdated to the start of the heating loss period): Heating and Hot Water £16.97 per day Heating only £15.82 per day Hot Water only £2.06 per day					
Note: Underlying gas prices are forecast to reduce in 2024/25, together with a forecast reduction in consumption, as such weekly heating charges have been reduced by 41% as compared to 2023/24 charges. For example, the charge to tenants in a 2-bed property receiving heating and hot water will see their weekly charge reduce from £28.63 per week in 2023/24 to £16.90 per week.					

Estate Parking Charges

	Emission Bands and Charges			
Carbon Emission and Engine Size	Band A	Band B	Band C	Band D
Carbon CO2 Rating G/km (Grams per kilometre)	0-120	121-150	151-185	186+
Engine Size CC (Cylinder Capacity)	Up to 1100	1101-1399	1400-1850	1851+
	Weekly Charge £	**Weekly Charge £**	**Weekly Charge £**	**Weekly Charge £**
Rent & Service Charge Payers:				
- Garage	11.93	23.86	23.86	26.25
- Car Cage	5.58	11.16	11.16	12.27
- Parking Space	3.05	6.08	6.08	6.69
- Integral Garage	8.23	16.44	16.44	18.09
Non-Rent & Service Charge Payers:				
- Garage	26.82	53.56	53.56	58.89
- Car Cage	12.57	25.04	25.04	27.55
- Parking Space	7.37	15.70	15.70	21.60
				£
Garages Used for Non-Vehicle Storage – Rent & Service Charge Payers				26.25
Garages Used for Non-Vehicle Storage – Non-Rent & Non-Service Charge Payers				54.61
Diesel Surcharge - applies to both Rent/Serv. Charge Payers & Non- Rent/Serv. Charge Payers in respect of all parking facilities				170.00 per Year or 3.27 per Week
A 50% or 100% discount is offered on all vehicle parking charges to Islington Council residents that hold a disability parking blue badge issued by either Islington Council or another Local Authority.				
VAT will be added to the above charges where applicable.				

Note:
Vehicle charges
All vehicle charges increase by 6.7% in line Sept.23 CPI.

For example, the charge to an LBI Tenant or Leaseholder for a garage with a band B vehicle increases by £1.49 per week from £22.37 to £23.86 per week.

Electric Car users: Rent & Service Charge payers will continue to have free access to all council estate parking facilities and Non-Rent & Service payers will continue to be charged at Band A rates.

Concierge Service Charges

	Weekly Charge £
Category A (Concierge Office in Block)	19.45
Category B (Concierge Office in Estate)	14.60
Category C (Concierge Office – Remote multiple cameras)	8.77

Category D (Concierge Office – Remote a small number of cameras)	2.75
Note: The weekly tenant charges have increased by 6.3%. Concierge costs are primarily linked to staffing as such the increase reflects the latest 2023/24 pay award and the estimated 2024/25 pay award. For example, the charge to tenants who receive a Category B service increases by £0.86 per week from £13.74 to £14.60 per week.	

Parking Charges

Penalty Charge Notices issued on-street and on some council estates (where Traffic Management Orders have been introduced) - the Council charges between £80 and £130 depending on the seriousness of the offence (discounts apply if paid within 14 days)

Storage Units

	Weekly Charge £
Rent & Service Charge Payers	2.13
Non-Rent & Service Charge Payers	4.29
Note: Charges increase by 6.7% in line with Sept. 23 CPI. The charge to Rent & Service Charge Payers has increased by 13p from £2.00 to £2.13 per week and that for Non-Rent & Service Charge Payers has increased by 27p from £4.02 to £4.29 per week.	

Floor Coverings (including underlay, carpets & fitting):

Covering the Bedroom(s), Front Room, Hallway & Staircase

2024/25 charges to tenants commencing the scheme WEF 2017/18 reflects a more robust/substantial underlay. Increased in line with the latest negotiated contract price plus 2%		
No of Beds	**2024/25 Charge £**	**Weekly Charge to Tenants over 5 years £**
1	788	2.98
2	1,154	4.35
3	1,518	5.73
4	1,821	6.87

Home Ownership Unit Charges:

Fees increase by 6.7% in line with Sept.23 CPI

1. **Lease Holder Fees in respect of Structural Alterations & Additions:**

		Home Ownership Fees 2024/25	Technical Property Services Fees 2024/25
a	Minor alterations (e.g.: flues, extractor fans)	£105 – letter of consent	None
b	Deed of variation for windows	£291	None
c	Minor structural alterations	£105	£234
d	Major structural alterations (e.g. roofs, conservatories)	£127	£234 – technical inspections £70 per hour if additional technical work required
e	Retrospective consent	a/b/c/d +£368	£469 – technical inspections £70 per hour if additional technical work required
f	Re-drawing lease plans	£62	£532
g	Purchase of land/space e.g. garden/loft/basement	£130	£703 and any additional inspections £70 per hour, £587 valuation fee

2. **Lease Holder Miscellaneous Fees:**

		Home Ownership Fees 2024/25
a	Sub-let Registration	£50
b	Assignment pack	£227 L/Holder £98 F/Holder
c	Re-mortgage pack	£162 L/Holder £83 F/Holder
d	S146 costs	£328
e	Copy of lease	£32
f	Letter of Satisfaction	£65
g	Copy of service charge invoice	£32
h	Breakdown of charges for a previous year	£32
i	Notice of assignment or charge	£80
j	Combined notice of assignment and charge	£160
k	Removal of Land Registry charge	£134
l	Details of planned major works	£64
m	Postponement charge	£255
n	Major works extended payment plan – legal charge	£255
o	Removal of Land Registry charge for major works extended payment plan	£134
p	Letter before legal action	£48

Appendix C3: HRA Savings Proposals 2024/25

Option Title	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Commercial letting of storage space in disused car park	-	0.295	-	**0.295**
Staffing review of the Housing Strategic Business Planning and Investment team and the Integrated Services team	0.053	-	0.038	**0.091**
Insource more voids work - thereby reducing more expensive contractor costs	-	0.400	-	**0.400**
Remodelling of the Repairs and Maintenance fleet strategy	-	-	0.320	**0.320**
Completed multi-skills training program completed – budget no longer required	0.260	-	-	**0.260**
Driving efficiencies into the housing procurement process where synergies between housing & corporate contracts can be identified	0.050	0.050	0.100	**0.200**
Diversify funding and provision of apprenticeships	-	0.100	-	**0.100**
Staffing review of the Homes and Neighbourhoods management team	-	-	0.080	**0.080**
Review Floating Housing Related Support contract	0.120	-	-	**0.120**
Review of the Repairs and Maintenance team hand tools procurement strategy	-	-	0.600	**0.600**
Following the return to the Council of the PFI2 stock a review/re-assessment of the budget provision required in respect of the repairs service indicates that the service can be provided at a lower cost than initially anticipated	0.800	-	-	**0.800**
Staffing review of the Repairs Service	0.100	0.100	0.120	**0.320**
Budget realignment relating to service support recharges	0.060	-	-	**0.060**
Total HRA Savings	**1.443**	**0.945**	**1.258**	**3.646**

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Appendix E1: CIPFA Financial Management Code Compliance Assessment 2024/25

1. Objectives and Principles

1.1. The CIPFA Financial Management Code (CIPFA FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The CIPFA FM Code sets a standard of financial management for local authorities.

1.2. The Code is based on a series of principles supported by specific standards and statements of practice to provide the strong foundation to:

- Financially manage the short, medium and long-term finances.
- Manage financial resilience to meet foreseen demands on services.
- Financially manage unexpected shocks in financial circumstances.

1.3. Each local authority must demonstrate that the requirements of the Code are being satisfied. Demonstrating this compliance with the CIPFA FM Code is a collective responsibility of elected members, the Chief Finance Officer and professional colleagues in the leadership team.

1.4. The CIPFA FM Code applies a principle-based approach. It does not prescribe the financial management processes that local authorities should adopt. Instead, the Code requires that a local authority demonstrate that its processes satisfy the principles of good financial management for an authority of its size, responsibilities and circumstances. Good financial management is proportionate to the risks to the authority's financial sustainability posed by the twin pressures of scarce resources and the rising demands on services.

1.5. The principles focus on an approach which will assist in determining whether, in applying standards of financial management, an authority is financially sustainable:

- Organisational leadership - demonstrating a clear strategic direction based on a vision in which financial management is embedded into culture (A/B/O)
- Accountability - based on medium-term financial planning which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs (D/P/Q)
- Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making (L/M)
- Adherence to professional standards is promoted by the leadership team and is evidenced. (H/J/K)
- Sources of assurance are recognised as an effective tool mainstreamed into financial management and includes political scrutiny and the results of both external audit, internal audit and inspection. (C/F/H)
- The long-term sustainability of local services is at the heart of all financial management process and is evidenced by prudent use of public resources. (E/G/I)

2. Process

2.1. The council has a duty under the Local Government Act 2003 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to the economy efficiency and effectiveness. The FM Code provides guidance for the good and sustainable management of the council.

2.2. The FM code compliance assessment is updated annually to consider any changes that had happened within the council and to assess the level of compliance and look to future improvements that can be made to ensure that the council continues to maintain a high level of compliance with the code. By complying with the principles and standards in the code the council strengthens financial resilience and to meet unexpected and complex demands.

2.3. The council sets and monitors an annual budget and rolling three-year medium term financial strategy (MTFS). Local authorities must set a balanced budget in accordance with the Local Government Finance Act 1992. This process involves all departments within the council whereby estimates are worked up, challenged, and refined. It includes the most recently available budget monitoring information and the latest view on budget assumptions for the forthcoming financial year. The overall budget setting process is considered by the Section 151 (S151) officer in the assessment of the robustness of the council's budget estimates.

2.4. The council also considers information from external sources to remain well informed, able to react to changes and to ensure that the systems and models used by the council remain effective.

2.5. Red/Amber/Green ratings are used to illustrate where the council's level of compliance and where improvements can be made:

Red – Low level of compliance – in need of review and change

Amber – Medium level of compliance

Green – High level of compliance

3. Compliance Assessment

	Guidance	Current Treatment	Further actions	R/A/G
1: The responsibilities of the chief finance officer and leadership team				
A: The leadership team is able to demonstrate that the services provided by the authority provide value for money.	The council has a clear and consistent understanding of what value for money means with mechanisms and processes to promote value for money.	Compliance is demonstrated by the application of other Standards and Statements in the FM Code. The Governance Framework set out in the Annual Governance Statement references ensuring value of money as a key responsibility of the council when conducting business with public money. A Value for		

		money assessment is carried out by the council's external auditors. The Leadership structure is made up of Councillors, Executive Councillors, Council Leader, Chief Executive and Scrutiny Committees. The Senior Leadership Structure under the Chief executive is set out in the Councils constitution. The Executive has established a Voluntary and Community Sector Committee. Part of their responsibilities is to ensure value for money and fairness in the allocation of council resources to the sector and consider the management, use and disposal of council owned buildings occupied by voluntary and community sector organisations. This is set out in the council's constitution.		
B: The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer (CFO) in Local Government.	1: The CFO in a public service organisation is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest.	The Corporate Director of Resources (CDR, S151) is a key member of the Corporate Management Board.		
	2: The CFO must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and in alignment with the organisation's MTFS.	All key and material financial decisions that require the approval of senior officers or Members must have first been considered by the CDR.	Keep under constant review and seek continuous improvement to processes and practice.	

	3: The CFO must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded and used appropriately, economically, efficiently and effectively. The CFO should regularly review the skill sets of elected members and all officers with budget/financial management responsibility and ensure appropriate support is provided.	Good financial management is promoted throughout the authority via regular communication. All managers with budgetary responsibility receive financial training from finance teams and there are regular Member training sessions/briefings. A business partnering approach is used to help ensure the development of successful, long term strategic relationships and can in turn help to ensure good financial management. Business partners engage with both internal and external audit to ensure their recommendations are implemented. The decision-making structure and a comprehensive listing of responsibilities of officers and committees in relation to financial management is contained within the council's constitution. Where officers have specific financial responsibilities, these are set out in the Financial Regulations.	Keep under constant review and seek continuous improvement to processes and practice. The council is in the process of launching a tender for a financial system contract, but this will not be completed until Autumn 2025. The council will ensure that any new financial system meets the needs of the organisation and is an improvement on the processes and procedures currently in place	
	4: The CFO must lead and direct a finance function that is resourced to be fit for purpose. The CFO should regularly review the skillsets of all finance staff with senior budget/financial management responsibility and ensure ongoing appropriate support is provided. The ratio of qualified staff as a proportion of total finance staff ensures that the finance function has the necessary financial competence.	The Finance function was fully reviewed and deemed fit for purpose in 2022. The revised structure was largely based around core competencies against which job descriptions and recruitment decisions are made. There are many qualified staff who are invested in and helped to gain the appropriate qualifications through the FUSE scheme, graduate and apprenticeship programs that encourage growth, continuous learning and development with an aim to help support future service needs. There is a high proportion of permanent staff to agency with 95% percent of positions being	Maintain and develop records around training and staff qualifications. A qualifications register is currently being drafted.	

		held by permanent staff members in the Financial Management division.		
	5: The CFO must be professionally qualified and suitably experienced. The CFO must be able to demonstrate adherence to professional CPD requirements on an annual basis.	The CDR is CCAB qualified with extensive experience in local government finance. CPD is demonstrated as part of CCAB membership obligations.		
	6: The CFO should promote the highest standards of ethical behaviour in the conduct of financial management. Professionally qualified staff should evidence an ongoing commitment to the principles of objectivity, integrity professional behaviour, professional competence, due care and confidentiality.	Professionally qualified staff are required to adhere to the ethical standards of their professional bodies. Finance staff are also bound by ethical requirements in their job description and those within the council’s code of conduct. The council is an accredited employer with CCAB bodies. Islington is a platinum level employer under the CIPFA Employer Accreditation Scheme. The accreditation reflects the council’s commitment to continuing personal development		
	7: To enable financially informed decision making: The CFO should be able to provide the leadership team with sound advice on the key principles of local government finance; and The CFO should be able to demonstrate a sound system which ensures the authority has access to high standards of technical financial advice.	The CDR is an integral part of the leadership team and provides sound advice as part of this role. The authority employs a capable and experienced workforce and also has access to technical advice through external experts for funding, taxation, audit and pensions, as well as many forums to discuss London and national issues.		
	8: The CFO should report explicitly on the affordability and risk associated with the Capital Strategy and where appropriate have access to specialised advice	The affordability and risk of the capital strategy is an integral part of the budget and MTFS. Capital budget monitoring is included in the quarterly monitoring reports.		

	to enable them to reach their conclusions.	The CDR and Director of Finance attend Corporate Asset Development Board meetings.		
	9: The CFO must establish the reporting and monitoring processes and integrate the treasury management indicators into the overall financial planning process.	There is an established process for reporting and monitoring. Treasury Indicators are approved annually as part of the Treasury Management Strategy Statement alongside the budget papers each year. There is a year-end and mid-year Treasury Management review reported through to Members.	There is ongoing work to include the Treasury forecasts in the budget monitoring reports and give a more complete view of the council's financial position	
	10: The Chief Finance Officer of Local Government Pension Scheme (LGPS) administering authorities satisfies the requirements of the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills (2013 edition).	Fully complies. This organisation recognises the importance of ensuring that is has the necessary resources to discharge its pensions administration responsibilities and that all staff and Members charged with financial administration, governance and decision-making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them. Training is held quarterly for members, and they are advised of external training opportunities. A log of training provided is recorded.		
2: Governance and financial management style				
C: The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	The council has a clear framework and high standards for governance and internal control. The leadership has effective arrangements for assurance, internal audit, and internal accountability. Nurturing a culture of effective governance and robust	CMB have hosted sessions on good financial management. An organisation wide internal controls board and Good Governance Group were established, and internal controls are tested annually as part of the work of Internal Audit.	In mid-2022, the council commissioned a comprehensive review of the council’s governance arrangements. This review made several recommendations, which resulted in a programme	

	internal controls across the authority.	The Audit and Risk Committee is the body responsible for providing an independent focus on the adequacy of governance arrangements, other than Member conduct issues which are the responsibility of the Standards Committee. It has right of access to all the information it considers necessary and can consult directly with internal and external auditors. The council has adopted a code of governance which is consistent with the seven principles of the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016). The Annual governance statement sets out Islington Council's governance framework. Set out in the council's constitution is a clear outline of the controls and framework of good governance within the council. The Constitution defines the roles and responsibilities of the executive, non-executive, scrutiny and chief officer functions. It sets out how decisions are made and the procedures which are followed to ensure efficiency, transparency, and accountability to residents.	of work starting in January 2023.	
D: The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)	1: The authority maintains an effective audit committee.	The Audit and Risk Committee meets at regular stages throughout the financial year. It has two knowledgeable and experienced independent members.		
	2: The audit committee receives and monitors the implementation of internal and external audit recommendations. When threats to the financial sustainability of the authority are identified by auditors the audit committee should ensure	The Audit and Risk Committee receives details of all recommendations made by External Audit. The Committee receive an overview of assurance of all internal audit reports and the implementation progress of those. The Annual Governance Statement is reported to the audit committee annually. It provides a self-	A practice of referring all financial sustainability related recommendations to management and the consideration of their	

	that the recommendations are communicated to the leadership team and that the committee are informed of the effectiveness of the leadership team's response.	assessment of how the council has met the Good Governance principles in the framework. Referring financial recommendations to management for consideration is an ongoing process. Internal Audit bring two reports to the Audit and Risk Committee updating on the delivery of the audit plan each year – one in January and one in September. These reports each include an appendix updating on progress of implementation of audit recommendations. Responsibility for implementation sits with the service area that was audited (e.g. Parking, Housing, Finance etc). There are mechanisms in place to escalate the lack of implementation of recommendations.	response will be put in place. Continue to stay abreast of any new developments and, if an opportunity to enhance/improve arises, the internal audit team will seek to include in their processes. Provide regular updates to the Audit and Risk Committee on progress in implementing the recommendations made in the Annual Governance Statement.	
	3: The authority has a PSIAS (Public Sector Internal Audit Standards) conformant internal audit function	Fully complies. An update of implementation of the EQA recs are on the council's democracy pages. The service overall has a continuous improvement agenda and networks with groups such as London Audit Group (LAG) and the Cross Council Assurance Service (CCAS) to stay abreast of new developments and best practice.	We will implement any recommendations from the External Quality Assessment (EQA).	
E: The financial management style of the authority supports financial sustainability.	1: The organisation has an effective framework of financial accountability that is clearly understood and applied throughout, from the political leaders, elected members to	Financial Regulations and Instructions provide a clear and understandable framework for financial accountability.	There is room to improve how the Financial Regulations are applied in schemes of authorisation and processes that are	

	directors, finance officers and front-line service managers.	The MTFS process ensures a balanced budget and involves engaging with service managers, directors, finance, and councillors. There is regular financial reporting to CMB, the Executive, and full council.	consistent and widely understood at an operational level.	
	2: Finance teams and the organisation they support are actively committed to continuous improvement focused on efficient and effective delivery and organisational performance.	Finance act as effective business partners, working closely with budget managers and Corporate Directors.		
	3: Enabling transformation: the finance team have input into strategic and operational plans taking into account proactive risk management, clear strategic directions and focus-based outcomes	Finance act as effective business partners, working closely with budget managers and Corporate Directors. Transformation colleagues work closely with their finance counterparts.		
	4: Managers understand they are responsible for delivering services cost effectively and are held accountable for doing so. Financial literacy is diffused throughout the organisation so that decision takers understand and manage the financial implications of their decisions.	Budgets and financial cash limits are clearly delegated to cost centre managers. Business partners and budget holders ensure implications of decisions are understood and that departments /managers are responsible for those decisions. Budget manager job descriptions set out their responsibilities for financial management.		
	The financial management of the authority has been critically evaluated	Internal Audit reviews core financial controls and systems on a cyclical basis. There have been 11 audits conducted within the finance department since 2022. Seven of these pertain to key financial systems. Some key findings marked as high risk in the pensions system and accounts receivable system audits regarding operational effectiveness. As well as some concerns of the		

		control design and operational effectiveness of the banking reconciliation system The Internal Audit service continued to benefit from ongoing networking and benchmarking across the Cross Council Assurance Service (a consortium of London boroughs drawing on the same framework agreement for co-sourced assurance services). The internal audit opinion is given, and any risks found are designated as either high, medium, or low risk and actions are recommended for how to mediate the risk which are agreed by the Action Owner who will then have to implement the actions. This will be followed up by the internal audit team establishing whether it has been partially or fully implemented or not implemented at all. If partially or not implemented the internal audit team will have to follow up again and my revise the action text.		
3: Long to medium-term financial management				
F: The authority has carried out a credible and transparent financial resilience assessment	1: Financial resilience is tested against best- and worst-case scenarios which cover a wide range of financial demographic and social challenges.	Financial resilience is tested against key risk scenarios when planning the MTFS. The budget setting process includes scenario planning and sensitivity analysis in working up budget forecasts and proposals.	Potential to use scenario planning and sensitivity analysis more effectively in the budget setting process.	
	2: The authority uses independent objective quantitate measures to assess the risks to its financial sustainability.	Key quantitative measures are used to assess financial stability and risks. For example, analysing the level of general fund balances and reserves. The annual CIPFA resilience index shows Islington of being relatively low risk in terms of financial stability. Reserve markers suggest lower risk profiles. However, the children social		

		care ratio and adult social care ratio suggest higher risks.		
	3: Decision making by the authority demonstrates a sound understanding of the risks associated with its strategic business partners.	Key partners are evaluated before entry into formal arrangements.	Potential to review and strengthen especially since the impact of the pandemic on partners.	
G: The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	1: The authority has an asset management plan that reviews the condition, sufficiency and suitability of assets in the light of business needs, and ambitions of the Medium to Long Term Financial Strategy. The plan should evidence rigorous assessment of asset portfolio in relation to service delivery.	Fully embedded within the rolling MTFS and long-term capital programme. The council operates a corporate landlord model and is constantly evaluating the best use of its assets. A condition survey is carried out on a regular basis by external consultants, which provides a total cost and prioritisation to inform the capital programme and strategy. The Capital Strategy sets out the long-term investment plans.		
	2: The authority maintains processes to ensure that information about key assets and liabilities in its balance sheet is a sound and current platform for management action.	Information regarding whole-life cost of assets is maintained within the financial system and accounts.		
H: The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	The council has prepared a suitable capital strategy and has a set of prudential indicators in line with the Prudential code. And mechanisms for monitoring its performance against said indicators.	Compliance is reported annually within the budget report. The council is compliant. This is also reported on with the Treasury Management Strategy Statement. The council has a set of prudential indicators that performance in monitored against as part of the Treasury management strategy. Capital strategy, Investment, Minimum Revenue Provision and Treasury Management Strategy are developed annually in conjunction with the MTFS process		

I: The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.	1: The Medium-Term Financial Plan should make reference to other organisational plans (e.g. workforce planning) and performance measures to demonstrate an alignment between service and financial planning.	The MTFS is approved and updated annually within the budget report for a 3-year period. Whilst other plans (e.g., workforce planning) are central to the MTFS, this link isn't explicit in published documents.	Explicit and written linking of the MTFS to all key organisational plans is recommended going forward.	
	2: The authority has benchmarked the performance of its services against appropriate comparators.	The Authority uses CIPFA and other benchmarking services to analyse financial and service performance. The council utilises CFOInsights which is a benchmarking tool supported by Grant Thorntons. There are other datasets used such as Adults use data collected by the Association of Directors for adult social care (ADASS). Other resources external to the organisation are used to help provide further insights such as LGImprove who provide balance sheet benchmarking information.		
	3: To inform the Leadership Team's decisions the authority has a single document tracking progress in the delivery of planned savings over the period of the Medium-Term Financial Plan.	A savings tracker is maintained and monitored regularly as part of in-year budget monitoring with ongoing implications picked up in the rolling MTFS.		
	4: The authority publishes it plans for the use of reserves over the over the period of the Medium-Term Financial Plan The level of reserves at 31st March in any one year should not fall below the level previously agreed. The authority should demonstrate adherence to the most recent guidance on reserves from	The Authority has an approved Reserves document that details plans for reserves over the period of the rolling MTFS - compliant with CIPFA guidance.		

	CIPFA's Local Authority Accounting Panel			
4: The Annual Budget				
J: The authority complies with its statutory obligations in respect of the budget setting process.	The council is aware of its statutory obligations in respect of the budget-setting process. The Council has set a balanced budget for the current year.	All statutory obligations are fulfilled within the annual budget report.		
	The budget report includes an assessment of its consistency with the current medium term financial plan and long-term financial strategy. The annual report proposing the budget includes an analysis of the success/failures in achieving the spending plans of the previous year and of departures from the planned use of reserves and balances.	This is monitored and reported on an ongoing basis with reporting picked up in the budget report as appropriate where it relates to the rolling MTFS. The budget report addresses the long-term impact of in year variances. There is a clear linkage between the in-year budget monitoring process and the medium-term financial planning process, with the strategic implications of in-year monitoring taken forward in the future year budget process. This process is clearly set out in the council's budget report.		
K: The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.	The council's most recent budget report includes a statement by the CFO on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves. The report accurately considers the most significant estimates used to prepare the budget, the potential for these estimates being incorrect and the impact should this be the case. The council has sufficient reserves to ensure financial sustainability for the foreseeable future.	This is included within the annual budget report. The MTFS reflects key budget pressures, planned contingency balances to address budgetary pressures, estimates and assumptions. Where estimates are made, they are stated clearly, and details are provided on when they are likely to be confirmed. The 2024/25 budget report includes a Reserves and Balance Sheet Strategy and a full balance sheet analysis. The budget report recommends a Minimum Level of Earmarked GF Reserves and considers the strategy to build back earmarked reserves over the medium term.		

5. Stakeholder engagements and business plans				
L: The authority has engaged with key stakeholders indeveloping its long-term financial strategy, mediumterm financial plan and annual budget.	The council has been effective in its engagement with stakeholders and has plans to improve engagement with key stakeholders.	The annual budget report and rolling MTFS is subject to full consultation including with key stakeholders (e.g. officers, political leadership and the business community). Let’s talk Islington engage with community and create an annual Community Engagement report which outlines the ways in which the council has engaged with the local community through workshops, surveys etc. and outlines the types of responses given.		
M: The authority uses a documented option appraisal methodology to demonstrate the VFM of its decisions	1: Option appraisal complies with IFAC/PAIB Project and Investment Appraisal for Sustainable Value Creation: Principlesin Project and Investment Appraisal.	There is a well-established and documented option appraisal process taking in to account the 5-case model and other elements of the Treasury Green Book.	This will be reviewed on an ongoing basis to ensure that the process continues to be robust going forward.	
	2: The accounting treatment of material decisions is considered and demonstrated as part of the formal option appraisal process.	The accounting treatment and impactis determined and documented within formal financial implications. Reports contain appropriate information and evidence to support decision making and out like options under consideration. Projects are progressed when they have been appropriately reviewed and it is ensured that they are in line with the councils’ priorities.		
6: Monitoring financial performance				
N: The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	1: Timely financial and performance information is available to managers via the appropriate systems. The systems are engineered to provide relevant data at a sufficiently accurate level. The organisation ensures that information is appropriately	Managers are able to access information on demand. Reports have been developed with budget holders to provide them with the correct level of information. Maintaining a risk register forms part of the risk management strategy and framework. The risk register incorporates financial and operational risks.		

	tailored and streamlined to avoid the risk of ‘data overload’.			
	2: All Financial monitoring reports include: The name of the budget holder responsible for the information presented; accruals based financial information; include the approved budget against which monitoring is taking place; a forecast for the remainder of the budget period and; service performance information	Complies with the exception of the inclusion of budget holder names. These are maintained on the financial system but are not routinely included in monitoring reports. The council’s quarterly financial monitoring report includes performance information. The Corporate Performance Manager is embedded within the Finance Business Partner management structure to further align reporting.		
	3: Financial monitoring reports for high-risk budgets are: •Scrutinised by the leadership team of the organisation on a quarterly basis. Financial monitoring reports for steady state/low risk budgets are: •Received by budget holders on a monthly basis Received (in aggregate) by the leadership team on a regular basis (in aggregate) by the leadership team.	Fully compliant. Reports are written to a standard format and are clear and accurate.		
	4: The authority has arrangements which allow annual service budgets to be recalibrated in response to unforeseen developments.	In-year budget realignments can be approved in line with the council’s financial regulations.		
	5: At the financial monitoring period end the leadership team receives a set of financial statements with forecast outturn for the year ahead	Fully compliant.		
	6: There are appropriate arrangements in place for	Yes, to the appropriate officer and Member meetings/bodies.		

	reporting and managing the financial performance of each of the organisation’s delivery partnerships and collaborative arrangements.			
	7: There are appropriate arrangements in place for the project management and cost control of capital projects.	Capital projects and programme are reported on a quarterly basis to the Capital Asset Delivery Board and then through to CMB and the Executive in the quarterly monitoring report,		
O: The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability	1: Unplanned and planned use of reserves are reported [quarterly] to the management team of the organisation and to council.	Picked up on a regular basis as part of in-year budget monitoring. The corporate performance report goes quarterly to CMB and elements of it then go quarterly to scrutiny.		
	2: Management accounts include either a full balance sheet or an appropriate level of balance sheet information to meet business needs and evidence of monitoring of material items	Yes – where appropriate.		
7: External financial reporting				
P: The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code.	The council leadership are aware of the CFOs responsibilities in terms do the preparation of annual financial statements including their role descriptions and personal objectives. The financial statements must be prepared and in accordance with the Code of practice.	The annual accounts are reviewed and signed by the CDR. They follow a common format prescribed by CIPFA’s Code of Practice on Local Authority Accounting. External audit have consistently provided an unqualified audit opinion on the statement of accounts in previous years. The draft statement of accounts for the year 22/23 was published on time and made available for public inspection.		

		The CFO includes an introduction in the statement of accounts setting out the missions for the council to create a more equal future for Islington in 2030.		
Q: Presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.	The reports support strategic focus on information that presented effectively and is of interest and relevant to the leadership team in order to support in strategic financial decision making.	An annual report is presented that informs strategic decision making.	Regularly seek feedback to ensure that the reporting remains high quality.	

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Appendix E2: Balance Sheet Analysis

1. Synopsis

1.1. The balance sheet provides a snapshot of the council's financial position detailing assets, liabilities, and reserves. The balance sheet shows the complex and closely interlinked relationship between revenue, capital, borrowing and other existing and emerging risks. Analysing the council's balance sheet on a regular and ongoing basis (and not just at financial year-end) is key to understanding the underlying financial position of the council. Effective balance sheet analysis is very useful as a measure to indicate whether or not a local authority is showing signs of financial stress currently and over time within an overall direction of travel.

1.2. To be effective, balance sheet analysis needs to look at a wide range of measures to enhance overall understanding of financial resilience and direction of travel. A number of key measures which are set out below, with an analysis of Islington's comparative position to benchmark authorities.

1.3. Summary of key points:

- Islington council has been able to build reserves, and therefore financial resilience, over the previous 6 years. This was partly due to transitory, additional income received during the COVID-19 pandemic (which is now largely reversed out), but also because of a deliberate medium-term financial strategy to bolster the council's overall reserves position. However, the recent significant decrease in reserves demonstrates the importance of strengthening and maintaining sufficient levels of reserves when the council is able to do so. (**Section 2**)
- The council has strengthened its long-term financial sustainability by increasing the value of its net assets. (**Section 3**)
- The council has deterred external borrowing, despite the increasing need to borrow, by using its own resources to finance capital expenditure. (**Section 4**)
- However, if reserves continue to decline and the need to borrow continues to increase, the council will be required to externally borrow and will risk paying high interest rates. (**Section 4**)
- Investment properties make up only a small part of the council's assets and the council is not dependent on investment income to provide vital services. (**Section 4**)

2. Reserves

2.1. Councils hold reserves to manage risk and set aside funding for future expenditure. There is no specified minimum level of reserves for a council to hold as it depends on its particular risks and planned future expenditure.

2.2. Previous audits of the council's financial position have noted the comparatively low level of reserves. The council currently has had a target to increase general fund balances to £40m over the medium term to build financial resilience.

2.3. Declining reserve balances are a sign of financial stress as reserves will eventually deplete to an unsustainable level. Furthermore, recurrent drawdowns from reserves due to budget overspends could suggest that structural issues exist within the authority, putting an unsustainable strain on the council's reserves position over the longer term.

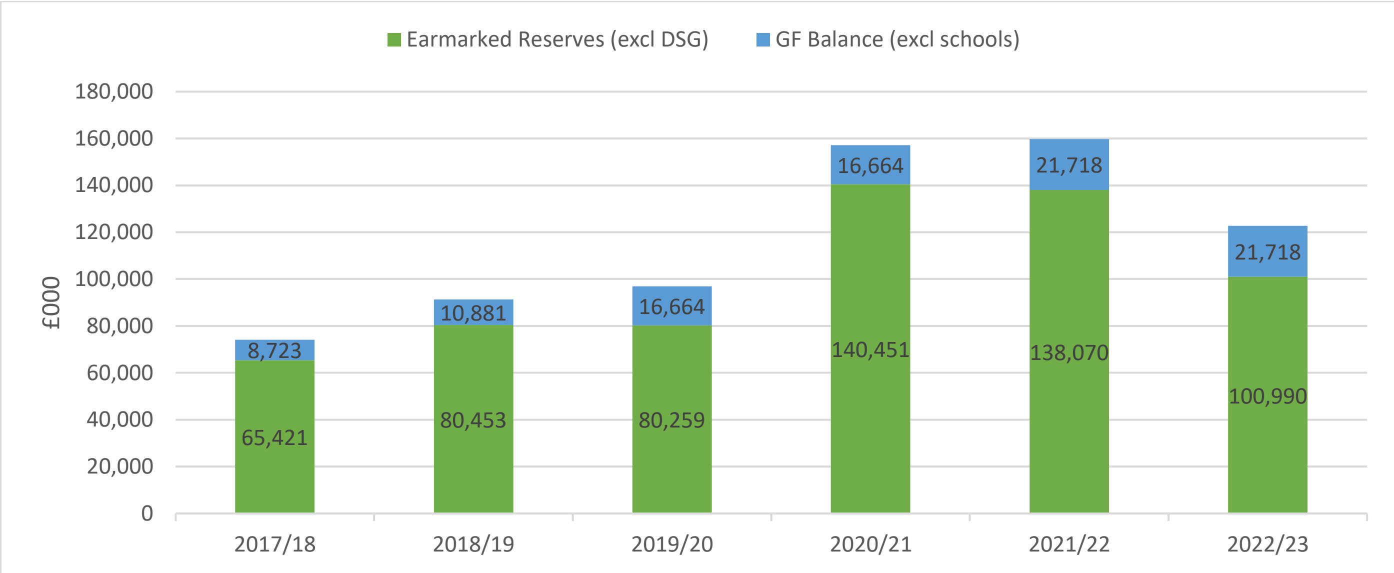
2.4. Council reserves can be split into unusable and useable reserves. Unusable reserves are used to hold unrealised gains or losses for assets not yet disposed of and accounting adjustments which are required by statute. Unlike useable reserves, unusable reserves cannot be used to fund capital or revenue expenditure. Hence key financial indicators focus on the level of useable revenue reserves to demonstrate the level of financial health.

2.5. Useable revenue reserves can be split into 'Earmarked' and 'General'. Earmarked reserves are reserves which have been set aside for the specific purpose. The specific purpose is sometime set by statute e.g. Public Health reserves can only be spent on public health activities. The specific purpose can also be set by the council. For instance, Islington Council has a 'Business Continuity' reserve to mitigate the risk of disruption to key council services and systems, including cyber security risks.

2.6. General Fund balances are reserves which have not been set aside for a specific purpose and are used to mitigate the risks of unexpected events and emergencies.

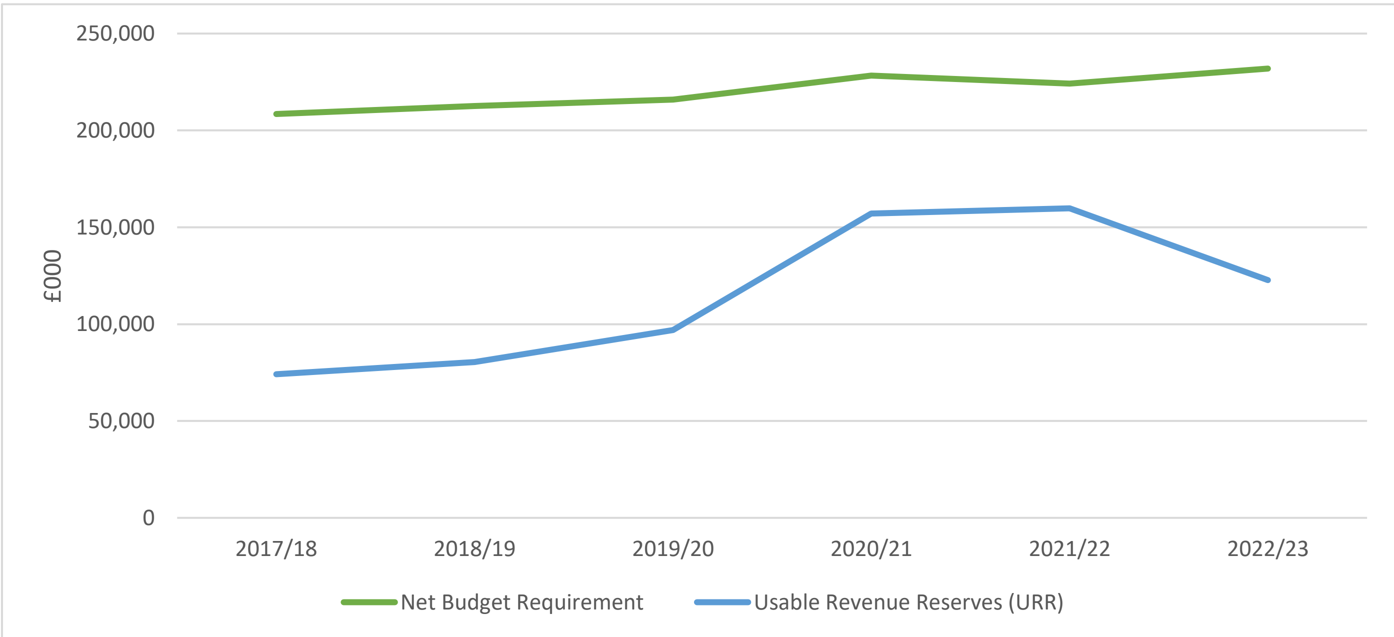
2.7. The figures below analyse the balance of useable revenue reserves over the period from 2017/18 to 2022/23.

Figure 1: Useable Revenue Reserves (Earmarked & General) 2017/18 to 2022/23



2.8. As shown in **Figure 1**, in 2022/23 Islington had £100.990m earmarked reserves representing a 54% increase over the 6-year period. The council had £21.718m of General Fund reserves which is a 149% increase since 2017/18.

Figure 2: Useable Revenue Reserves and Net Budget Requirement 2017/18 to 2022/23



2.9. As shown in **Figure 2**, at 31 March 2023 useable revenue reserves were 53% of the council's 2022/23 net budget requirement. This is a decrease from 2021/22 where useable revenue reserves were the equivalent of 71% of the net budget requirement.

2.10. The council experienced a recent drop in useable earmarked reserves from 2021/22 to 2022/23. Useable earmarked reserves fell by 27% (£37.08m). This is predominantly due to a collection fund related transfer from reserves of £23.800m that will be replenished in 2023/24 and 2024/25, but also due to a greater budget demands in-year – a trend that has continued into 2023/24.

2.11. The above indicators suggest that the council has been able to build financial resilience by contributing to reserves between 2017/18 to 2021/22. Additionally, the council has successfully built-up General Fund balances to £21.718m which will provide more resilience in the case of unexpected events or emergencies.

2.12. However, it should be noted that the council received transitory, additional government funding in the years from 2020/21 to 2021/22 due to the impact of the COVID-19 pandemic. Although this led to an uptick in reserves in the short term, it should be noted that since 2021/22, the council has not received additional funding for COVID-19 pressures but significant additional cost and demand pressures have continued.

2.13. **The recent decline in reserves demonstrates the importance of maintaining (as a minimum) and enhancing levels of reserves (as a preferred strategy) when the council is able to do so, to mitigate the impact of drawdowns when financial circumstances dictate this.**

2.14. Decreasing reserve levels are a key indicator of financial distress in councils. It is important that the medium-term budget makes provision to sustain reserve levels. As recommended in the 2024/25 Budget Report, an absolute Minimum GF Earmarked Reserves Level is set at £60m (combined with the proposed £20m General Balances minimum level).

3. Assets and Liabilities

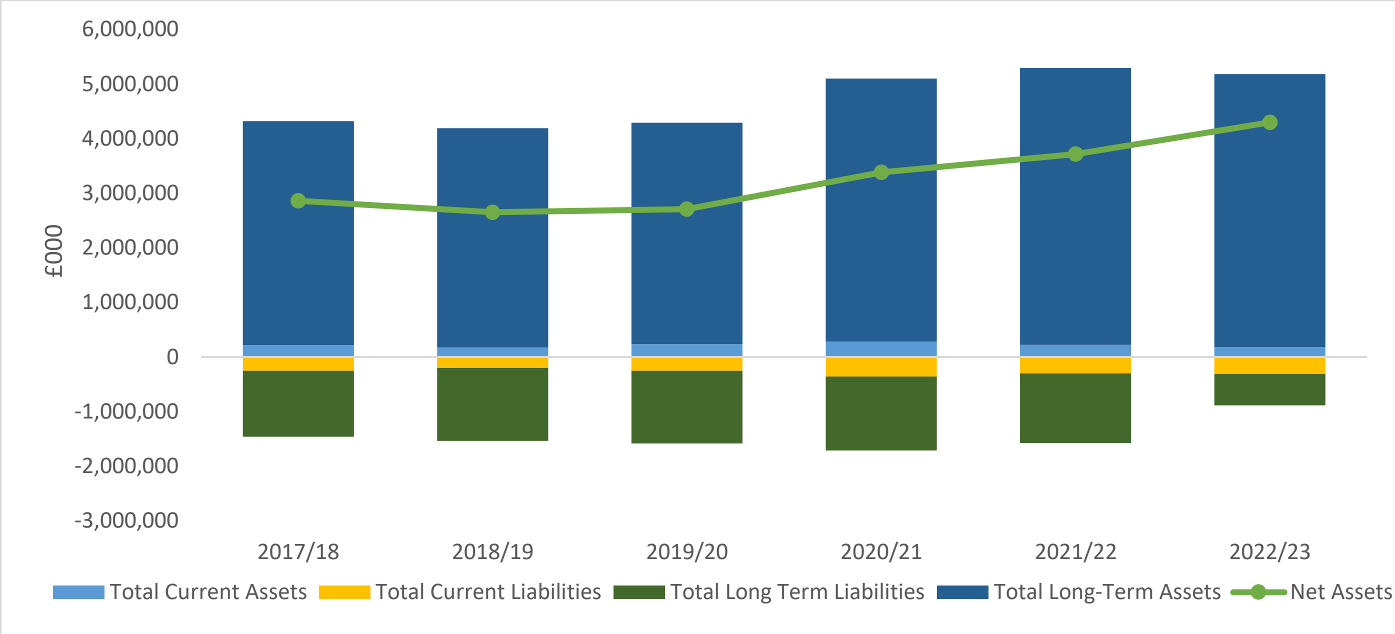
3.1. Assets and liabilities provide information on how financially resilient the council may be in the longer term. Councils tend to have more assets than liabilities due to the prevalence of fixed assets (e.g. buildings) which appreciate in value over time. However, council assets are not always easy to liquidate as public assets (e.g. roads, parks) are seldom sold. Surplus assets have the potential to generate income. For example, investment property is an asset held for this purpose.

3.2. Liabilities on the other hand represent a cost to the council. For example, interest to finance debt will need to be paid off. Therefore, high levels of liabilities imply a future revenue cost.

3.3. The liability related to the defined benefit pensions scheme is usually the most significant liability for the council. The liability predominantly relates to pension owing to past employees. However, pension liabilities change depending upon the latest assumptions on the value of the fund's asset and liabilities. The Pension Fund is set to continue its trajectory of an improving funding level for the 2025 triennial valuation. As a result, there are no anticipated additional pressures in future years resulting from the Pension Fund deficit recovery plan. There could be a small benefit to the MTFS position in 2026/27, but currently this is uncertain.

3.4. Net assets measure an organisation's assets minus its liabilities which includes both long-term and short-term assets and liabilities.

Figure 3: Total Assets and Liabilities 2017/18 to 2022/23



3.5. **Figure 3** shows that the value of Net Assets has increased by 62% over a 6-year period. The liability related to defined benefit pension scheme fell by 76% from 2021/22 to 2022/23. This is predominantly due to an actuarial gain from changes in financial assumptions.

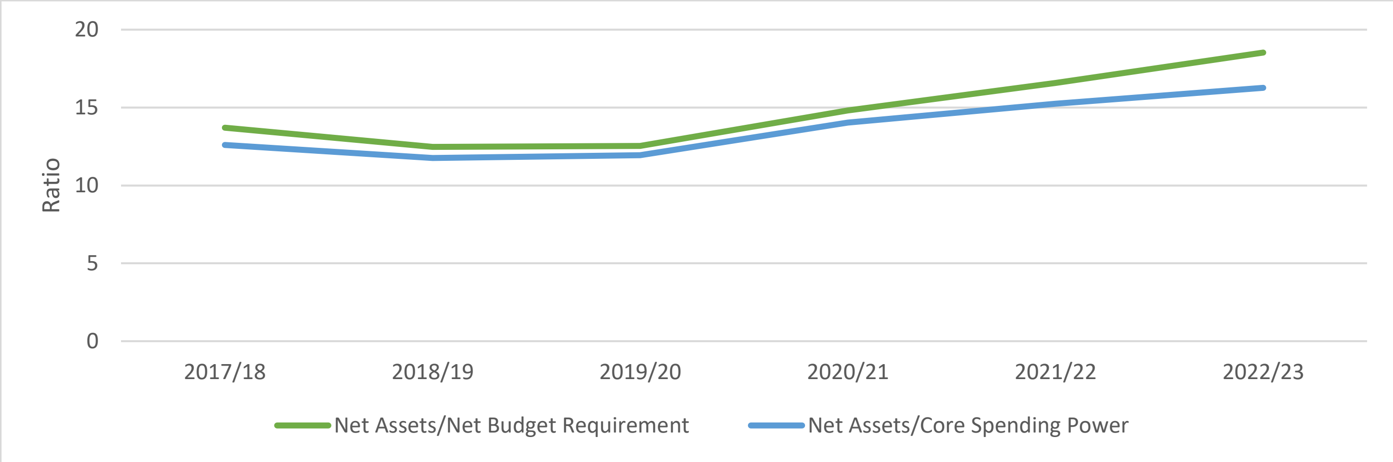
3.6. Assets and liabilities can be split into 'current' (short-term) or 'non-current' (long-term). Consequently, they can provide different information on the short-term and longer-term financial health of an organisation. **Table 1** and **Figure 4** below assess the short-term and long-term sustainability of the council's finances.

Table 1: Current Ratio for 2017/18 to 2022/23

Financial Year	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**
Current Ratio	0.86	0.87	0.90	0.78	0.73	0.58

3.7. Current assets and liabilities can provide insight into the liquidity position of the council. The current ratio of less than 1 could suggest the council will struggle to meet current obligations from its current assets. The ratio of current assets to current liabilities (current ratio) is consistently less than 1 and has declined in the last 4 years. External analysis suggests that the 2022/23 Inner London borough average is 1.22. This is partly linked to the council deferring external borrowing by using cash resources to finance capital expenditure.

Figure 4: Ratio of Net Assets to Net Budget Requirement and Core Spending Power



3.8. The Net Assets to Net Budget Requirement and the Net Assets to Core Spending Power indicators provide insight into the longer-term financial sustainability of an organisation, as they show the number of times the budget and available revenue can be funded though the council's net assets or vice versa.

3.9. The ratio of Net Assets to Net Budget Requirement for 2022/23 is 18.53 compared to 16.57 in 2021/22. This has consistently increased over 5-year period. The ratio of Net Assets to Core Spending Power is 16.27 for 2022/23, an increase from 15.25 in 2021/22.

3.10. Overall, **Figure 3** and **Figure 4** suggest that the council has been able to increase the value of its net assets over the 6-year period, which will support its longer-term financial sustainability. Islington council has seen an increase in the value of its long-term assets, particularly investment properties and property, plant, and equipment, and a decrease in its largest long-term liability in the defined benefit pension liability. If this trend continues, this will help to strengthen the council's longer-term financial sustainability and support its ability to provide vital services.

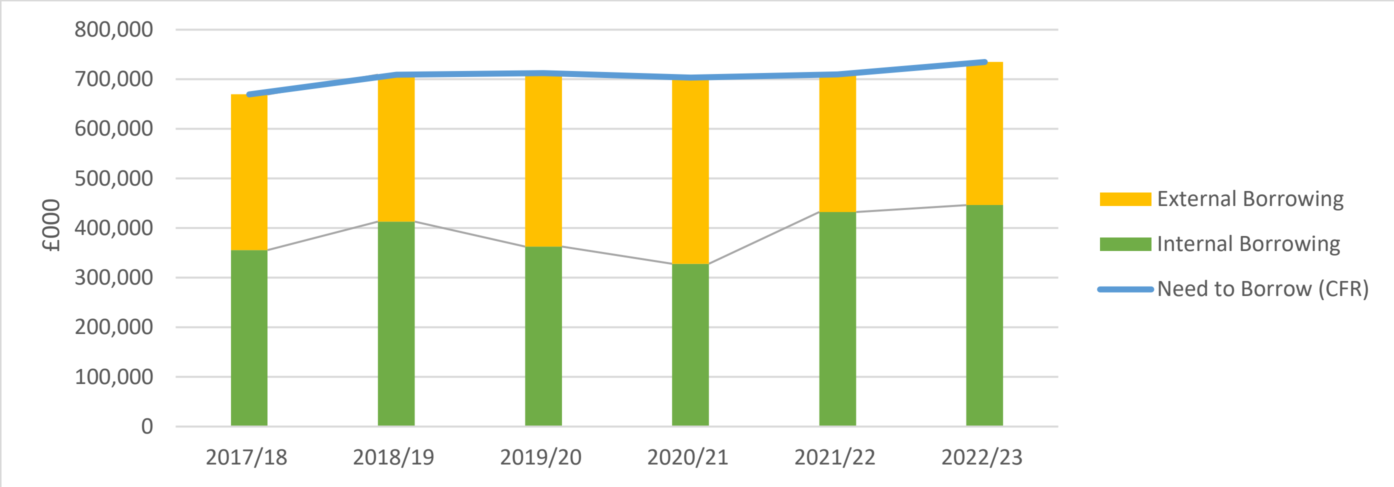
3.11. **Table 1** demonstrates that Islington council consistently has a current ratio of less than 1, and this ratio has been declining over a 4-year period. **If this trend continues, the council may need to borrow to manage its cash position which will expose it to high interest rates. This is a risk going forwards.**

4. Borrowing and other long-term borrowing

4.1. Councils can borrow to finance capital expenditure which is vital to the provision of services such as schools, roads, libraries, and leisure centres. The level of borrowing that a council has depends upon many individual funding decisions taken in previous financial years.

4.2. The capital financing requirement (CFR) measures the historic capital expenditure incurred by the council which has yet to be financed. It represents the council's underlying need to borrow. However, councils can delay external borrowing by temporarily using their own resources to finance the capital expenditure (known as internal borrowing).

Figure 5: Capital Financing Requirement Funded by Internal and External Borrowing



4.3. The CFR has increased by 10% over 6-year period and the extent of internal borrowing has risen by 25% over 6-year period. Internal borrowing as a proportion of CFR in 2022/23 is 61%. External modelling suggests that the Inner London average is 63%.

4.4. Debt gearing is an indicator which represents the council's ability to support the CFR. High debt gearing implies that a council may have difficulty supporting their borrowing. Moreover, high levels of debt have been seen in several councils which have issued S114 notices, notably Woking and Thurrock. **Table 2** shows the debt gearing of Islington council for 2017/18 to 2022/23

Table 2: Debt Gearing from 2017/18 to 2022/23

Financial Year	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Debt Gearing	16.43%	17.74%	17.61%	14.64%	14.03%	14.73%

4.5. External analysis indicates that the Inner London borough average debt gearing in 2022/23 is 20%.

4.6. Overall, the analysis above demonstrates that the council has been able to delay external borrowing despite the increase in CFR. This is partly due to the council utilising internal borrowing to fund the unfinanced capital expenditure. **However, if the CFR continues to increase combined with declining reserve balances (described in Section 3), the council will be required to externally borrow a greater proportion. This is a significant risk as interest rates are currently at a historic high.**

5. Investments and Investment Property

5.1. Councils typically invest for three reasons:

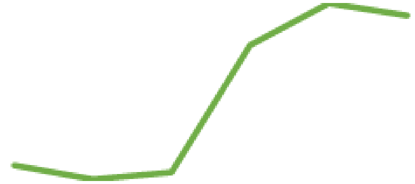
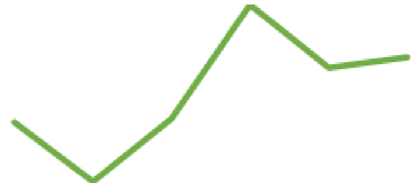
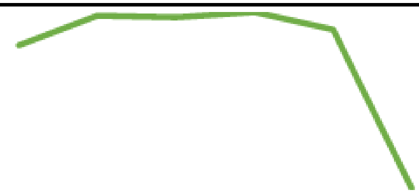
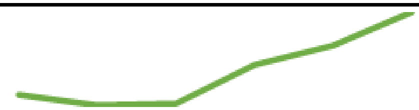
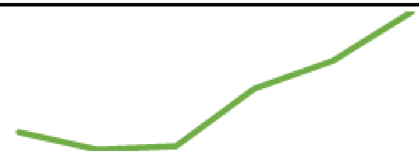
- Investing surplus cash to earn a return and manage the council's cash balance (e.g. when income is received in advance of expenditure)
- Investing to support local services (e.g. local businesses, charities, loans to employees)
- Investing to earn investment income (e.g. purchasing shops or office space which generate rental income, also known as investment property)

5.2. Councils investing in investment property can allow them to generate income from a range of sources. A higher total value of investment property indicates more opportunity to raise income. However, return on investment can vary depending on the type of investment and an investment strategy.

5.3. A number of councils that have issued S114 notices after over-borrowing to fund investment properties or after making risky commercial investments, notably Woking, Thurrock, Slough and Croydon. Hence, analysing the investment activities of a council can provide insight into the financial position and potential risks facing the council.

5.4. Islington council has seen a 40% increase in the value of investment properties over the 6-year period from 2017/18 to 2022/23. However, this increase is mostly due to the increase in the value of currently owned properties rather than the purchasing of new investment properties. The council has not purchased new commercial properties, nor does it plan to in the medium term. **Furthermore, investment properties accounted for only 0.87% of Islington's long-term assets in 2022/23 and generated approximately £1.7m in rental income in 2022/23, demonstrating that investment income only accounts for a small part of Islington's revenue income.**

6. Data

	17/18 £000	18/19 £000	19/20 £000	20/21 £000	21/22 £000	22/23 £000	6-year Trend
Balance Sheet Data							
Property, Plant & Equipment	4,044,359	3,965,375	4,012,229	4,773,583	5,019,139	4,941,918	
Heritage Assets	487	487	487	487	487	487	
Investment Property	31,227	32,675	33,178	32,633	39,259	43,641	
Long Term Investments	10,696	10,752	5,843	813	10,794	10,749	
Long Term Debtors & Prepayments	16,433	8,687	8,498	12,582	6,724	6,158	
Total Long-Term Assets	**4,103,202**	**4,017,976**	**4,060,235**	**4,820,098**	**5,076,403**	**5,002,953**	
Short Term Investments	122,695	85,482	90,452	152,097	95,661	30,676	
Short Term Assets Held for Sale	-	-	-	281	476	1,439	
Inventories	760	1,118	2,183	1,295	1,201	1,769	
Short Term Debtors	76,321	65,737	84,723	116,941	107,147	133,894	
Cash and Cash Equivalents	16,663	20,791	54,206	6,889	14,713	13,651	
Total Current Assets	**216,439**	**173,128**	**231,564**	**277,503**	**219,198**	**181,429**	
Short Term Creditors	142,346	119,530	126,274	184,948	202,727	196,767	
Short Term Borrowing	67,347	30,375	72,888	112,246	31,803	46,006	
Cash and Bank Overdrawn	22,458	24,523	26,474	-	-	26,615	
Short Term Provisions	8,114	12,058	12,452	26,216	27,341	21,439	
Short Term Grants Receipts in Advance	12,185	12,682	18,135	34,175	39,666	19,879	
Total Current Liabilities	**252,450**	**199,169**	**256,224**	**357,586**	**301,538**	**310,707**	
Long Term Provisions	12,119	20,341	21,020	13,001	12,154	19,549	
Long Term Borrowing	246,222	266,109	276,609	263,275	245,604	242,481	
Liability Related to Defined Benefit Pensions Scheme	802,883	916,402	911,488	973,521	916,793	219,084	
Other Long Term Liabilities	123,899	111,188	96,041	82,988	81,841	74,591	
Long Term Grants Receipts in Advance	23,875	26,650	24,218	22,978	23,292	20,643	
Total Long Term Liabilities	**1,208,998**	**1,340,690**	**1,329,376**	**1,355,763**	**1,279,684**	**576,348**	
Net Assets	**2,858,193**	**2,651,245**	**2,706,199**	**3,384,252**	**3,714,379**	**4,297,327**	
Usable Reserves	285,035	284,991	281,145	303,595	313,903	258,824	
Unusable Reserves	2,573,158	2,366,254	2,425,054	3,080,657	3,400,476	4,038,503	
Total Reserves	**2,858,193**	**2,651,245**	**2,706,199**	**3,384,252**	**3,714,379**	**4,297,327**	

***Typically, an upwards trend in long-term assets and reserves and a downwards trend long-term liabilities can be interpreted as the council strengthening its financial position, especially as demand for council services and service costs continue to rise. However, it is worth noting that significantly high levels of reserves could indicate that a council is not effectively using taxpayer's money to provide services and taxpayers are not getting value for money. A balance needs to be struck between providing value for money to current service users and ensuring services can continue to be provided for future service users.**

Other Data	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Net Revenue Requirement (Budget Reports)	208,481	212,546	215,839	228,303	224,096	231,923
Current Resources	284,659	287,370	284,329	272,580	290,690	263,894
Core Spending Power (CSP)	226,982	225,420	226,734	241,173	243,547	264,182
Need to Borrow (CFR)	669,593	709,315	712,411	703,721	709,796	734,849
Capital Equity	3,406,480	3,289,222	3,333,483	4,103,263	4,349,565	4,252,636
External Borrowing	313,569	296,484	349,497	375,521	277,407	288,487
Internal Borrowing	356,024	412,831	362,914	328,200	432,389	446,362

Indicators	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Internal Borrowing % of Need to Borrow (CFR)	53.17%	58.20%	50.94%	46.64%	60.92%	60.74%
Internal Borrowing/Current Resources	125.07%	143.66%	127.64%	120.41%	148.75%	169.14%
Debt Gearing	16.43%	17.74%	17.61%	14.64%	14.03%	14.73%
CFR/CSP	295.00%	314.66%	314.21%	291.79%	291.44%	278.16%
CFR/Current Resources	2.35	2.47	2.51	2.58	2.44	2.78
Net Assets/CSP	12.59	11.76	11.94	14.03	15.25	16.27
Current Resources/CSP	1.25	1.27	1.25	1.13	1.19	1.00
Earmarked reserves (GF)/Net Budget Requirement	31.38%	32.73%	37.18%	61.52%	61.61%	43.54%
URR/Net Budget Requirement	35.56%	37.85%	44.91%	68.82%	71.30%	52.91%
URR/CSP	32.67%	35.69%	42.75%	65.15%	65.61%	46.45%
Current Ratio (Current Assets/Current Liabilities)	0.86	0.87	0.90	0.78	0.73	0.58
Net Assets/Net Budget Requirement	13.71	12.47	12.54	14.82	16.57	18.53

7. Glossary

Indicator	Calculation	Definition
Current Resources	Total Useable Reserves (MIRS) - Collection Fund Adjustment (Unusable Reserves Note) + Financial Instruments RR (Unusable Reserves Note) - Accumulated Absences Account (Unusable Reserves Note)	Current Resources measures the useable revenue and capital reserves, and the reserves balances for collection fund
Useable Revenue Reserves (URR)	General Fund balances + Earmarked General Fund Reserves - Dedicated School Grant Reserve	Reserves which can be used to fund future revenue expenditure
Unusable Reserves	Unusable Reserves	Unusable Reserves are used to hold unrealised gains or losses for assets not yet disposed of and accounting adjustments, which are required by statute. These reserves cannot be used to fund capital or revenue expenditure.
Core Spending Power (CSP)	Derived from Local Government Finance Settlement	CSP is the government’s measure of a local authority’s resources available to fund service delivery. It mainly consists of income from retained business rates, grants, and council tax (assuming that council tax is increased by the maximum allowed without a referendum).
Capital Financing Requirement (CFR)	Derived from Capital Expenditure and Capital Financing note in accounts	This is a measure of the capital expenditure incurred historically by the council which has yet to be financed. This can give an indication of the underlying need to borrow.
Capital Equity	Property, Plant, & Equipment + Heritage Assets + Investment Property + Short term Assets held for sale	The value of fixed assets
Net Budget Requirement	Derived from budget reports	The amount of expenditure which needs to be funded from council tax and general support from central government
External Borrowing	Short Term borrowing + Long term borrowing	The value of short-term and long-term borrowing at 31st March
Internal Borrowing	Capital Financing Requirement - External Borrowing	Internal borrowing arises when the council delays borrowing externally by temporarily using cash it holds for other purpose e.g., earmarked reserves
Internal Borrowing % of Need to Borrow (CFR)	(Internal Borrowing/Capital Financing Requirement) x 100	Shows the proportion of the capital financing requirement which is being financed from internal resources. A high proportion indicates that the council has been able to deter external borrowing.

Indicator	Calculation	Definition
Internal Borrowing/Current Resources	(Internal Borrowing/Current Resources) x 100	Measures the ability of the council to fund internal borrowing from the useable revenue and capital reserves. A higher percentage indicates that the council has fewer resources to enable internal borrowing and may indicate a greater need to externally borrow.
Debt Gearing	(Capital Financing Requirement/Capital Equity) x 100	Compares the underlying need to borrow against the value of fixed assets. A higher percentage indicates a high level of potential borrowing which needs to be supported.
CFR/CSP	(Capital Financing Requirement/Core Spending Power) x 100	Compares the underlying need to borrow against the core revenue funding available to the council. A higher percentage indicates a that there is less revenue available to support the capital expenditure.
CFR/Current Resources	Capital Financing Requirement/Current Resources	Compares the underlying need to borrow against the useable revenue and capital reserves. A higher percentage indicates that there are fewer resources available to support the capital expenditure.
Net Assets/CSP	Net Assets/Core Spending Power	Counts the number of times net assets can be funded by the core revenue funding made available to the council, or vice versa. This can be used to indicate the long-term financial health.
Current Resources/CSP	Current Resources/Core Spending Power	Compares the useable revenue and capital reserves to the core revenue funding made available to the council. A higher ratio indicates that there are more resources available to cover the available revenue.
Earmarked reserves (GF)/Net Budget Requirement	[(Earmarked GF Reserves - Dedicated School Grant Reserve)/Net Budget requirement] x 100	Shows how much of the net budget requirement can be covered by the earmarked general fund reserves. A higher percentage indicates that the council has a greater ability to cover budget shortfalls.
URR/Net Budget Requirement	(Useable Revenue Reserves/Net Budget Requirement) x 100	Compares the useable revenue reserves to the expenditure needed to be funded from council tax and general government support. A higher percentage indicates a greater ability to cover budget shortfalls.
URR/CSP	(Useable Revenue Reserves/Core Spending Power) x 100	Compares the useable revenue reserves to the core revenue funding made available to the council. A higher percentage indicates a greater ability to cover budget shortfalls
Current Ratio	Current Assets/Current Liabilities	The current ratio can be used to measure an organisation's ability to meet its short-term obligations from its current assets. A higher ratio indicates a greater ability to meet short-term obligations.
Net Assets/Net Budget Requirement	Net Assets/Net Budget Requirement	Counts the number of times net assets can be funded by the amount of funding provided by council tax and general government support, or vice versa. This can be used to indicate the long-term financial health.

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		Expenditure Budget						Funding						
Scheme Title	Strategic Priority	23/24 Budget	24/25 Budget	25/26 Budget	26/27 Budget	27/28 - 33/34 Budget	Total	Grant Funding	S106/ Local CIL	Strategic CIL	Capital Receipts	Revenue Contributions & Other	Borrowing	Total Funding
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
16-18 Hornsey Road	Fairer Together	0.330	-	-	-	-	**0.330**	-	-	-	-	-	(0.330)	**(0.330)**
Adventure Playgrounds - Cornwallis Adventure Playground	Child-Friendly Islington	0.299	-	-	-	-	**0.299**	-	-	-	-	-	(0.299)	**(0.299)**
Adventure Playgrounds - Martin Luther King	Child-Friendly Islington	0.177	-	-	-	-	**0.177**	-	-	-	-	-	(0.177)	**(0.177)**
Early Years and Children's Centres	Child-Friendly Islington	0.068	-	-	-	-	**0.068**	-	-	-	-	-	(0.068)	**(0.068)**
Hayward Adventure Playground	Child-Friendly Islington	0.025	1.409	-	-	-	**1.434**	(0.295)	(0.283)	-	-	-	(0.856)	**(1.434)**
High Needs Provision Allocation	Child-Friendly Islington	0.310	2.229	2.229	2.228	-	**6.996**	(6.996)	-	-	-	-	-	**(6.996)**
Schools - Tufnell Park School Expansion	Child-Friendly Islington	0.020	-	-	-	-	**0.020**	-	-	-	-	-	(0.020)	**(0.020)**
Lift Building Development	Community Wealth Building	0.477	-	-	-	-	**0.477**	-	-	-	-	-	(0.477)	**(0.477)**
Packington Nursery Expansion	Child-Friendly Islington	0.180	0.240	-	-	-	**0.420**	-	-	-	-	-	(0.420)	**(0.420)**
New River College SEND/Elthorne	Child-Friendly Islington	1.894	1.896	-	-	-	**3.790**	(1.717)	-	-	-	-	(2.073)	**(3.790)**
Prior Weston Primary School Playground Redevelopment	Child-Friendly Islington	0.070	0.318	-	-	-	**0.388**	-	(0.388)	-	-	-	-	**(0.388)**
Schools - Schools Condition Schemes	Child-Friendly Islington	2.500	2.669	1.400	1.400	8.400	**16.369**	(14.573)	-	-	-	-	(1.796)	**(16.369)**
The Zone Youth Club	Child-Friendly Islington	0.158	-	-	-	-	**0.158**	-	(0.108)	-	-	-	(0.050)	**(0.158)**
Toffee Park & Radnor St Gardens	Child-Friendly Islington	0.123	2.813	0.233	-	-	**3.169**	-	(1.513)	-	-	-	(1.656)	**(3.169)**
Finsbury Leisure Centre Redevelopment	Community Wealth Building	1.200	1.728	10.922	16.342	2.369	**32.561**	-	(0.426)	(1.276)	-	-	(30.859)	**(32.561)**
Adult social care commissioned services	Greener, Healthier Islington	0.028	-	-	-	-	**0.028**	-	-	-	-	-	(0.028)	**(0.028)**
Compliance and Modernisation	Community Wealth Building	3.000	2.188	1.938	1.937	7.970	**17.033**	-	-	-	-	-	(17.033)	**(17.033)**
Fully Funded Small S106/CIL Schemes	Greener, Healthier Islington	4.586	-	-	-	-	**4.586**	-	(4.586)	-	-	-	-	**(4.586)**
Disability/Accessibility Works	Fairer Together	0.850	1.000	1.000	1.150	-	**4.000**	-	-	-	-	-	(4.000)	**(4.000)**
Future Work Phase 2	Community Wealth Building	3.147	-	-	-	-	**3.147**	-	-	-	-	-	(3.147)	**(3.147)**
Libraries - Islington Museum and Local History Centre	Community Wealth Building	0.100	0.174	-	-	-	**0.274**	-	-	-	-	-	(0.274)	**(0.274)**
Libraries - South Library	Community Wealth Building	0.307	-	-	-	-	**0.307**	-	-	-	-	-	(0.307)	**(0.307)**
Libraries Modernisation	Community Wealth Building	0.048	0.050	0.069	-	-	**0.167**	-	-	-	-	-	(0.167)	**(0.167)**
Mildmay Library	Community Wealth Building	0.300	0.550	-	-	-	**0.850**	-	-	-	-	-	(0.850)	**(0.850)**
Vorley Road Library	Community Wealth Building	0.084	1.054	2.261	1.727	0.247	**5.373**	-	-	-	-	-	(5.373)	**(5.373)**
Chapel Market	Community Wealth Building	1.076	-	-	-	-	**1.076**	(1.055)	(0.021)	-	-	-	-	**(1.076)**
Greenspaces - Barnard Park Renewal	Greener, Healthier Islington	1.300	2.798	-	-	-	**4.098**	-	(2.248)	-	-	-	(1.850)	**(4.098)**
Greenspaces - Bingfield Park (including Crumbles Castle legacy)	Greener, Healthier Islington	0.570	0.070	-	-	-	**0.640**	-	(0.319)	-	-	-	(0.321)	**(0.640)**
Greenspaces - Highbury Bandstand/Highbury Fields	Greener, Healthier Islington	0.034	1.428	-	-	-	**1.462**	-	(0.245)	-	-	-	(1.217)	**(1.462)**
Greenspaces - Park Improvements	Greener, Healthier Islington	0.029	-	-	-	-	**0.029**	-	-	-	-	-	(0.029)	**(0.029)**
Isledon Road Gardens	Greener, Healthier Islington	0.424	-	-	-	-	**0.424**	-	(0.424)	-	-	-	-	**(0.424)**
Wray Crescent Cricket Pavilion	Greener, Healthier Islington	0.412	1.143	-	-	-	**1.555**	(0.150)	(0.055)	-	-	-	(1.350)	**(1.555)**
29-33 Old Street	Community Wealth Building	0.400	3.600	-	-	-	**4.000**	-	-	-	-	-	(4.000)	**(4.000)**
Automated Public Toilets	Community Wealth Building	0.200	0.762	-	-	-	**0.962**	-	-	-	-	-	(0.962)	**(0.962)**
Community Wealth Building Total		**24.726**	**28.119**	**20.052**	**24.784**	**18.986**	**116.667**	**(24.786)**	**(10.616)**	**(1.276)**	**-**	**-**	**(79.989)**	**(116.667)**
Bunhill Energy Centre Phase 2	Community Wealth Building	0.796	-	-	-	-	**0.796**	-	-	-	-	-	(0.796)	**(0.796)**
Clerkenwell Green	Community Wealth Building	1.055	-	-	-	-	**1.055**	-	(1.055)	-	-	-	-	**(1.055)**
Corporate CCTV Upgrade	A Safe Place to Call Home	1.200	1.554	-	-	1.400	**4.154**	-	-	-	-	-	(4.154)	**(4.154)**
Energy - Decarbonisation Schemes	Greener, Healthier Islington	4.546	3.986	-	-	-	**8.532**	(3.032)	-	-	-	-	(5.500)	**(8.532)**
External S106/CIL Schemes	Greener, Healthier Islington	0.404	-	-	-	-	**0.404**	-	(0.404)	-	-	-	(0.000)	**(0.404)**
Greening the Borough	Greener, Healthier Islington	0.400	0.760	-	-	-	**1.160**	-	-	-	-	-	(1.160)	**(1.160)**

		Expenditure Budget						Funding						
Scheme Title	**Strategic Priority**	**23/24 Budget**	**24/25 Budget**	**25/26 Budget**	**26/27 Budget**	**27/28 - 33/34 Budget**	**Total**	**Grant Funding**	**S106/ Local CIL**	**Strategic CIL**	**Capital Receipts**	**Revenue Contributions & Other**	**Borrowing**	**Total Funding**
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
GreenSCIES (New River Heat Network)	Greener, Healthier Islington	0.094	-	-	-	-	**0.094**	(0.094)	-	-	-	-	-	**(0.094)**
Greenspaces - 3G Football Pitch Replacement	Greener, Healthier Islington	-	-	-	0.781	-	**0.781**	-	-	-	-	-	(0.781)	**(0.781)**
Greenspaces - New River Walk	Greener, Healthier Islington	0.103	-	-	-	-	**0.103**	-	-	-	-	-	(0.103)	**(0.103)**
Highways - Highways	Community Wealth Building	1.423	1.400	1.400	1.400	8.400	**14.023**	-	-	-	-	-	(14.023)	**(14.023)**
Islington Heat Networks	Greener, Healthier Islington	-	-	-	-	19.241	**19.241**	-	-	-	-	-	(19.241)	**(19.241)**
Leisure - Floodlight Upgrades	Greener, Healthier Islington	-	-	-	0.095	-	**0.095**	-	-	-	-	-	(0.095)	**(0.095)**
Leisure - Sobell Leisure Centre	Greener, Healthier Islington	0.428	-	-	-	-	**0.428**	-	-	-	-	-	(0.428)	**(0.428)**
Leisure - Strategic Provision	Greener, Healthier Islington	1.115	1.299	-	0.500	4.500	**7.414**	-	-	-	-	-	(7.414)	**(7.414)**
Leisure - Tufnell Park all-weather pitch	Greener, Healthier Islington	0.196	-	-	-	-	**0.196**	-	-	-	-	-	(0.196)	**(0.196)**
People Friendly Streets - Liveable Neighbourhoods, Low Traffic Neighbourhoods & School Streets	Greener, Healthier Islington	2.368	3.653	3.252	3.500	12.650	**25.423**	-	(0.396)	-	-	-	(25.027)	**(25.423)**
Public Realm - Fortune Street Area	Greener, Healthier Islington	0.592	-	-	-	-	**0.592**	-	-	-	-	-	(0.592)	**(0.592)**
Public Realm - Kings Square Shopping Area Public Space	Greener, Healthier Islington	0.597	-	-	-	-	**0.597**	-	(0.597)	-	-	-	-	**(0.597)**
Public Realm - Old Street/Clerkenwell Road	Greener, Healthier Islington	0.200	0.200	0.600	-	-	**1.000**	-	(0.250)	-	-	-	(0.750)	**(1.000)**
Public Realm - St Johns Street Public Realm Improvements	Greener, Healthier Islington	1.004	0.300	-	-	-	**1.304**	-	(1.304)	-	-	-	0.000	**(1.304)**
Recycling Site Improvement & Estate Recycling and Refuse Bin Storage	Greener, Healthier Islington	-	-	-	-	0.600	**0.600**	-	(0.600)	-	-	-	-	**(0.600)**
Street Lighting - LED upgrades	Greener, Healthier Islington	0.198	-	-	-	-	**0.198**	-	-	-	-	-	(0.198)	**(0.198)**
Traffic & Parking - Cycle Schemes	Greener, Healthier Islington	0.450	0.450	0.450	0.450	2.700	**4.500**	-	-	-	-	-	(4.500)	**(4.500)**
Traffic & Parking - Electric Vehicle Charging Points	Greener, Healthier Islington	0.215	0.653	0.560	0.560	0.960	**2.948**	(1.293)	-	-	-	-	(1.655)	**(2.948)**
Traffic & Parking - Safety Schemes	Greener, Healthier Islington	0.455	0.500	0.500	0.500	3.000	**4.955**	-	-	-	-	-	(4.955)	**(4.955)**
Traffic & Parking - Traffic Enforcement/Parking	Greener, Healthier Islington	0.290	0.300	0.300	0.300	1.800	**2.990**	-	-	-	-	-	(2.990)	**(2.990)**
Parking - Extension of CPZ	Greener, Healthier Islington	-	1.085	-	-	-	**1.085**	-	-	-	-	-	(1.085)	**(1.085)**
Vehicle fleet electrification (infrastructure)	Greener, Healthier Islington	0.999	0.629	0.629	1.953	-	**4.210**	-	-	-	-	-	(4.210)	**(4.210)**
Vehicle Replacement	Greener, Healthier Islington	2.908	1.969	2.000	2.000	20.990	**29.867**	-	-	-	-	-	(29.867)	**(29.867)**
Mull Walk & Pritchard Court - Welfare facilities upgrade	Greener, Healthier Islington	0.052	-	-	-	-	**0.052**	-	-	-	-	-	(0.052)	**(0.052)**
People-friendly Streets borough-wide roll out - Camera enforcement	Greener, Healthier Islington	0.400	0.470	0.560	0.975	1.500	**3.905**	-	-	-	-	(2.930)	(0.975)	**(3.905)**
Food Waste Collection for Flats	Greener, Healthier Islington	-	0.500	-	-	-	**0.500**	-	-	-	-	-	(0.500)	**(0.500)**
Environment Total		**22.487**	**19.708**	**10.251**	**13.014**	**77.741**	**143.201**	**(4.419)**	**(4.606)**	**-**	**-**	**(2.930)**	**(131.246)**	**(143.201)**
Current New Build Programme - General Fund Open Market Sales Units	A Safe Place to Call Home	5.309	7.400	1.062	-	-	**13.771**	-	-	-	(13.771)	-	-	**(13.771)**
Pipeline New Build Programme - General Fund Open Market Sales units	A Safe Place to Call Home	2.633	12.681	43.567	40.541	5.416	**104.838**	-	-	-	(104.838)	-	-	**(104.838)**
Housing General Fund Total		**7.942**	**20.081**	**44.629**	**40.541**	**5.416**	**118.609**	**-**	**-**	**-**	**(118.609)**	**-**	**-**	**(118.609)**
General Fund Total		**55.155**	**67.908**	**74.932**	**78.339**	**102.143**	**378.477**	**(29.205)**	**(15.222)**	**(1.276)**	**(118.609)**	**(2.930)**	**(211.235)**	**(378.477)**
Thriving Neighbourhoods Scheme	A Safe Place to Call Home	3.641	5.174	3.200	-	-	**12.015**	-	-	(12.015)	-	-	-	**(12.015)**
Major Works and Improvements	A Safe Place to Call Home	48.675	53.198	53.198	53.198	375.502	**583.771**	-	(4.228)	-	(87.404)	(385.306)	(106.833)	**(583.771)**

Appendix F: Capital Programme (2024/25 Budget Report)

		Expenditure Budget						Funding						
Scheme Title	Strategic Priority	23/24 Budget	24/25 Budget	25/26 Budget	26/27 Budget	27/28 - 33/34 Budget	Total	Grant Funding	S106/ Local CIL	Strategic CIL	Capital Receipts	Revenue Contributions & Other	Borrowing	Total Funding
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Current New Build Programme - HRA Social Rented Units	A Safe Place to Call Home	40.092	35.879	2.589	0.350	-	**78.910**	-	-	-	(9.317)	(40.041)	(29.552)	**(78.910)**
Pipeline New Build Programme - HRA Social Rented Units	A Safe Place to Call Home	3.364	15.257	50.650	43.788	5.749	**118.808**	-	-	-	(50.896)	(13.217)	(54.695)	**(118.808)**
Property Acquisitions	A Safe Place to Call Home	71.802	129.233	-	-	-	**201.035**	(89.507)	-	-	-	-	(111.528)	**(201.035)**
HRA Total		**167.574**	**238.741**	**109.637**	**97.336**	**381.251**	**994.539**	**(89.507)**	**(4.228)**	**(12.015)**	**(147.617)**	**(438.564)**	**(302.608)**	**(994.539)**
Total Capital Programme		**222.729**	**306.649**	**184.569**	**175.675**	**483.394**	**1,373.016**	**(118.712)**	**(19.450)**	**(13.291)**	**(266.226)**	**(441.494)**	**(513.843)**	**(1,373.016)**

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Appendix F: Budget 2024/25 Cumulative Equalities Impact Assessment

1. Purpose of Report

This report assesses the equalities impacts of the savings proposals set out in the Council's Budget for 2024/25.

It provides an assessment of the likely impacts of the budget savings on residents and employees with 'protected characteristics' as defined by the Equality Act 2010. It also considers the impacts on those who could be considered at a disadvantage in accessing opportunities or services (such as people with language difficulties or from low-income households), which is also a consideration in Islington's Equality Impact Assessment process.

The report assesses the overall impacts of the suite of savings proposals (cumulative impact) set out in the 2024/25 budget on residents and staff. It also provides a more detailed review – by specific groups and by directorate – of the cumulative impacts of previously agreed savings set out last year, and in this new budget, on specific groups, and the actions to reduce or mitigate these impacts.
There are significantly fewer savings proposals this year than there were last year, as the identification and delivery of savings gets more challenging every year.

2. Context

Our commitment to fairness and equality

Our Islington Together 2030 strategy sets out the Council's vision to make Islington a more equal place – to create a place where everyone, whatever their background, has the same opportunity to reach their potential and enjoy a good quality of life.

Challenging inequality, racism and injustice is mission critical for Islington. We cannot realise our vision of creating a more equal borough for all our residents without tackling the inequality that continues to hold back some communities. Our 'Challenging Inequality Programme' sets out our long-term ambition for challenging inequality, inequity, racism and promoting inclusion. We are determined to improve life chances for our residents and staff, ensuring no-one is left behind.

We want to challenge inequality in every capacity available to us, taking advantage of our position as an employer, strategic leader and as a service provider/ commissioner.

Our EQIA Process

Equality impact assessments are an important part of ensuring our services are responsive to the needs of our diverse communities and help tackle inequality, creating a fairer more equal borough for all.

In Autumn 2021, we introduced a new EQIA process to improve efficiency and quality assurance. Each of the savings' proposals set out in this budget have been considered through an equalities lens, with initial screening of all proposals completed via our EQIA Screening Tool. Where the screening tool identified significant potential (or perceived) negative or positive impacts, a full

Equalities Impact Assessment was completed to mitigate any risks or maximise potential benefits. The Equalities Team was closely involved in all aspects of this process, working with services to identify potential or perceived impacts.

These individual assessments have been used to inform this overall cumulative assessment of the impacts of our budget savings proposals on residents and staff and on any specific group.

Our priorities

Over the next decade we will maintain a relentless focus on tackling inequality and eradicating poverty in our borough. To bring this vision to life, we have five clear missions outlined in our Islington Together 2030 Plan:

- Child Friendly Islington: Islington is a place where all children and young people are rooted in a community where they feel safe, can thrive and are able to be part of and lead change.
- Fairer Together: everyone in Islington who needs extra help can access the right support for them at the right time and in the right place.
- Safe Place to Call Home: everyone in Islington has a safe, decent affordable place to call home.
- Community Wealth Building: there is a sustainable inclusive, and locally rooted economy in Islington, where wealth is fairly-shared and residents and businesses feel they have a stake in their community.
- Greener, Healthier Islington: people in Islington can live healthy and enjoy London's greenest, cleanest and healthiest neighbourhoods.

Our legal duties

Under Section 149 of the Equality Act 2010, the Council has a legal duty to have "due regard" to the need to:

- eliminate unlawful discrimination, harassment and victimisation
- advance equality of opportunity and
- foster good relations between different groups.

The precise wording of the Public Sector Equality Duty (PSED), together with a list of the 'protected characteristics' defined in the Act, is set out at **Annex A**.

We are required to demonstrate fulfilment of our duty to pay 'due regard' in the decision-making process and, as such, we need to understand the effect our policies and practices have on equality. Although the Council is not legally obligated to reject savings or growth proposals that could have negative impacts on any particular groups, it must carefully and with rigour consider the impact of its proposals on the PSED, take a reasonable and proportionate view about the overall impact on particular groups, and seek to mitigate negative impacts where possible.

In addition, at Islington we go above and beyond our legal duties to consider impacts on those who could be considered at a disadvantage in accessing opportunities or services. This includes people from low-income households, carers, migrants, refugees and people with No Recourse to Public Funds (NRPF), and those with low literacy levels.

Our diverse population

Islington is an Inner London borough with a diverse population. Data from our 2022 State of Equalities report paints a profile of Islington as a place and of our diverse communities:

- Population: The population of Islington is estimated to be 245,827 in 2022. This is an increase of approximately 19% (39,189 people) since 2011. It is estimated that our population will grow by a further 2.7% (6,600 people) over the next 10 years. Islington is the most densely populated local authority area in England and Wales, with 16,699 people per square km. This is almost triple the London average and more than 38 times the national average.
- Age: Islington has a relatively young population: 9% of the population is aged over 65, compared with an average of 12% in London and 19% in England. Twenty-eight pe cent of children under 16 live in low income households, and 61% of secondary school pupils are eligible for the deprivation Pupil Premium, a grant aimed at raising the attainment of disadvantaged pupils.
- Ethnicity: Islington is a diverse borough, with Black, Asian or Minority Ethnic groups accounting for 32% of our population. 32% of residents are estimated to be born outside of the UK, compared to a national average of 14%.
- Children growing up in Black, Asian or Minority Ethnic households in Islington are more likely to be living in poverty in comparison to white children.
- Sex: The proportion of men and women in the borough is roughly 50/50. However, there are variations in life expectancy between men and women. Life expectancy at birth for men in Islington is 79.5 years, whilst women in Islington have a longer life expectancy of 83.2 years.
- 93% of lone parents with dependent children are female. This is significant because unemployment rates among lone parents are far higher than the wider population - this is likely to affect household income and therefore deprivation levels. In Islington 56% of lone parents are not in employment while just 21% are in full-time employment – half the figure for the wider population.
- Disability: In May 2021, there were 5,157 Disability Living Allowance claimants in Islington. The estimated number of Islington residents with a disability in 2022 is 34,416, or 14% of the population. There are 3930 people in Islington living with a serious mental illness, the fourth highest prevalence of serious mental illness in London.
- National research has demonstrated that disabled jobseekers need to apply for 60% more jobs than their non-disabled counterparts.
- Socio-economic: Islington is the most deprived borough in London for income deprivation affecting children, and fourth highest for income deprivation affecting older people. Poverty is an issue in every part of the borough: almost every ward includes one of the most deprived LSOAs in Islington. Finsbury Park is the most deprived ward. As mentioned above, children in Black and Minority Ethnic households or in lone parent households, and households with a disabled person, are more likely to be living in poverty.
- Housing: Islington has a relatively high proportion of social housing. Those in social housing are more likely to be on low income, though increasingly we are seeing households in the private rented sector struggling. Both social and private sector tenants who have moved to Universal Credit have seen increased levels of debt, which may put their tenancies at risk.

The impact of the cost-of-living crisis

The cost-of-living crisis has put further pressure on households who were already struggling. In Islington there are more than 11,500 families living in fuel poverty, and 27,400 people in households receiving housing benefit or council tax support. Many households who are just about managing will also soon start to see a decrease in their financial resilience.

Businesses in Islington are closing at the fastest rate since 2017, faced with uncertainty on energy bills and soaring costs for services, labour, and raw materials. In addition, some businesses are already experiencing a drop in consumer spend (e.g., delivery food items) and this is only expected to increase as households reduce discretionary spend. At the same time, the number of businesses carrying debt has more than doubled, initially because of the pandemic, and now increasing because of increased supply and borrowing costs.

In September 2022, the Council declared a "cost of living emergency" and pledged to do all it can to help the tens of thousands of residents likely to be hit hardest by spiralling energy and food costs and soften the blow for local small and medium-sized businesses.

Despite ongoing pressures on local authority funding, the Council continues to provide a comprehensive range of support for vulnerable and low-income households and to support local businesses and communities. In addition to the core support offer, a range of additional support is being delivered or planned, including ensuring any government grants are targeted as effectively as possible in support of the cost-of-living crisis and distributed as quickly as possible.

Islington's response to the cost-of-living crisis sets out the full range of actions which Islington is taking to protect residents and businesses.

The scale of the challenge

This year, as in previous years, we have made every endeavour to protect those in greatest need and at most risk. Where possible, savings focus on optimising efficiencies in service delivery. However, some reductions in services have been unavoidable. Where this is the case, we have assessed the potential impact on groups with protected characteristics. In Islington, with high levels of poverty and deprivation, we also consider socio-economic disadvantage when assessing the impacts of changes to policies and services.

3. Equalities Impacts: overall cumulative impact

The overall assessment is that there is a **potential neutral impact** because of the budget savings proposals for 2024/25. Much of this is due to the current climate we find ourselves in with the cost-of-living crisis impacting the lives of our residents. Whilst many of these decisions are taken nationally by government, it is the council that feels the brunt of them with even less funding to support those most in need.

The Chancellor's Autumn statement will be presented on the 22nd of November 2023, with measures that will impact citizens throughout the United Kingdom; however, the nature of these impacts are yet to be determined. The savings proposed as part of this budget are essential to be able to continue to deliver services to the most vulnerable. But within this challenging context any savings impacting residents are likely to exacerbate their difficult circumstances.
The budget sets out **24** new proposals, which will deliver savings of around **£5.551m** in 2024/25. This is in addition to **£5.269m** savings for 2024/25 agreed in last year's budget.

The majority of savings for this year will come from council tax and tariff fee rises or changes, service restructures, maximising use of the various funding streams the Council has access to, and making better use of technology. These will result in 'back office' changes with small impacts on staff. Whilst we do not expect residents to be significantly impacted, there may be knock on impacts produced by these changes.

The majority of these impacts were not deemed significant enough to progress to a full EQIA, or had robust enough mitigation in place to mitigate fully against any negative impacts. However, 8 of the new savings proposals submitted for 2024/25 progressed to a full EQIA, and 2 will require a full EQIA at a later stage.

The 8 full EQIAs identified potential negative impacts on:

- Residents
- Service users
- Staff

<u>Impacts on residents</u>

There are a small number of changes to universal services and charges, and these have the potential to affect all residents. The key proposals are:

- Extend controlled parking zone enforcement
- Extend controlled parking zone hours
- Council Tax and Adult Social Care precept increase
- Contact Centre Rationalisation

The proposal to extend parking zone enforcement involves increasing the maximum parking charge for electric vehicles from £2 to £4. It also involves reversing a decision to provide free visitor vouchers and flat rate parking charges in two controlled parking zones (CPZ) and adding a £1 surcharge to all short stay parking sessions purchased during 10am to 1pm in all CPZ's except those with part day restrictions. The times that parking controls are active also being extended in 3 CPZ's in the south of the borough, from 6.30pm to midnight.

These proposals will affect all residents but will disproportionality impact residents that are reliant on cars as a means of travel. The Environment and Commercial Operations Division will mitigate the impact of extending parking zone enforcement and parking controls by signposting residents to the resident voucher scheme. Residents with parking permits will also be exempt from paying additional fees.

Residents will see a small increase in their Council Tax, including the Adult Social Care precept. However, the most vulnerable residents will continue to be protected. Older people and those on low incomes remain eligible for subsidised Council Tax through our Council Tax Support Scheme, and Islington's Resident Support Scheme continues to provide a safety net for those in crisis and facing severe financial hardship.

Residents who contact Islington Council should hopefully have a better customer experience because of the contact centre rationalisation project, which seeks to merge all three contact centres into one. Running parallel to this, staff members within Access Islington will be upskilled to deal with enquiries relating to different subject matter so residents can be effectively signposted to the correct support if they are not automatically directed to the relevant department.

The council has also taken steps to protect vulnerable residents through its response to the cost of living crisis, which has included work with voluntary sector partners to maximise the borough's collective offer, including the rollout of warm spaces, a communications campaign to increase awareness and take up of the support which is available to residents, and a core offer of financial and other support (e.g., the work of the Income Maximisation team).

<u>Impacts on specific service users</u>

Most of the proposed changes will have no impact on service users, as the savings focus on contracts, 'back office' staffing, the deletion of vacancies, changes to funding sources, and the removal of excess budgets where there is currently an underspend.

However, four proposals could impact specific groups of service users. The proposals are:

- Review, re-design and re-procurement of the Adult Social Care Wellbeing Service
- Introduction of a charging policy for Assistive Technology
- Implement eligibility and charging policies for people receiving legacy Supporting People services
- Repurpose school premises houses

The proposal to review and re-design the Wellbeing Service will have a positive impact on services users within Islington, specifically those over the age of 50 as the service will focus on this group; however, the service will continue to be open to all adults over the age of 18. The proposal seeks to enhance these benefits by aligning with existing Early Intervention and Prevention offers and becoming more outcomes focused.

Both, the introduction of a charging policy for assistive technology and legacy supporting people services will ultimately have a negative impact on service users. To access these services, service users will now have to undergo a financial means assessment to determine their ability to pay for services that they receive from Islington. Depending on income, savings and disability related expenditure, this may be more than what they were previously paying, and they may lose access to specific services that were previously free if they decide to not pay for them.

Whilst these policies will negatively impact users, the financial means assessment is designed to ensure that income-deprived service users are still able to access the services they require from the council at a rate that is affordable to them. This is made possible due to the charging scale implemented in both policies, which charge residents based on their relative material circumstances.

The proposal to repurpose school premises houses will have a positive impact on service users who are comprised of foster carers and children in care, with black and global majority children being of particular benefit to this proposal due to their overrepresentation within the care system. The proposal will benefit service users by keeping children in care closer to their local area and services, whilst providing them with suitable and supportive foster carers and accommodation.

Impacts on staff

Most staff savings and efficiencies will come from deleting / not recruiting to vacant posts, so there will be no direct impact on most staff or specific protected characteristics. One proposal could lead to redundancies; however, this would be voluntarily agreed with staff who will be compensated accordingly. These staffing changes are subject to consultation and are not expected to have any negative impacts on protected groups.

Of the proposals that did not progress to a full EQIA, there were potential impacts – with mitigating action in place – on the following groups:

- Service users
- Residents
- Staff

The potential impacts experienced by staff have been elaborated on in Section 6: Staffing Impacts, of this report. However, as these impacts were not significant enough to progress to a full EQIA, they have been outlined in section 5 in the summary of all proposals.

Overall equalities impact assessment

Looking at the totality of the savings to be delivered in 2024/25, the impacts on Islington residents and service users are assessed as follows:

- The proposals could negatively impact residents who are more likely to face parking zone enforcement and parking controls, which will increase the cost of parking for residents. Additionally, residents will be impacted by the council increase the council tax rate. These impacts will be mitigated through parking vouchers to reduce the impact of higher parking fees, and vulnerable residents will also be signposted to the Council Tax Support Scheme, Resident Support Scheme, and other initiatives to help mitigate costs and maximise income.
- The proposals may also positively impact service users, specifically adults over the age of 50 and black and majority global children, who are likelier to acquire the needs to of the Wellbeing Service and are overrepresented within the care system, respectively. Other proposals will have a negative impact on service users through introducing charging policies on assistive technology and legacy supporting people services. Service users may have to pay for services that they previously acquired for free; however, due to a charging scale being implemented, service users who have lower salaries and less savings will pay less than those who have more.
- Considering the extremely challenging fiscal situation and the need for services to remain financially sustainable, the conclusion is that the Council's proposals for achieving savings are considered reasonable and have shown due regard to the Public Sector Equality Duty.

4. Equalities groups impacted by savings proposals

This section looks in more detail at the impacts of specific proposals on protected characteristics and on socio-economic disadvantage. It includes proposals from this year's budget that have a potential equalities impact.

Based on individual Equalities Impact Assessments the following protected characteristics are **potentially negatively impacted** by one or more of the savings proposals for 2024/25:

Characteristic	Proposal	Directorate
Age (older people)	• Introduction of a charging policy for Assistive Technology • Implement eligibility and charging policies for people receiving legacy Supporting People services	Adult Social Care Adult Social Care
Disability	• Introduction of a charging policy for Assistive Technology • Implement eligibility and charging policies for people receiving legacy Supporting People services	Adult Social Care Adult Social Care
Socio-economic	• Introduction of a charging policy for Assistive Technology • Implement eligibility and charging policies for people receiving legacy Supporting People services	Adult Social Care Adult Social Care

There are no disproportionate impacts relating to:

- Race and ethnicity
- Religion or belief
- Maternity or pregnancy
- Marriage and civil partnership
- Sexual orientation
- Gender reassignment

5. Savings proposals and impacts – by directorate

This section provides a detailed assessment by Directorate of those savings proposals – both new and existing - that will potentially impact specific groups. This includes proposals that necessitated full EQIAs as well as proposals that only necessitated completion of an EQIA screening tool – i.e. the proposal did not demonstrate a significant (negative or positive) equalities impact.

a) Council wide

New savings:

Three cross-cutting proposals were submitted, none of which will require a full EQIA.

Efficiencies through Automation of Processes

This proposal is about a 3-year automation programme aimed at optimising council processes by deploying Robotics Process Automation and other process automation tools. These solutions can work across multiple IT systems, or multiple data sets, to process work at a faster rate and in greater volumes than a human computer user can achieve. They can also continue to work 24/7, which can support the delivery of work and services to residents out of hours.

The implementation of automation tools, such as RPA, is expected to deliver cashable savings for the council. The exact amount of savings will depend on the scale and efficiency of the automation initiatives. Cashable savings can be realised through the optimisation of processes, reducing manual labour, and streamlining workflows. However, it is essential to note that the actual realisation of these savings will be contingent upon other parts of the organisation implementing change plans to reconfigure and release resources. The programme aims to deliver cumulative savings of c£929k over three years. This is a net saving inclusive of the resources and technology required to deliver this target.

The EQIA notes that the benefits of RPA are well-founded. RPA has been shown to boost productivity, improve efficiency, deliver returns-on-investment, eliminate human error, elevate security, increase compliance, and transform operating models.

This programme will affect council staff, digital services, change management functions across the organisation, senior management and council leads as well as stakeholders including residents who will experience improved services and greater efficiency from the council. No impacts on protected groups have been identified in the initial screening tool; however, the projects that arise out of this programme will each require individual EQIA's which may identify impacts on protected groups.

Encouraging Apprenticeships

This proposal is about the Council's apprenticeship programme. The Council is offering apprenticeships to young people, care leavers, and career changers. Currently, there are 122 unfilled junior positions across the Council that could be replaced by apprenticeship roles. This could save some budget and help with recruitment and succession planning. The saving is conservative because automation and resident experience may reduce the need for junior roles; however, this proposal will produce an estimated saving of £250,000.

Enhanced Business Efficiency and Redundancy Scheme

This proposal is about the council's scheme for staff to voluntarily leave on redundancy or business efficiency grounds. The scheme will last for about a month before the next financial year and will delete the posts or make equivalent savings. The scheme will be fair and consistent to all employees, regardless of their personal characteristics. The Council will analyse the impact of the scheme on equality.

The scheme aims to save £1m with less than 1% of staff leaving. There may be an extra £5k enhancement as in the previous round. The scheme ran successfully in 2022-23 with 58 staff taking voluntary redundancy.

Challenge Panels and Agency Levy: Reducing Overtime, Additional Payments & Agency Staffing

The council is spending approximately £8.5m on overtime and additional payments, and around £37m on agency staff and interims, a figure that is on the rise. To address this, a new approach involving Challenge Panels led by the Head of Paid Service is proposed. These panels will scrutinise local practices and the use of agency staff, aiming to identify opportunities for cost reduction and efficiency improvements.

To discourage the use of agency workers, a levy is proposed on all agency charges, which will be used to offset corporate pressures and contribute to building reserves. The Challenge Panels plan to work with the Senior Management Teams of each directorate to analyse current agency, overtime, and allowances usage and propose new ways to provide the same services with a more permanent base of employees. Consultations will be held with staff and trade unions if any changes to employees' terms and conditions are proposed.

Future savings will be produced through proposals produced by the Challenge Panels.

b) Adult Social Care

New savings:

The budget for 2024/25 sets out six savings proposals, two of which were assessed to have no significant equalities impacts at the screening stage, with the other three progressing to full EQIA, and one requiring a full EQIA in the future.

Introduction of a charging policy for Assistive Technology (Full EQIA)

This EQIA is for a proposal that commenced on the 1st April 2015, and involved the introduction of a weekly charge for Assistive Technology (AT) in Islington. AT is a service that provides equipment that helps people to live independently and safely at home. The charge was set to be in line with other boroughs and the Care Act statutory guidance, which established the rules for charging for Adult Social Care and support services.

The proposal would affect two groups of people: those who only receive AT from Adult Social Care, and those who receive other services and have the financial resources to pay for more.

The charge would be based on a financial assessment that considers the person's capital assets, income, living costs, housing costs, and disability related expenses with the proposal aiming to ensure fairness, sustainability, wellbeing, personalization, and social inclusion for the people who use AT. The need for charging for AT arose due to the increasing costs and sophistication of technology, as well as the national transition from analogue to digital phone lines. The proposal also lists the types of care and support that are provided for free, such as intermediate care, community equipment, and after-care services under the Mental Health Act.

Implement eligibility and charging policies for people receiving legacy Supporting People services (Full EQIA)

This proposal involves charging certain residents who receive support services that were previously funded by the Supporting People Programme (SPP), meeting the Care Act 2014 eligibility criteria for care and support. The proposal aims to follow the national guidance and the council's charging policy, and to ensure fairness and consistency among all residents who have eligible needs for care and support. The proposal also expects to generate £200,000 of income for the first year, and £250,000 for the second year.

The proposal states that some residents who receive services that were historically included in the SPP, such as supported living and accommodation for various groups, were exempt from the council's charging policy. This created a disparity with other residents who receive similar services and are charged according to their financial assessment. The proposal also notes that some residents may need a new or updated Care Act assessment before they can be financially assessed.

The proposal also described the main features and principles of the council's charging policy, which is based on the Care Act 2014 and the Care and Support Statutory guidance. The policy aims to ensure that people are not charged more than they can afford, that public subsidy is available for those who need it, and that personalisation, wellbeing, and social inclusion are promoted.

The EQIA highlights how the proposal will impact residents and, particularly, service users, who will be asked to complete a financial means assessment to ascertain whether they need to pay for support.

Review, re-design and re-procurement of the Adult Social Care Wellbeing Service (Full EQIA)

The proposal outlines a new Wellbeing Service for adults in Islington, based on a strategic review and stakeholder engagement. The service aims to provide various levels of support for residents' physical, mental, and emotional health, utilizing strength-based approaches and outcome measures to enhance residents' overall wellbeing.

The current Wellbeing Service offers information, advice, access to activities, and short-term enablement support to prevent or reduce the need for care and support. Through the strategic review and stakeholder engagement, residents' preferences and gaps in the existing service were identified. To ensure that the new service meets residents' desires and requirements, the service specification will be co-produced with residents and partners.

The budget allocated for the new Wellbeing Service is estimated to be £3,493,280 for the entire contract duration. This estimate is based on an annual budget of £436,660. Notably, this represents a reduction of £50,000 from the current annual contract value.

The EQIA identified that re-designing the Wellbeing Service will have a positive impact on residents, particularly those over the age of 50.

Review and re-model of Hilldrop Road Care Home (requires full EQIA in the future)

This proposal discusses council plans to save £100k in 2025/26 by re-modelling the Hilldrop Road Care Home, which provides residential care for men over 45 with alcohol misuse, homelessness, and mental illness.

The Council will review each resident's needs and support some of them to move to more independent living options, such as supported living. This will reduce the number of beds funded by the Council from 15 to 12.

The EQIA shows positive and negative impacts on the residents and the care home provider. The primary negative impact outlined within the proposal is a breakdown in service users mental health following a change in provider and/or location. This will be mitigated through collaborative management of the transition, between Islington Council and the provider, to ease service user anxiety. This involves creating personalized transition plans for each resident, with involvement from service users, carers, family members, and advocates. Communication will be timely, and residents and their families will participate in social care reviews and decisions about their future care and support.

Redesign of Floating Support Contract

This proposal outlines the council plan to save £100k in 2025/26 by re-procuring the Multi-Disciplinary Team Floating Support Service, which helps vulnerable tenants avoid homelessness. The current service, delivered by the Single Homeless Project, has been extended until 2024 with £240k savings agreed for 2024/25.

A strategic review and benchmarking of the service will be done in 2023/24 to inform the re-procurement. The Council expects to achieve more savings as there are other support options available in the borough and the service model can be improved. The savings for 2024/25 will not affect the service quality or availability as they are from vacant posts and redeployments.

The EQIA shows no impact on protected groups.

Review and re-design of Mental Health Recovery Pathway and wider early intervention and prevention offer

This proposal outlines the council plan to save £275k by 2025/26 by reviewing and re-designing the Mental Health Recovery Pathway and other VCS community mental health services.

These services, delivered by Islington MIND, help residents with mental health needs. The reviews will be completed in July 2023 and will identify opportunities to improve outcomes and value for money by delivering more flexible and strengths-based support in the community. The savings will be achieved by joining up VCS contracts, re-designing the Mental Health Reablement offer, and reviewing the use of under-utilized day service sites.

The EQIA screening tool says that no decisions have been made yet and a full EQIA will be done after the reviews. There may be negative impacts depending on the changes to the service providers or locations.

c) Community Engagement and Wellbeing

New savings

The budget for 2024/25 sets out one saving proposals which required a full EQIA:

Contact Centre Rationalisation (Full EQIA)

The proposal is part of the Resident Experience Programme, which aims to improve the online services and channel shift for residents, while reducing the cost-of-service provision and meeting the Council's strategic objectives.
The proposal has two phases: Phase 0 and Phase 1. Phase 0 is already in progress and involves reducing the staff headcount of Access Islington, the main front door for residents to access council services, by 15 FTE due to a reduction in call volumes. This is achieved by implementing a new Interactive Voice Response (IVR) system that directs calls more efficiently and reduces abandonment rates. Phase 0 has been completed, with the programme now shifting to Phase 1.

Phase 1 involves creating a single contact centre by unifying the three existing contact centres: Access Islington, Housing Direct, and Homes and Community Safety. This will be enabled by a new omnichannel solution called 8x8, which will allow the council to handle interactions with customers from multiple channels, such as telephone, email, webchat, and face to face. The omnichannel solution will also provide a workforce management tool that will optimise the scheduling, performance, and quality of the contact centre operatives. Operatives will be cross-skilled to handle a range of queries and provide solutions right first time. Phase 1 will also involve creating a single management structure and harmonising the opening hours of the contact centre.

The main beneficiaries of the proposal are the residents and taxpayers in the borough, who will experience shorter queue wait times, lower abandoned call rates, a wider range of channels, and more opportunities to provide feedback. The proposal will also free up the time of officers to have longer conversations with those residents with the most complex needs and allocate more resource to the Access Islington Hubs.

The amount of money expected to be saved by the proposal is £1.118 million over two years (24/25 and 25/26). This is broken down as follows:

- £337,947 from Phase 0 (reducing Access Islington staff headcount) in 24/25
- £434,000 from Phase 1 (creating a single contact centre) part year savings in 24/25
- £354,000 from Phase 1 full year savings in 25/26

d) Environment

New savings:

The budget for 2024/25 sets out 8 savings proposals. Of these nine saving proposals, 6 were consolidated into 2 full EQIA's due to their similar subject matter. Of the other two EQIA's, only one progressed to full EQIA with the final one not requiring a full EQIA due to no or little negative impact.

Extend controlled parking zone enforcement (consolidated – full EQIA)

The saving above is the result of three EQIA's combined into one, all of which have been summarised below:

Increase Maximum Pay & Display Parking Charges for Electric Vehicles

This proposal involves increasing the maximum parking charge for electric vehicles from £2 to £4, which would generate an additional £100,000 in revenue. The proposal also argues that this would recognise the benefits of electric vehicles over combustion engines, but also encourage people to use more sustainable transport modes such as cycling, walking or public transport.

Removal of Evening Concessions for CPZ Zones C&K

This proposal proposes to reverse a previous decision to provide free visitor vouchers and flat rate parking charges in the evenings in two CPZs, which would generate an income of £60,000 per annum. The proposal also states that this would reduce vehicular traffic and promote active travel and health.

Parking Pay & Display Peak Charging

This proposal to add a £1 surcharge to all short stay parking sessions purchased during the busiest period 10am to 1pm in all CPZs except those with part day restrictions, which would generate a saving of £0.21m. The proposal also asserts that this would reduce vehicular traffic during the peak time, and promote active travel and health.

These projects may result in residents being charged more for parking within the borough, in certain areas within Islington. However, residents are able to apply for parking permits (if they live locally) and blue badge holders are eligible for free parking. Additionally, residents throughout Islington are eligible to receive parking vouchers meaning they can park at a discounted rate.

Extended CPZ Hours (full EQIA)

This proposal discusses extending parking controls from 6:30pm to midnight Monday to Saturday in 3 CPZs located in the South of the borough, which would generate a surplus of £394,000 in the second year. The proposal also states that this would manage the parking of vehicles within the night-time economy and encourage people to use other modes of sustainable travel.

Green garden waste chargeable service

The Council plans to introduce a chargeable green garden waste collection service from April 2024, which will generate an estimated income of £209,000 by 2026/27.

The service will replace the current free service, which is not a statutory requirement. The service will cover 51,000 kerbside properties with gardens and will charge £80 per year for a fortnightly collection. The Council expects to have 3,000 subscribers in the first year, 4,000 in the second year, and 5,000 in the third year.

The costs of staff, vehicles, bags, and communications for the service are estimated at £194,678 in the first year. The net income of the service will increase from £45,322 in the first year to £209,868 in the third year.

e) Homes and Neighbourhoods

New savings

The budget for 2024/25 includes 2 savings proposal, one of which required a full EQIA:

Selective Licensing (full EQIA)

This proposal aims to extend property licensing to three wards in the borough of Islington, namely Finsbury Park, Tollington and Hillrise. Property licensing is a tool that can be used to improve housing conditions and management standards in the private rented sector.

The proposal is based on data from various sources, including council and census data, private renters' complaints and enforcement. The data shows that 29% of residents in Islington live in private rented accommodation, and that many of them face poor housing conditions, high rent costs and insecure tenancies. The data also suggests that in at least 43% of properties covered by the proposed schemes, some improvement is needed in terms of property and management standards.

There are three types of property licensing schemes currently operating in the borough:

- Mandatory Licensing: for large HMOs (5 or more households)
- Additional Boroughwide Licensing: for HMOs for 3 or 4 households
- Selective Licensing: for all one and two person households in the private rented sector

The proposal is to introduce selective licensing in Finsbury Park, Tollington and Hillrise wards, which would cover all one and two person households in the private rented sector in these areas. The selective property licensing scheme is a 5-year licensing scheme intended to improve conditions for tenants renting private accommodation.

If the scheme is implemented, landlords would have to:

- apply for a property licence
- demonstrate that they are able to manage rented accommodation and do not have any relevant criminal convictions that could present a risk to the health, safety and welfare of tenants
- comply with requirements concerning the management, use and occupation of their rented property

Landlords will pay an application fee, currently set at £500 per property (estimated £50,000 in income per annum) for a five-year licence. The licensing income is used to cover the cost of administering the scheme, including inspecting properties and enforcing compliance. The scheme is designed to be self-financing, with 100% income generated covering the cost of setting up and implementing the licensing scheme.

Revised Management of Civic Services

This proposal aims to save £100,000 by removing the vacant Assistant Director of Civic Services post, as well as the occupied Head of Islington and Camden Cemetery Service post. The serving Head of Service will be ringfenced into the new permanent Head of Civic Service role to ensure the continuity and high-quality of services. The proposal also seeks to retain the current Civic Service structure, aligning key life event services, to improve resident services and efficiency.

f) Children’s Services

New savings

The budget for 2024/25 sets out 1 savings proposals which progressed to a full EQIA:

Repurpose school premises houses (full EQIA)

This proposal describes a programme to increase in-house fostering capacity and to reduce reliance on expensive independent foster agency placements in the borough. The programme aims to keep more children local and reduce overspend of the placements budget. The proposal is seeking to do this through re-housing and housing adaptations for existing or potential foster carers, such as loft conversions, extensions, garden rooms, or moving to larger properties within the council or housing association stock. The programme also involves moving grown up birth children into council housing to free up bedrooms.

The programme has been underway since April 2020 and has assessed 20 carers and provided 15 with a housing solution. The programme has created 6 additional placements and prevented the loss of 5 more. The programme has also supported circa 8 Children in Need families and kinship carers with their housing challenges. The programme has delivered in-year savings of £317k and a total estimated saving over 7 years of £1.2m.

The programme impacts children, particularly those within the care system, and their foster parents positively, by providing them with support and capacity to look after the children.

g) Community Wealth Building

New savings

Efficiencies from restructuring the Corporate Landlord Service (requires full EQIA in the future)

The establishment of a new Corporate Landlord Service began in 2020, with teams gradually integrated over time. The service aims to deliver new affordable council homes, undertake major works and repairs, provide operational buildings, offer professional property advice, and ensure successful delivery of new homes and capital delivery programmes. The goal is to create a permanent management structure, realign ad-hoc arrangements, address budget pressures, and deliver a 5% saving to the General Fund (£373k) from 2024/25.

The benefit of this proposal is a service that can deliver ambitious new build targets and perform the duties of an effective Corporate Landlord service. The service will also lead on the development of a new Strategic Asset Management Plan to maximise and maintain assets, enabling the delivery of the overarching vision and five missions set out in Islington Together 2030. There will be no significant changes to the services provided or impacts on residents.

The main impacts will be on staff, with the creation of new posts, re-evaluation of existing posts, and some changes in line management. Some posts will be deleted to achieve savings, prioritising vacant posts to minimise impact on staff. Redundancies are anticipated to be low, with 10-15 expected across a service of around 270 staff. Formal staff consultation is planned for September 2023, with implementation by April 2024.

Additional Income from Commercial Estates

The Council owns several properties that it rents out commercially, managed by the Corporate Asset Management Team. This rental income supports the delivery of services. The rent roll has already increased from £3.2m to £3.8m due to completed lease renewals and rent reviews. The target of £4.2m will be pursued over the next 12 months through further rent reviews, lease renewals, and letting of vacant units.

An additional £400k of rental income is expected to be generated by active asset management and letting of former operational space, particularly the release and letting of 7NBW, from 2025/26. This proposal aims to maximise commercial income from the Council's assets, with no negative impact on any communities. The additional income will support the delivery of key Council services and priorities.

h) Resources

There were no new savings proposals submitted for Resources.

i) Public Health

There were no new savings proposals submitted for Public Health.

6. Staffing Impacts

As summarised in section 3, some proposals will have staffing implications. While the significant majority will come from deleting / not recruiting to vacant posts, some proposals will have implications which may include changes to current roles or a potential risk of redundancy (for a very limited number of staff).

The impacts of these proposals on staff with protected characteristics cannot yet be fully determined but as numbers are low and spread across a number of services / types of roles there are unlikely to be any groups disproportionately impacted. Any changes to staffing structure will require consultation with staff unions in accordance with the council's reorganisation policy and procedures.

Our established organisational change process ensures we support all of our staff through this change. Where restructures are proposed we carry out a comprehensive Staffing Impact Assessment that identifies the implications for those with protected characteristics and finds ways to mitigate accordingly.

Where a redundancy situation is possible, we will take a number of steps including:

- not filling vacancies in advance of a restructure so as many opportunities as possible are available to our existing staff
- using our redeployment process to help staff at risk find suitable alternative employment within the council

- considering alternative options to redundancy such as early retirement, flexible working or other ‘working differently’ options.
- stress management support and counselling services will be offered to staff through the Employee Assist Programme to help them cope with the additional pressures that structural change may bring.

We have an ongoing commitment to making Islington an employer of choice and are Timewise accredited, supporting flexible working opportunities available where possible, including condensed hours, flexible start and end times and part time working.

The Council is committed to a workforce that is representative of the borough at all levels and will continue to look for new ways to improve progression routes for staff and equip them to be senior managers of the future. We will continue to promote our staff equality forums as a way of engaging with staff and working together to continually improve their experience of working in Islington.

7. Human Rights and Safeguarding

Human Rights

It is unlawful for the council to act in a way that is incompatible with a European Convention right (unless the council could not have acted differently as a result of a statutory provision).

An interference with a qualified right (e.g. the right to respect for private and family life) is not unlawful if the council acts in accordance with the law and the interference is necessary in a democratic society.

In deciding whether the interference is necessary, the law applies a proportionality test, including whether a fair balance has been struck between the rights of the individual and the interests of the community.

Safeguarding

Implications for safeguarding in Adult Social Care

Proposals outlined in this document build on the Council’s work on Making Safeguarding Personal (MSP). MSP is enshrined in the Care Act (2014) and the Pan London Safeguarding Adults Policies and Procedures.

MSP puts the person at risk of harm or abuse at the centre of decisions and actions about them. Just like the Strengths Based Practice approach for general social work activities, MSP respects that adults often bring ideas and solutions which will work best for them and the outcomes they need support in achieving.

This means that safeguarding adults continues to be integral in the work we are undertaking to really embed strengths-based practice. Ensuring vulnerable adults are safe and focusing on wellbeing is a core element of strengths-based practice and ensures there is consistency in approach whether we are working with a vulnerable person on a support plan or a safeguarding plan.

Implications for safeguarding in Children's Services

Safeguarding children is about protecting them from maltreatment, preventing their health and development being impaired, ensuring that they grow up in environments which provide safe and effective care and taking action to enable all children to have the best outcomes.

The mitigation identified for each proposal reduces very significantly the risk of poor safeguarding practice. The council's mitigation should include not adopting any policy where safeguarding practice is adversely affected.

The proposals put forward have been tested against effective safeguarding practice. A broad range of quality assurance measures are already in place and will continue to be monitored and responded to robustly.

8. Monitoring

This year, the Equalities Team has reviewed the equalities impacts from current savings to screen for any unexpected impacts as the projects have progressed – this process will continue.

Each individual proposal will continue to be reviewed and updated as required. Consultation will be carried out where required to seek the views of residents and service users. The lead officer for each proposal will be responsible for ensuring that equality considerations remain at the forefront of decision making as each of these proposals are progressed.

Annex A: Public Sector Equality Duty

Section 149 of the Equality Act 2010 provides that:

(1) A public authority must, in the exercise of its functions, have due regard to the need to —

> (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act
>
> (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
>
> (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

(2) A person who is not a public authority but who exercises public functions must, in the exercise of those functions, have due regard to the matters mentioned in subsection (1).

(3) Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to —

> (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic
>
> (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it
>
> (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

(4) The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

(5) Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to —

> (a) tackle prejudice, and
>
> (b) promote understanding.

(6) Compliance with the duties in this section may involve treating some persons more favorably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act.

(7) The relevant protected characteristics are —

- age

- disability
- gender reassignment, including non-binary and gender-fluid identification
- marriage and civil partnership
- pregnancy and maternity
- race
- religion or belief
- sex
- sexual orientation.

(8) A reference to conduct that is prohibited by or under this Act includes a reference to —

(a) a breach of an equality clause or rule;

(b) a breach of a non-discrimination rule.

(9) Schedule 18 (exceptions) has effect.

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Appendix H - Retail Relief Scheme 2024/25

1. Introduction

1.1. In the 2018 Budget, the Government introduced a new relief scheme for retail properties and these 'retail relief' schemes have existed, albeit with some variations, since the 2019/20 financial year. This paper addresses the need to adopt the government's scheme for the financial year 2024/2025.

1.2. To this end, we recommend the adoption of the local policy described in Section 6 below, to award Retail Relief in accordance with the Discretionary Rate Relief powers as contained within Section 47 of the Local Government Finance Act 1988 (as amended), for the year 2024/2025.

1.3. The Islington Retail Relief Scheme proposed in Section 6 reflects the Government's guidance.

1.4. For the avoidance of doubt the Government have not changed their guidance from the previous year. Their guidance is identical to the current year's 2023/2024 retail relief scheme including the discount rate of 75%. The Government has simply carried over the 2023/2024 scheme in its entirety to also be applied in 2024/2025.

2. Islington Retail Relief Scheme 2024/2025

2.1. The Islington Retail Relief Scheme 2024/2025 will award Retail Relief to qualifying businesses equivalent to 75% of their daily rates charge in respect of chargeable days during the financial year 2024/25 subject to a cash cap of £110,000 per business and on the condition that the ratepayer for that chargeable day has not refused the relief for the eligible hereditament.

2.2. The ratepayer may refuse the relief for each eligible hereditament anytime up to 30 April 2025. The ratepayer cannot withdraw their refusal for either all or part of the financial year.

Which properties will benefit from relief?

2.3. Properties that will benefit from the relief will be occupied hereditaments that are wholly or mainly being used:

a. as shops, restaurants, cafes, drinking establishments, cinemas and live music venues,
b. for assembly and leisure; or
c. as hotels, guest & boarding premises and self-catering accommodation

2.4. It is considered shops, restaurants, cafes and drinking establishments, cinemas and live music venues to mean:

i.Hereditaments that are being used for the sale of goods to visiting members of the public:	- Shops (such as: florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, - Off licences, chemists, newsagents, hardware stores, supermarkets, etc) - Charity shops - Opticians - Post offices - Furnishing shops/ display rooms (such as: carpet shops, double glazing, garage doors) - Car/caravan show rooms - Second-hand car lots - Markets - Petrol stations - Garden centres - Art galleries (where art is for sale/hire)
ii.Hereditaments that are being used for the provision of the following services to visiting members of the public:	- Hair and beauty services (such as: hair dressers, nail bars, beauty salons, tanning shops, etc) - Shoe repairs/key cutting - Travel agents - Ticket offices e.g. for theatre - Dry cleaners - Laundrette - PC/TV/Domestic - Funeral directors - Photo processing - Tool hire - Car hire
iii. Hereditaments that are being used for the sale of food and/or drink to visiting members of the public:	- Restaurants - Takeaways - Sandwich shops - Coffee shops - Pubs - Bars
iv.Hereditaments which are being used as cinemas	
v.Hereditaments that are being used as live music venues:	- Live music venues are hereditaments wholly or mainly used for the performance of live music for the purpose of entertaining an audience. Hereditaments cannot be considered a live music venue for the purpose of business rates relief where a venue is wholly or mainly

	used as a nightclub or a theatre, for the purposes of the Town and Country Planning (Use Classes) Order 1987 (as amended). - Hereditaments can be a live music venue even if used for other activities, but only if those other activities (i) are merely ancillary or incidental to the performance of live music (e.g. the sale/supply of alcohol to audience members) or (ii) do not affect the fact that the primary activity for the premises is the performance of live music (e.g. because those other activities are insufficiently regular or frequent, such as a polling station or a fortnightly community event). - There may be circumstances in which it is difficult to tell whether an activity is a performance of live music or, instead, the playing of recorded music. Although we would expect this would be clear in most circumstances, guidance on this may be found in Chapter 16 of the statutory guidance issued in April 2018 under section 182 of the Licensing Act 2003.1

2.5. We consider assembly and leisure to mean:

i.Hereditaments that are being used for the provision of sport, leisure and facilities to visiting members of the public (including for the viewing of such activities).	- Sports grounds and clubs - Museums and art galleries - Nightclubs - Sport and leisure facilities - Stately homes and historic houses - Theatres - Tourist attractions - Gyms - Wellness centres, spas, massage parlours - Casinos, gambling clubs and bingo halls
ii.Hereditaments that are being used for the assembly of visiting members of the public.	- Public halls - Clubhouses, clubs and institutions

2.6. We consider hotels, guest & boarding premises and self-catering accommodation to mean:

i.Hereditaments where the non-domestic part is being	- Hotels, Guest and Boarding Houses

[1] The statutory guidance can be accessed here: https://www.gov.uk/government/publications/explanatorymemorandum-revised-guidance-issued-under-s-182-of-licensing-act-2003

used for the provision of living accommodation as a business:	- Holiday homes - Caravan parks and sites To qualify for the relief the hereditament should be wholly or mainly being used for the above qualifying purposes. In a similar way to other reliefs (such as charity relief), this is a test on use rather than occupation. Therefore, hereditaments which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief. The list set out above is not intended to be exhaustive as it would be impossible to list the many and varied uses that exist within the qualifying purposes. There will also be mixed uses. However, it is intended to be a guide for businesses as to the types of uses that the Council considers for this purpose to be eligible for relief. The Council will determine whether particular properties not listed are broadly similar in nature to those above and, if so, to consider them eligible for the relief. Conversely, properties that are not broadly similar in nature to those listed above should not be eligible for the relief. The list below sets out the types of uses that the Council does not consider to be an eligible use for the purpose of this relief. The Council will determine whether particular properties are broadly similar in nature to those below and, if so, to consider them not eligible for the relief under their local scheme.
ii.Hereditaments that are being used for the provision of the following services to visiting members of the public:	- Financial services (e.g. banks, building societies, cash points, bureaux de change, short term loan providers, betting shops, pawn brokers) - Medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors) - Professional services (e.g. solicitors, accountants, insurance agents/ financial advisers, employment agencies, estate agents, letting agents) - Post office sorting offices - Businesses whose main function is to rent out rooms or office space, conference centres, - Training facilities, remote working facilities - Businesses whose main function is to provide services or goods to the building industry, - Builders merchants, timber yards, plumbers merchants

2.7. In line with the legal restrictions in section 47(8A) of the Local Government Finance Act 1988, billing authorities may not grant the discount to themselves, a precepting authority, or a functional body, within the meaning of the Greater London Authority Act 1999.

2.8. Retail Relief will normally be awarded pro-actively by the Council using information it already holds about the rateable value and nature of the business. However. any business who considers themselves to qualify can apply for this relief by sending an email to

Business.Rates@islington.gov.uk asking for an assessment. The decision on any award is delegated to the Director of Finance who in turn can authorise officers in their service directorate to take such decisions on his behalf.

2.9. State Aid (De Minimis Regulations) and Subsidy Allowance rules will apply when granting Retail Relief and ratepayers will be required to declare any such Aid or Allowance either at the application stage or after the award is made if it is made proactively.

2.10. An appeal against a refusal to award on the grounds of whether it is occupied and is being wholly or mainly being used for one of the qualifying purposes in 6.2 can be made to the Council within one month of the Council's notification to the rate payer of this refusal. Any appeal will be considered by the Head of Revenues and Technical Services within a reasonable time period of its submission.

2.11. Retail Relief will be calculated in the same format as Business Rate charges and apportioned accordingly, if the occupation, other reliefs or rateable value of a premises, changes. Any award will be credited to the business rates account that is maintained by the Council.

2.12. Any award made in error, or applied for by the ratepayer or his representative fraudulently, may be recovered by the Council.

List of Appendices

Appendix A: Extract from Business Rates Information Letter (5/2023)

To: Chief Finance Officers of English Billing Authorities - For the attention of the Business Rates section

From: Non-Domestic Rates Team, LGF - Local Taxation, Department for Levelling Up, Housing and Communities (ndr@levellingup.gov.uk)

Date: 23 November 2023

Business Rates Information Letter (5/2023): Autumn Statement business rates measures

This is the fifth business rates information letter to be issued by the Department for Levelling Up, Housing and Communities this year.

See previous letters and archived letters.

Autumn Statement 2023 business rates measures

At the Autumn Statement on 22 November, the Chancellor announced a package of support worth £4.3 billion over the next 5 years to support small businesses and the high street.

For 2024/25 the Chancellor announced, that:

- the **small business multiplier** will be frozen at 49.9p
- the **standard multiplier** will be uprated in April by September's CPI figure (6.7%), increasing the multiplier from 51.2p to 54.6p
- the 2024/25 **Retail, Hospitality and Leisure (RHL) scheme** will be extended for a fifth year into 2024-25, retaining the existing scope and providing eligible properties with 75% relief, up to a cap of £110,000 per business

These changes will have effect from 1 April 2024.

Local authorities will be expected to use their discretionary relief powers (under section 47 of the Local Government Finance Act 1988) to grant Retail, Hospitality and Leisure relief in line with the relevant eligibility criteria. Authorities will be compensated for the cost of granting these reliefs via a section 31 grant from the government. No new legislation will be required to deliver this scheme.

The Department will shortly publish updated guidance for local authorities for the 2024-25 Retail, Hospitality and Leisure scheme. The existing scope of the scheme, percentage of support and cash cap will be retained.

The department expects councils to ensure that their systems are updated, including the implementation of any necessary software changes, and that bills issued for the 2024-25 tax year reflect the changes announced at the Autumn Statement.

End of Extract

23-24 Audit and Risk Committee Forward Plan

Paper	DATE OF MEETING
1. Cyber Security Annual Report 2. Constitution Review	23 May 2023
1. Risk deep-dive- Risk lead (People directorate) 2. Principal Risk Report 3. Anti-Fraud and Corruption Policy 4. Employment Tribunal Outcomes 5. Appointment of members to the Pensions Board	11th July 2023
1. 22/23 Internal Audit Annual Report 2. 22/23 Annual Fraud Report 3. Bi-annual whistleblowing monitoring report 4. Audit Findings Report 2021/22 (Grant Thornton) a. Including the authorisation of the Statement of Accounts 2021/22 5. Audit Planning 2022/23 (Grant Thornton) a. Audit Plan for the Council b. Audit Plan for the Pension Fund 6. Financial Regulations	18th September 2023
1. Member Learning and Development Strategy 2. Laycock Polling District Review 3. RAAC	20th November 2023

Paper	DATE OF MEETING
1. Verbal financial update 2. External Audit – 2022/23 Update 3. External Audit – 2023/24 Update – (KPMG) 4. Principal risk update 5. 23/24 Internal Audit Interim Report 6. Council Tax Base Report 7. Treasury Management Mid-Year review for 2023/24 8. Medium Term Financial Strategy	29th January 2024
1. Verbal financial update 2. External Audit – 2023/24 Update – (KPMG) 3. 24/25 Draft Internal Audit Plan 4. Bi-annual whistleblowing monitoring report 5. Procurement and Contract Rules 6. Terms of Reference 7. Risk Deep Dive - Social Care Market Instability/Health and Social Care Integration 9. Risk deep-dive New Build Programme 10. RIPA Update 11. Treasury Management Strategy	18th March 2024
1. Verbal financial update *2. Other items to be agreed.*	21st May 2024