Report of: Executive Member for Finance, Planning and Performance

Meeting of: Executive

Date: 9 February 2023

Subject: Budget Monitoring 2022/23 - Month 9

1. Synopsis

1.1. This report presents the estimated outturn position for the 2022/23 financial year as at the end of month 9 (31 December 2022). This estimated financial position for the financial year incorporates known and emerging budget variances and details any known residual risks.

1.2. The financial context of high inflation and continued recovery from the pandemic creates a very uncertain backdrop to the 2022/23 financial year. The impact of the cost-of-living crisis is already being felt hard by the council and residents.

1.3. This report seeks to highlight the largest variances to budgets and how these are being managed. The main report includes the most significant budget variances by directorate with an exhaustive list of variances included at **Appendix 1**, with appropriate commentary. Overall, the General Fund (GF) is currently forecasting a net overspend of +£5.589m. This is following the application of the following corporate resources:

- -£1.400m Corporate Energy Provision
- -£5.509m Energy and Inflation Smoothing Reserve
- -£3.315m Social Care Reserve drawdown
- -£5.000m General Contingency

1.4. There has been a net adverse movement in the forecast of £2.321m since the previous reported position. **Figure 1** shows the movement by directorate and **Figure 2** shows the forecast variance by directorate over the course of the financial year.

Figure 1 – Movement by Directorate Month 8 to Month 9 (£m)

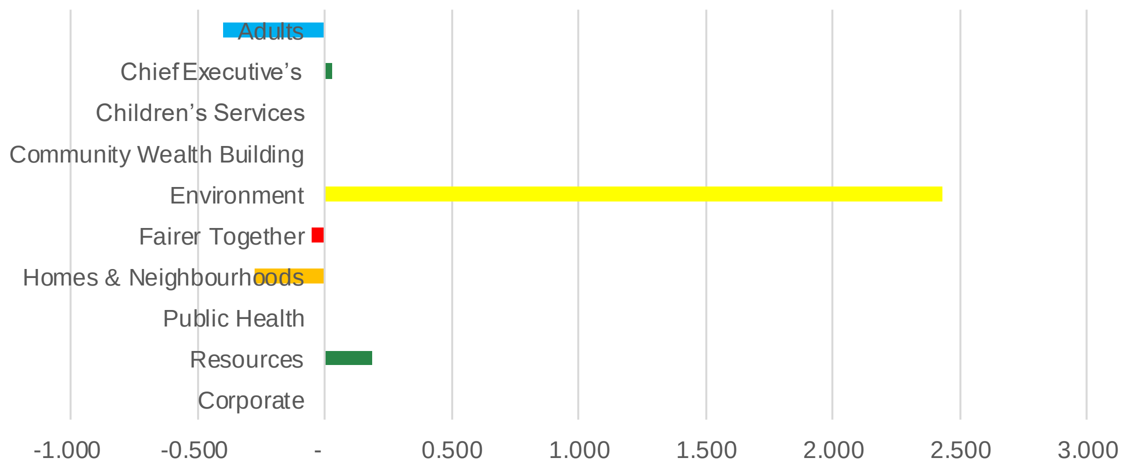
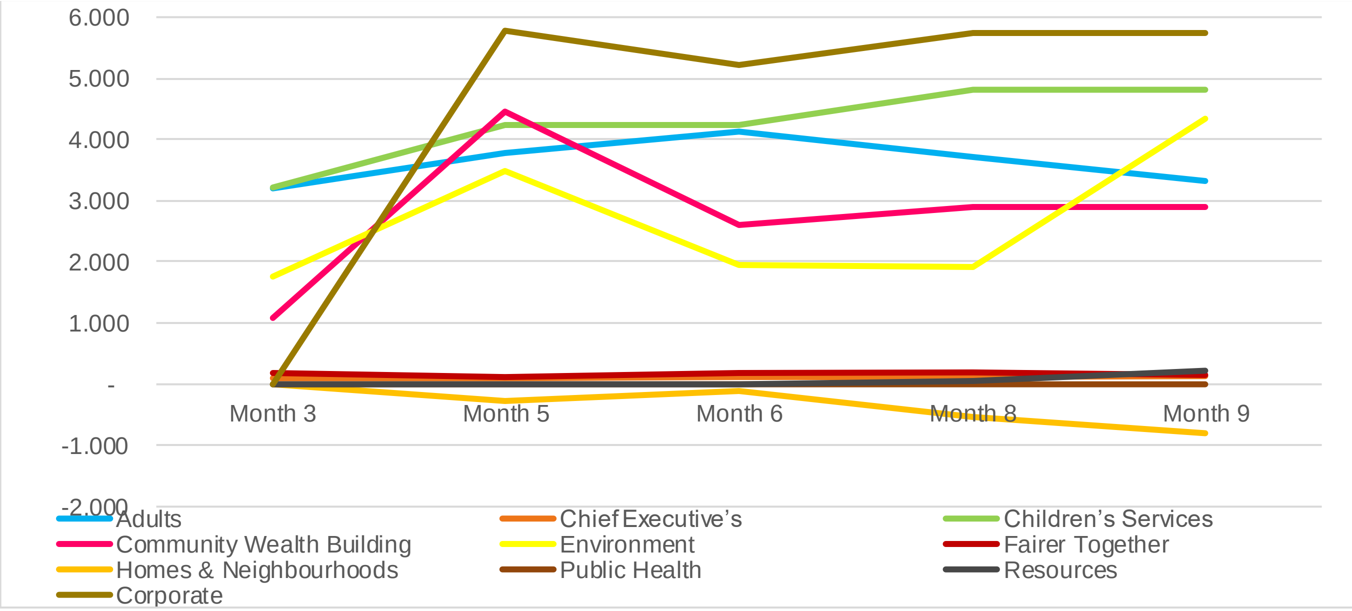


Figure 2 – Forecast Variance by Directorate Month 3 to Month 9 (£m)



1.5. The HRA is currently forecasting an in-year surplus of -£2.792m, an increase of -£0.564m since previous reported position. As the HRA is a ring-fenced account, a surplus or deficit at the end of the financial year will be transferred to or from HRA reserves.

1.6. At the end of month 9, total capital expenditure of £90.910m had been incurred against a 2022/23 forecast of £165.266m and the revised 2022/23 capital budget of £169.662m.

2. Recommendations

2.1. To note the breakdown of the forecast General Fund outturn by individual variance at **Appendix 1** and by service area at **Appendix 2**. (**Section 3, Table 1, and Appendix 1 and 2**)

2.2. To note that there were no inter-departmental virements in month 9 for approval.

2.3. To approve a one-off budget virement of £2.061m which is fully committed against existing budget pressures and the additional expenditure incurred to support the announcements of the Fair Cost of Care (FCOC) grant, Charging Reform and the Adult Social Care (ASC) Discharge funding from the Department of Health and Social Care. (**Paragraph 4.15-4.17**)

2.4. To note the transformation fund allocations and anticipated, profiled drawdowns for 2022/23. (**Paragraph 4.55 and Appendix 3**)

2.5. To note the collection fund monitoring position at month 9. (**Paragraphs 4.56 to 4.72**)

2.6. To note the Energy Price Analysis position at month 9. (**Paragraphs 4.73 to 4.82**)

2.7. To note the delivery progress of the 2022/23 budgeted savings at **Appendix 5**. (**Paragraph 3.5**)

2.8. It is recommended that the monthly budget monitoring report should move to quarterly Executive reports from 2023/24, for the periods ending June, September, December and March. (**Paragraphs 3.6 to 3.7**)

2.9. To note the forecast 2022/23 HRA estimated outturn -£2.792m surplus at month 9. (**Section 5 and Appendix 1 and 2**).

2.10. To note that, at the end of month 9, total capital expenditure of £90.910m had been incurred against a 2022/23 forecast of £165.266m and the revised 2022/23 capital budget of £169.662m. (**Section 6 and Appendix 4**)

2.11. To approve capital acceleration of £0.050m in respect of Automated Public Toilets/Convenience. (**Paragraph 6.8**).

3. Revenue Summary and Reporting Arrangements

Revenue Summary

3.1. A summary position of the month 9 2022/23 GF financial position is shown in **Table 1**, with a breakdown by individual variance in **Appendix 1**

Table 1: 2022/23 GF Over/(Under)Spend – Estimated Outturn

Directorate	**Month 9 Total £m**	**Month 8 Total £m**	**Change to Previous £m**
Adults	3.315	3.713	(0.398)
Chief Executive's	0.133	0.103	0.030
Children's Services	4.814	4.814	-
Community Wealth Building	2.888	2.888	-
Environment	4.341	1.910	2.431
Fairer Together	0.144	0.194	(0.050)
Homes and Neighbourhoods	(0.800)	(0.526)	(0.274)
Public Health	-	-	-
Resources	0.222	0.038	0.184
Total: Directorates	**15.057**	**13.134**	**1.923**
Corporate	5.756	5.756	-
Total: General Fund	**20.813**	**18.890**	**1.923**
Less: Energy Provision	(1.400)	(1.400)	-
Less: Energy and Inflation Reserve Drawdown	(5.509)	(5.509)	-
Less: Social Care Reserve Drawdown	(3.315)	(3.713)	0.398
Less: General Contingency	(5.000)	(5.000)	-
Net: General Fund	**5.589**	**3.268**	**2.321**

3.2. The 2022/23 corporate energy provision of -£1.400m and the energy and inflation reserve of -£5.509m have been applied against the gross GF position to offset the significant increase in estimated energy-related costs in this financial year.

3.3. A drawdown against the Social Care Reserve of -£3.315m has been applied to smooth the increase in Adults Social Care pressures.

3.4. General Contingency of -£5.000m built into the budget has been applied due to the current estimates of the 2022/23 pay award being recognised as a pressure corporately. Further details can be found in the corporate monitoring section of this report.

3.5. A schedule of the 2022/23 budget agreed revenue savings is shown at **Appendix 5** together with comments against each agreed saving on delivery progress. Any ongoing savings delivery issue against an agreed saving requires directorates to compensate with management actions in-year to achieve cash limited financial targets and alternative savings, where appropriate, brought into the wider budget planning process for future years.

Future Reporting Arrangements – Quarterly Reporting

3.6. In-year budget monitoring for the financial year 2022/23 consists of 7 monthly reports to Executive (month 3 through to month 12, with no Executive reports in months 4, 7 and 11). Regular budget monitoring enables reporting of significant movements in the financial position over the financial year to be reported up to the Executive, and appropriate management or mitigating actions agreed, depending on the financial position being reported.

3.7. It is recommended that from 2023/24, monitoring arrangements consist of 4 quarterly reports to Executive (for the periods ending June, September, December and March). This will still enable the key objective of regular reporting of the financial position through to the Executive but will also allow for 'deeper-dive' analysis and reporting of the council's financial position between these dates. This could include a more detailed focus on particularly volatile costs in a given financial year (for example, energy costs in 2022/23) or a 'deep dive' on a specific part of the monitoring report, such as the capital programme at key points in the financial year.

4. General Fund

Adult Social Services +£3.315m, a decrease of -£0.398m since the previous reported position

4.1. Adult Social Services is currently forecasting an overspend of +£3.315m, which is detailed by key variances in **Appendix 1**.

<u>Covid and Hospital Discharge Pressures (+£0.760m, a decrease of -£0.485m since the previous reported position)</u>

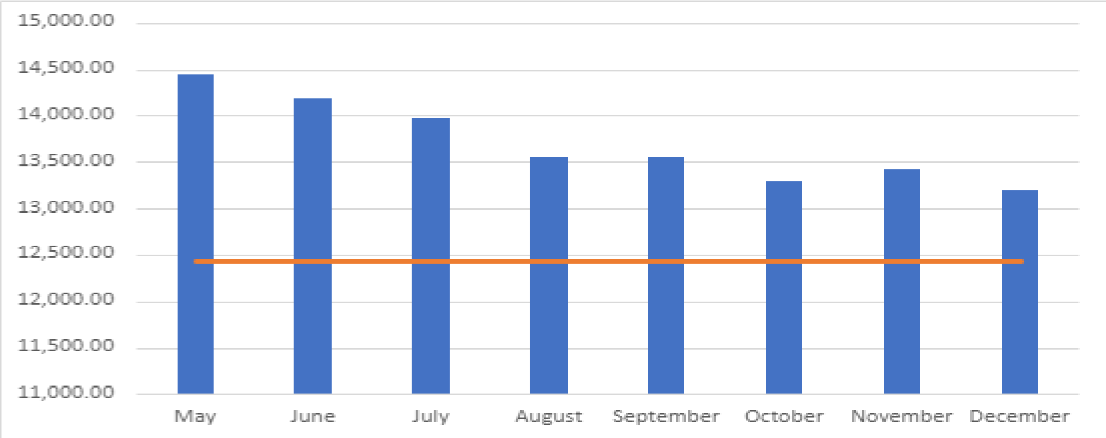
4.2. The Covid and Hospital Discharge pressures are made up of:

- (+£0.760m, a decrease of -£0.232m since the previous reported position) relating to individuals who came through the NHS Hospital Discharge schemes from March 2020 to March 2022 and are now receiving social care packages; and
- (+£0.000m, a decrease of -£0.253m since the previous reported position) relating to hospital discharge pressures in the current financial year – this is because funding has been agreed by the integrated Care Board.

4.3. **NHS Hospital Discharge pressure March 2020-March 2022**

A pressure of (+£0.760m) relates to individuals who came through the Covid related NHS Hospital Discharge scheme from March 2020 to March 2022 and are now receiving social care packages. The original cost for this cohort of 660 individuals at the start of 2022/23 was £14.652m, causing a pressure of +£2.221m over budget. It is expected that this will decrease throughout the year as these individuals leave the system. As at month 9, this pressure has reduced to +£0.760m as 229 individuals have left since April 2022 (see **Figure 3**).

Figure 3 - Value of Historical Covid-19 Hospital Discharge Care Packages within Adult Social Services in 2022/23 (£'000s)



Demand over Demographic Growth (+£2.823m, an increase of +£0.197m since the previous reported position)

4.4. Adult Social Services continues to be impacted by wider demographic pressures, including increased demand for services, the need for acute care and increases in acuity of need of existing service users. During budget setting, it was assumed that demographic growth would reduce back to pre-pandemic levels in 2022/23. However, in the first half of the year we are seeing a continuation of demand over demographic projections but below the growth trends seen in 2021/22 during the pandemic, which is now an unbudgeted growth pressure of +£2.684m. This growth has primarily been in homecare throughout the pandemic; however, residential and nursing placements are also increasing to pre-pandemic levels after a dip in the past few years.

4.5. These trends link to the COVID related Hospital Discharge Scheme. When the funding was in place to support discharges, packages were often arranged quickly, within 24 hours, for residential and nursing settings as this would be paid for by the NHS. Although that funding has ended, hospitals are still under incredible pressure and the expectation has remained to move individuals into these settings at pace. Mitigations in place to stem this demand include moving away from NHS Therapy led discharges and ensuring that the Council has more control with discharge decisions.

4.6. Management actions have reduced the previously reported forecast risk; however, it is now thought that these will not be able to reduce demand down to budgeted growth levels. Therefore, an additional pressure for demand over demographic growth for the rest of the year has been added for +£0.139m.

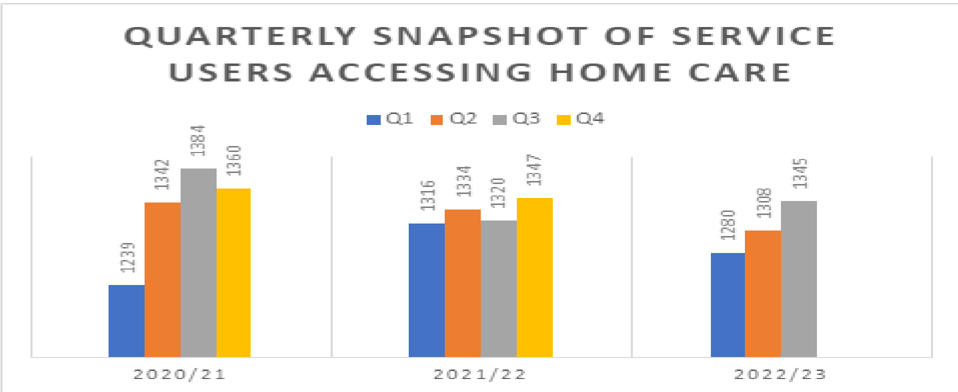
Management actions to mitigate the pressures from this increased demand include:

- Using the Integrated Quality Assurance Meeting (IQAM) Panel to focus on the right sizing of packages with an emphasis on maximising enablement. A slight reduction in the size of packages going forward should also start to be evidenced due to an amendment to custom and practice.

- The restructure of the reablement service has been completed however there are number of outstanding issues which means the service has not increased its capacity to take on additional cases.
- Operational Social Work Management are working with the Finance team and Data Intelligence to capture further information on the pressures to be able to focus targeted work on areas of growth earlier.
- Further work is being undertaken to identify tangible saving opportunities in all areas of the service. These savings are primarily aimed at addressing pressures in future years but there is potential for work to be started sooner to offset additional pressures.
- Operational Changes to the Hospital Discharge Process. This includes a move away from NHS Therapy led discharges with the Hospital Social Work team managing the process from start to finish and all funding requests to come to a single IQAM Panel for agreement.

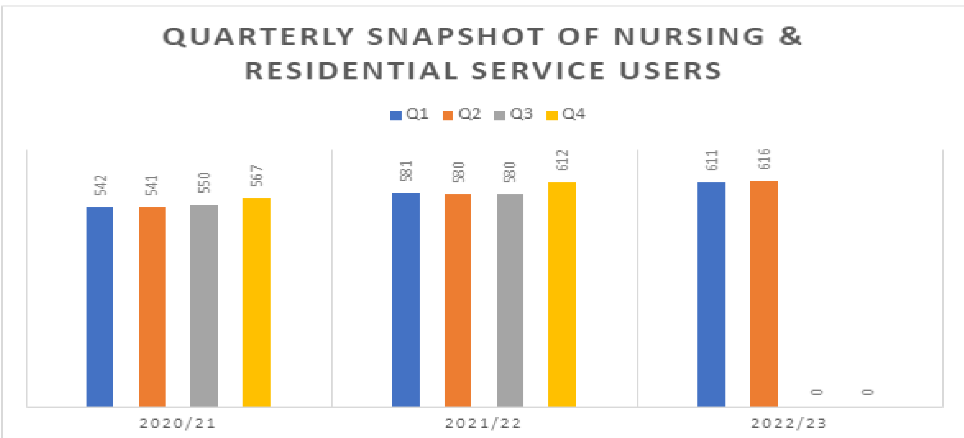
4.7. **Figure 4** shows that whilst demand for homecare is less than it was in 2021/22, demand is still above early pandemic levels.

<u>Figure 4 – Quarterly Snapshot of people accessing Homecare over the past three financial years</u>



4.8. **Figure 5** shows that since the pandemic, demand for residential and nursing beds has been steadily increasing.

<u>Figure 5 - Quarterly Snapshot of people accessing Residential and Nursing beds over the past three financial years</u>



Client Contributions and Direct Payments Drawdown (-£1.000m, an increase of -£0.200m since the previous reported position)

4.9. There are several factors to mitigate the above pressures. As the number of individuals accessing care increases, so does the level of client contributions -£0.500m and one-off direct payment surplus will be drawn down -£0.500m to offset the pressure.

Additional Staffing in the Adult Senior Leadership Team (+£0.344m, an increase of +£0.019m since the previous reported position)

4.10. This is mainly due to several roles where the postholder is involved in a long-term HR related issue and it has been deemed necessary to have another individual covering their post, resulting in the double cost of these roles and potential redundancy costs.

In-House Pressures (+£0.850m, an increase of +£0.022m since the previous reported position)

4.11. The In-House Transformation Programme has been delayed. This was due to requests for further information and clarification from interested parties. The consultation ended on the 30 November. The proposed go live date is estimated for April 2023. This will cause a financial pressure in 2022/23 of (+£0.850m).

Delay to Beaumont Rise Opening (+£0.258m, a decrease of -£0.038m since previous reported position)

4.12. The delay in the opening of a new residential Mental Health care home, Beaumont Rise, because of construction work delays due to restrictions to activity on the building site and supply chain issues resulting from COVID-19. As a result of not having this accommodation available means that the NHS contribution to the pool cannot be materialised as care is still required in NHS accommodation. Notification from the new build team is now predicting that this is delayed even further into late summer of 2023 which will create a further budget pressure next financial year. Options are being explored to mitigate this but there is no strong plan at present.

Additional Social Work staff (+£0.031m, no change since previous reported position).

4.13. Additional staff to support continuing the effective management of increased resident demand and complexity and support delivery of MTFS assumptions for 2022/23 of +£0.348m, this has been offset by non-pay underspends in the service of -£0.317m.

Delayed Savings (+£0.170m, a decrease of -£0.230m since previous reported position).

4.14. Mental Health Accommodation moves from out of borough back to Islington have been delayed resulting in a year pressure of +£0.170m, this is related to two individuals, escalation meetings are being held with the Trust to determine if moves can take place more quickly. Learning Disability Reviews savings have slipped by +£0.709m however this has been mitigated by one-off income.

Additional Grant Income.

4.15. It is recommended for executive to approve a one-off budget virement which creates a net nil effect due to the announcements of the Fair Cost of Care (FCOC) grant, Charging Reform and the ASC Discharge funding from the Department of Health and Social Care. The amount received in 2022/23 was FCOC £0.868m, Charging Reform £0.117m and ASC Discharge funding £1.076m.

4.16. The Fair Cost of Care grant will fund activities which will need to be implemented to prepare the Council for any future changes to funding. This will include additional support to providers for future impacts of reforms. The Charging Reform grant will fund expenditure related to strengthening capacity and supporting implementation of technology that will aid the "£86,000" cap charging reform. The ASC Discharge Funding grant will fund activities that will lead to increased patient discharges, including local initiatives that will have the greatest impact on reducing discharges. This will also be used to boost workforce capacity and retention to support the increase in discharges into residential and home care.

4.17. The service will use the Fair Cost of Care, Charging Reform, and the Adult Social Care Discharge fund to offset appropriate projected expenditure above budget and any additional spends to support the grant conditions.

Risks and Opportunities for Adult Social Service's finances:

4.18. **Savings** - Adult Social Services have a significant amount of savings £5.521m to be delivered in 2022/23. This report assumes that most savings will be delivered, or substitutions found except +£0.170m from Mental Accommodation moves and £0.850m from In-House transformation, this is due to a delay in the go live date, these are expected to deliver in 2023/24.

Chief Executive's Directorate +£0.133m, +£0.030m since the previously reported position

4.19. The Chief Executive's Directorate is currently forecasting an overspend of +£0.133m, which is detailed by key variances in **Appendix 1**.

4.20. The movement from last month +£0.030m is due to:

- Additional employee costs within Communications as a result of contract extensions +£0.087m.
- Revised forecasts on expenditure for paper and print costs mainly as a result of the Print Service being able to carry out more print jobs in-house (-£0.057m).

4.21. The significant variances within the department are as follows:

- Unbudgeted activity within communications as part of the Accessible Documents project.
- Net overspends on employee and supplies and services within the Communications service as a result of increased communications activity.

4.22. There are no other known risks or opportunities to report.

Children's Services +£4.814m, unchanged since the previous reported position
Schools (+£0.068m overspend), unchanged since the previous reported position

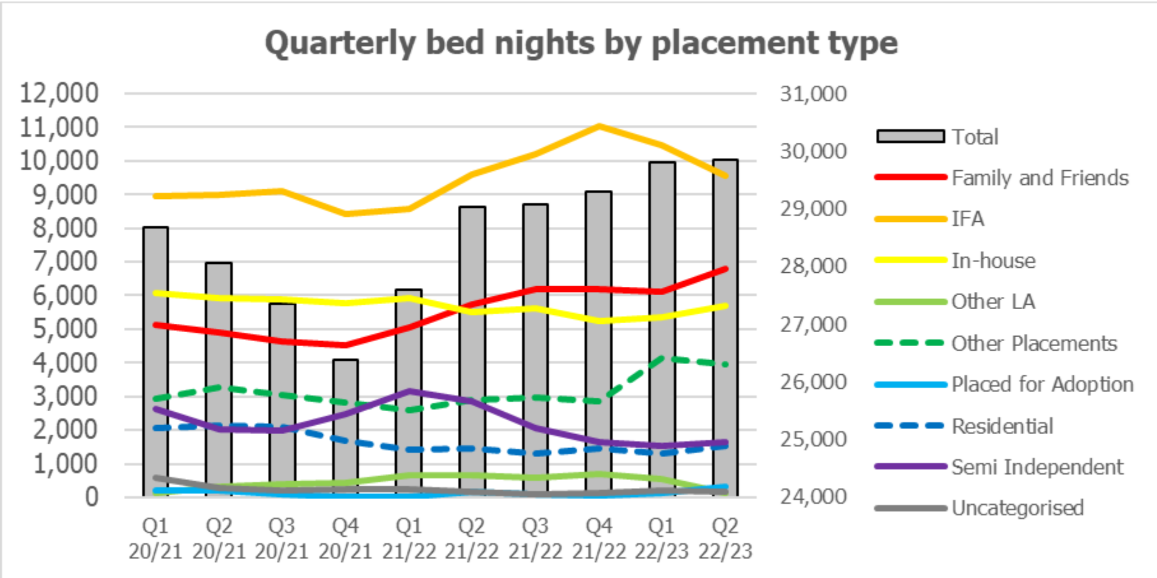
4.23. Children's Services are currently forecasting an overspend of +£4.814m, no change since the pervious reported position, which is detailed by key variances in **Appendix 1**.

4.24. Variances to note include:

- (+£2.481m, unchanged since the previous reported position) overspend against the Children's Social Care placements budget at quarter 2. The pressure on the placements budget is partly driven by delays to court directed care proceedings which is adding over £1m to placement costs each year and a shortage of housing for care leavers which is adding a further £2m to placement costs.

- Placement activity data at quarter 2 shows the following:
    - This shows that bed night activity for all placement types (non-UASC) increased by 0.1% during quarter 2 and was 3% higher during quarter 2 2022/23 compared to a year earlier. CLA numbers peaked during July and August, therefore bed nights should start to reduce, unless more children become looked after.

Figure 6 - Quarterly bed night activity data (non-UASC)



   - Residential bed night activity data is shown in **Table 2** below. At quarter 2 there was an increase in residential activity, reversing the reduction seen during quarter 1 2021/22. Residential activity is higher than this time last year. Significant reductions were seen during 2021/22 in welfare secure placements, parent and child court directed placements and therapeutic placements.

Table 2 – Residential bed night data extract

	Q2 21/22	Q4 21/22	Q1 22/23	Q2 22/23
Residential bed nights	1,452	1,488	1,315	1,545
Movement from previous quarter			- 9%	+ 17%
Movement from same quarter one year earlier			- 8%	+ 6%

   - Activity continued to reduce during quarter 2, following a reduction in quarter 1. This has reversed the trend of increases in each quarter during the last financial year – activity is just below the level seen during at the same time last year.

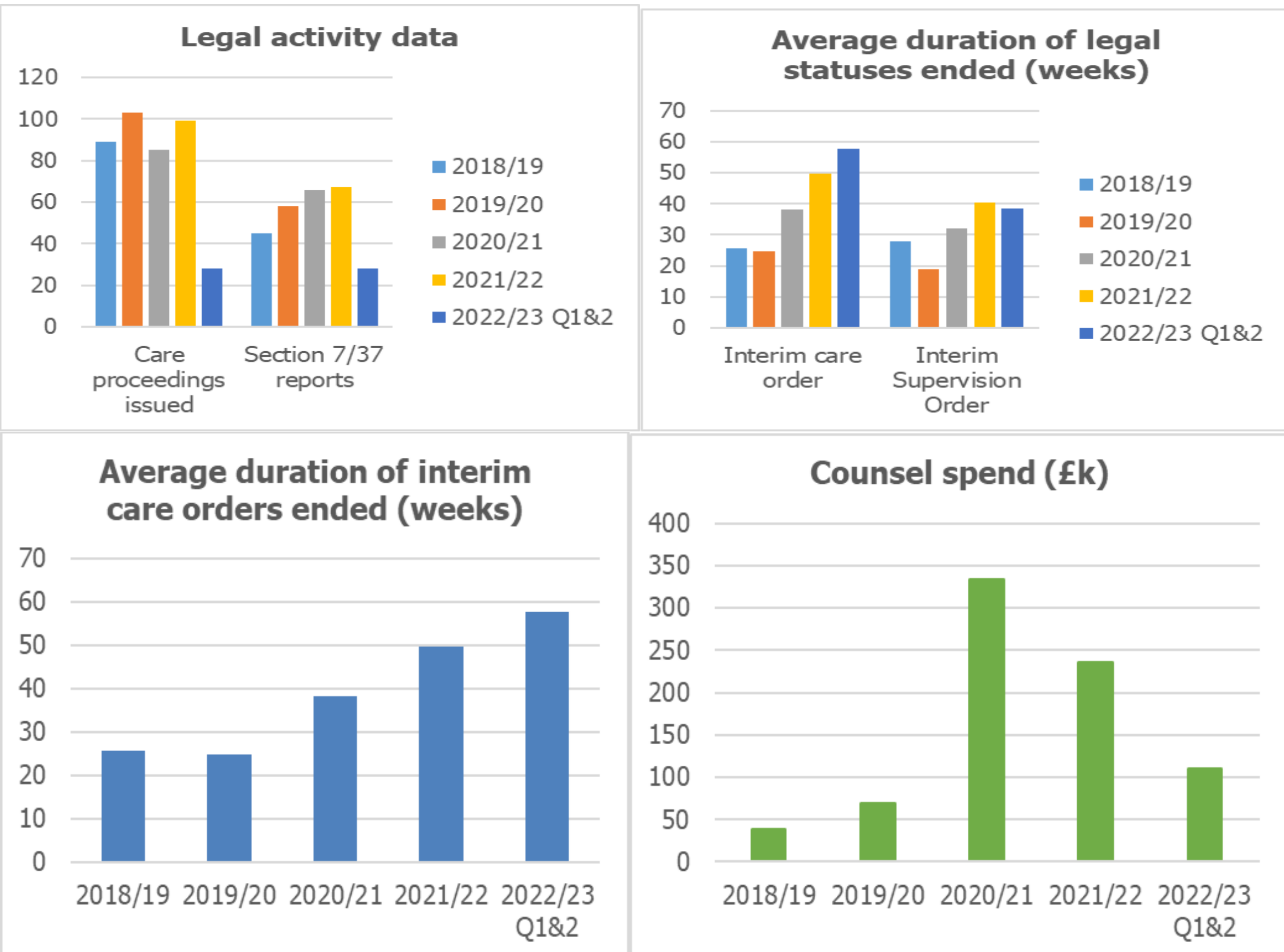
Table 3 – IFA bed night data extract

	Q2 21/22	Q4 21/22	Q1 22/23	Q2 22/23
IFA bed nights	9,589	11,049	10,471	9,539
Movement from previous quarter			- 5%	- 9%
Movement from same quarter one year earlier			+ 22%	-1%

   - Cost pressures in relation to Children's Social Care placements is an issue across London. There has been a 36% increase in the cost of the support for the children in care are across all London Boroughs since 2015, a 64% increase in the unit cost of residential settings and a 13% increase in the unit cost of fostering settings.

- (+£0.379m, unchanged since the previous reported position) forecast legal costs in relation to demand for care proceedings. The use of Counsel is subject to service director approval to minimise this cost pressure. Care proceedings issued have reduced in 2022/23 – activity to the end of quarter 2 is 28% of the total level of activity for last year, however costs remain high as there are 56 cases still open from last year that are in excess of 26 weeks. Section 7/37 report activity is on course to be slightly lower than last year, with activity to the end of quarter 2 being 42% of last year's activity. The average duration of interim care orders ended continues to increase, standing at 57.7 weeks in 2022/23 to date, compared to 49.8 weeks in 2021/22 and 38.1 weeks in 2020/21. The average duration above 26 weeks is costing an estimated £1m in additional placement costs per year. Activity continues to be affected by the pandemic and pressures on counsel spend is a national issue across local authorities.

Figure 7 - Legal activity data and Counsel spend



- (+£0.241m, unchanged since the previous reported position) forecast cost of continuing to underwrite income losses at Lift and Rosebowl while income levels continue to recover to pre-pandemic levels.

- (+£0.281m, unchanged from the previous reported position) estimated cost pressure from bringing the youth provision at platform back in-house. This includes estimates of pressures in relation to facilities management.
- (+£0.379m, unchanged from the previous reported position) structural shortfall in the budget for the Schools' human resources service and Cardfields and a shortfall in traded income.
- (-£0.565m, unchanged since the previous reported position), net Home Office income in relation to Unaccompanied Asylum Seeking Children after taking into account the cost of supporting this cohort of young people.
- (+£0.553m, unchanged since the previous reported position) forecast staffing cost pressures in Children's Social Care.
- (+£0.371m, unchanged since the previous reported position) forecast non-staffing cost pressures in Children's Social Care.

4.25. Risks and Opportunities within the department are:

- There are risks in relation to the Children's Social care placements budget forecast:
    - Market inflation pressures are provisionally estimated at this stage based on uplifts agreed to date but could rise as further as the year progresses.
    - The regulation of supported accommodation is due to come into force in April 2023. This will result in an increase in provision for 16/17-year-olds falling under the scope of Ofsted regulation as Children's Homes. Following consultation with providers they have set the intention to comply with regulatory changes which will result in a cost increase on provision for this cohort.
- Recent increases in demand for temporary accommodation (+£0.098m overspend in 2021/22) may recur in 2022/23.
- Spend against the Universal Free School Meals (UFSM) budget is expected to continue to reduce in line with projected pupil numbers and increased eligibility for free school meals in future years. High level estimates indicate that non-FSM pupils (nursery and KS2) will reduce by another 3.3% at October 2022 and 2.6% at October 2023. This follows a 10.5% reduction in October 2021. UFSM spend could therefore reduce by -£0.220m in 2022/23 and -£0.040m in 2023/24. The reduction in spend in 2021/22 and future forecasts indicate that agreed 2022/23 savings of -£0.195m are deliverable and could be exceeded.
- The forecast overspend for Children's Services takes into account the delivery of savings. All savings are on track for delivery with the exception of:
    - Targeted reduction in Children Looked After £0.800m. This has not materialised due to increased demand, particularly during covid where: more children suffered serious harm; care proceedings were delayed, therefore more children stayed in care for longer; and a large increase in numbers of UASC presented. Savings against residential provision have been delivered but these have been offset by increased pressures on provision in IFAs and independent living. During Covid, the placement market was insufficient leading to ongoing unit cost increases – this is a national issue.

4.26. The ring-fenced Dedicated Schools Grant (DSG) is currently forecast to overspend by +£0.068m, a movement of +£0.253m since the previous reported position.

4.27. DSG balances are forecast to reduce by -£0.068m to +£5.150 during 2022/23. This is shown in **Table 4** below. These balances are earmarked in future years to manage increasing pressures on the high needs block and early years block, and to meet cost pressures within schools.

Table 4: Forecast DSG Balances

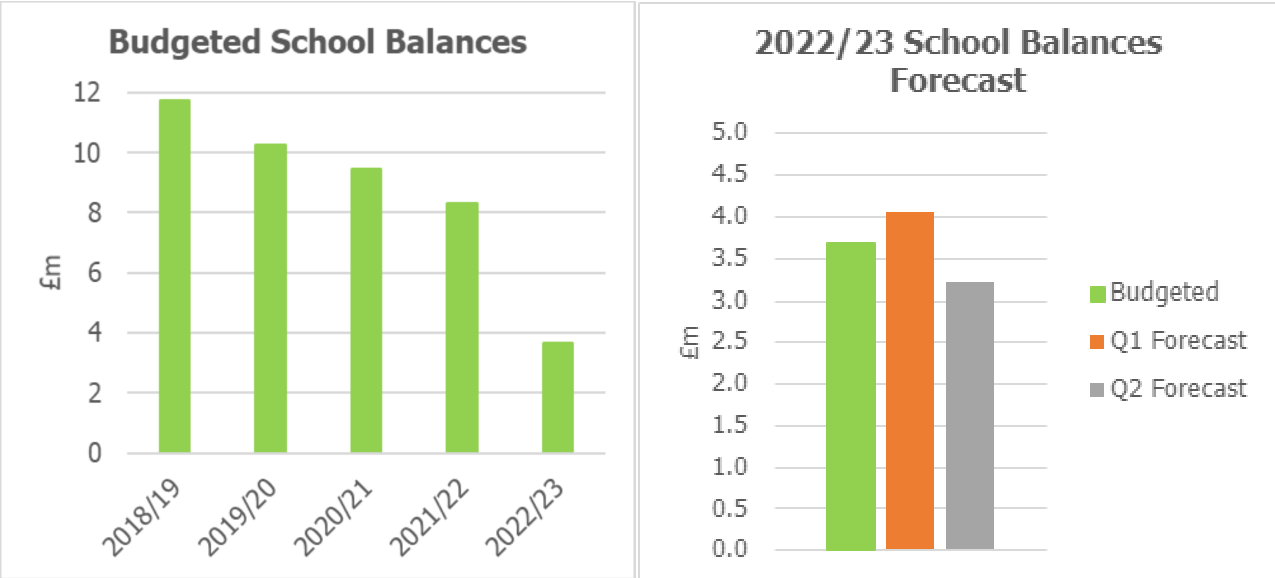
	Schools Block £m	De-delegated budgets £m	Central Schools Services £m	High Needs Block £m	Early Years Block £m	Total £m
Opening balance	**0.776**	**0.122**	**0.210**	**2.649**	**1.461**	**5.218**
In-year DSG variance	(0.140)	0.000	0.068	0.171	(0.167)	**(0.068)**
Forecast closing balance	**0.636**	**0.122**	**0.278**	**2.820**	**1.294**	**5.150**

4.28. Individual school balances stood at £8.313m at the end of 2021/22. Schools have budgeted to reduce their balances by £5.233m to £3.080m over the course of the year. Individual school balances in Islington have been in decline since 2018/19 when they stood at £11.732m. Balances reduced steadily to £8.313m at the end of 2021/22 but are budgeted by schools to sharply decline during 2022/23. The decline in school balances is a national issue as schools face increasing cost pressures.

4.29. There were 10 schools in deficit as of 31 March 2022, based on the budget plans submitted by schools this is expected to increase to 11 by 31 March 2022, with two schools entering deficit and one coming out of deficit. A further analysis of balances, when compared to the Education and Skills Funding Agency (ESFA) suggested guidance of balances held by schools; 8% for nursery, primary and special schools and 5% for secondary schools, indicate 13 schools will be above the suggested limits at the end of 2022/23, a reduction from 21 at the start of the year.

4.30. The quarter 2 forecast from schools is for balances to reduce to +£3.210m, a reduction of -£0.842m from the quarter 1 forecast but still -£0.466m less than the budget position. The number of schools forecast to be in deficit at the end of the year will increase to 21 (40% of maintained schools).

Figure 8: School balances



4.31. The main causes of the decline in Islington are:

- Reducing pupil numbers. 90% of school funding is pupil led – each reduction in pupils equates to an average loss of funding per pupil of £5,430 in primary and £8,040 in secondary schools. Actual losses per pupil for individual schools will depend on the pupil characteristics at that school.
- Increased numbers of elective home educated pupils – there are currently 356 elective home educated pupils, at a cost of £1.9m in lost funding for our schools. This is an increase of 197 from before the pandemic, and 270 since 2016/17. If the 197 additional pupils returned to Islington schools, the additional funding would be equivalent to £1.1m.
- Increasing numbers of pupils with SEND. Education health and care plans increased at a rate of 10.4% per annum in Islington in 2021/22.
- Below inflation per-pupil increases in funding under the national funding formula.

Community Wealth Building +£2.888m, no change to the previous reported position

4.32. The Community Wealth Building Directorate is currently forecasting a +£2.888m overspend position, which is detailed by key variances in **Appendix 1**.

4.33. The significant variances within the department are as follows:

- It is expected that there will be a shortfall in Commercial property income in the Corporate Landlord division of +£0.890m (including the ad-hoc income above) due to additional undeliverable savings of £0.840m and £0.244m from previous years. This variance also includes 3 leases worth £0.194m are transferred to Corporate Landlord division. This income is currently claimed by Adult Social Care and Children Services.
- The division currently has 47 committed live leases with annual value of £3.407m including the 3 leases mentioned above. This assumes 100% occupancy rate during the year with no void or rent- free periods. It is assumed that commercial tenants will remain throughout the year and rent of £3.407m will be received.

- The Corporate Landlord department is forecasting an overspend of +1.816m in energy costs for council buildings. The forecast to date assumes that consumption remains the same as 2021/22, there has been a slight increase on bills coming through due to increased consumption. The service is actively seeking to mitigate this risk by reviewing heating and cooling systems, ensuring all lighting is LED, reviewing core working hours and rationalising the facilities estate.
- Staffing overspends in Inclusive Economy +£0.182m as a result of historic under-funding and an increased risk that alternative funding sources will not be secured in-year, although the service continues to actively seek additional funding

4.34. Risks and Opportunities within the department:

- Corporate Landlord
    - There is a pipeline of £1.271m of new commercial property income opportunities for future years to offset the pressure in the longer term.
    - 5 leases with a total value of £0.133m are being investigated and re-negotiated currently. The income from these contracts will reduce the overspend position if they are agreed and signed off.
- Planning and Development
    - There is a risk of underachieving the income targets from planning applications, however the service is expecting 2-3 significant planning applications this year which will significantly contribute towards delivering income targets. The service is currently reviewing the income schedule will provide a forecast in the next reporting period.
    - The service has recruited a total of 12 permanent staff (replacing 3 agency staff with 3 permanent staff) in the last year but faces the ongoing structural budget challenge of very limited general fund and a high reliance on fluctuating/deferred income, which generates in-year financial pressures. There is thus a risk of staffing overspend through use of additional agency staff, but at this stage the service expects to mitigate this risk in-year.
- Inclusive Economy
    - There is a risk of an overspend of £0.054m in Inclusive Economy division. This expenditure is related to an ongoing legal dispute with a local business. The outcome of the case is yet to be determined however it is expected that these costs will be reimbursed.

Environment +£4.341m, +£2.431m movement since the previously reported position

4.35. The Environment Directorate is currently forecasting a +£4.341m overspend position, which is detailed by key variances in **Appendix 1**.

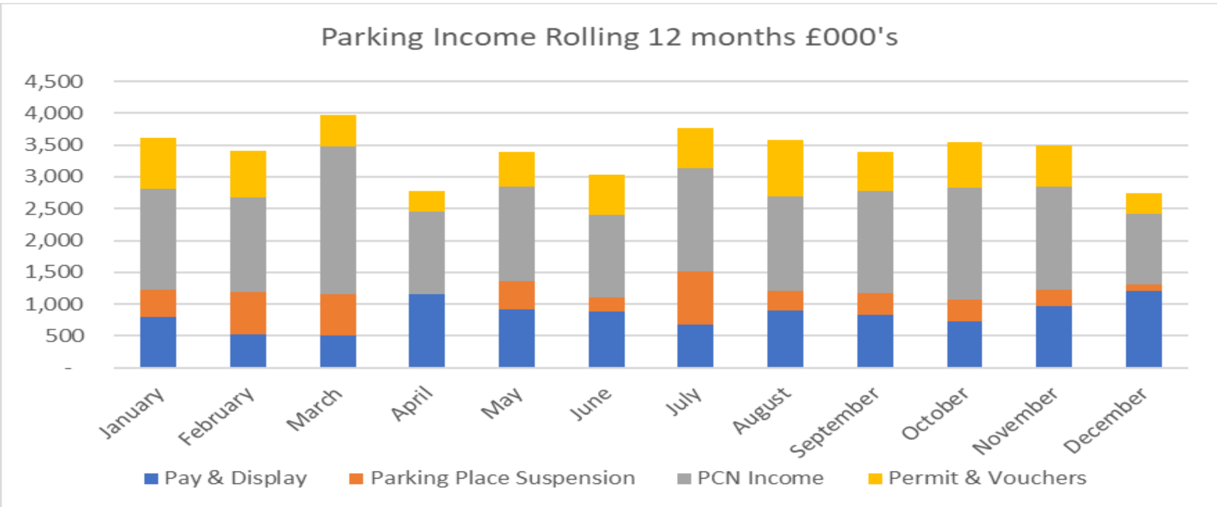
4.36. The movement from last month +£2.431m is due to:

- A change in the G-Networks programme within Parking +£2.341m. A delay in the programme will see income coming in 2023/24 and 2024/25 rather than in 2022/23.
- Additional tree works on the highway for urgent and emergency works +£0.090m**.**

4.37. The significant variances within the department are as follows:

- The Parking account is currently forecast to break-even, however there are several risks around the significant income streams. Whilst volumes of pay and display transactions are increasing the average income per transaction is falling indicating shorter lengths of stays. Suspension income forecast has been revised down with the revised programme of fibre network roll-out across the borough now expected to be within the 2023/24 financial year. This has now led to a pressure in the parking account as this gain was currently offsetting the shortfall on other income lines mainly within the pay and display budget of around £1.5m.
- There is a pressure on parking permit income which it is anticipated will be partially resolved by a mid-year pricing review.
- The figure below shows the monthly breakdown of the main parking income streams over the last 12 months.

Figure 9 - Parking Income Streams January 2022- December 2022

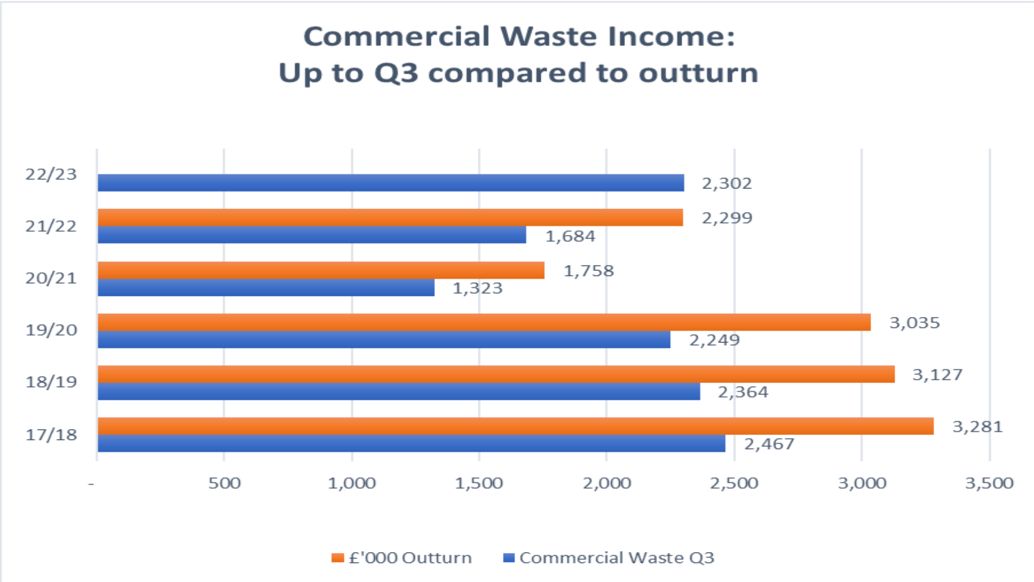


- In the leisure contract there is also a pressure around the energy price risk share where the council would bear 50% of the rise in the cost of energy. This risk is uncertain but is currently estimated to be +£0.576m. The capacity of GLL to absorb their portion of the energy risk is currently unknown and may be dependent upon an in-year price rise as the inflationary cost pressures continue.
- The energy risk also impacts upon other service areas but particularly on the Street Lighting PFI contract. Some allowance has been made from the annual contract inflation provision however at current prices it is anticipated that this could be +£0.639m underprovided.
- There continues to be a pressure within the commercial waste service as the customer base recovers, however the first quarter income figures look encouraging. The chart below compares the income received during the first quarter compared to the outturn for the

previous 5 financial years. The first quarter income of 2022/23 saw a return to pre-covid levels last achieved in 2018/19.

- With offsetting reductions in the commercial waste disposal levy it is estimated that there is a pressure of around £0.3m within the service. With a business plan to increase the customer base utilising and re-focussing existing resources this pressure is expected to diminish over time.

Figure 10 - Quarter 3 Compared to Outturn: Current performance compared to last 5 years



- There is an emerging pressure around tree maintenance on highways due to the programming of works and increased costs. This is expected to be around £0.090m.

All other areas are expected to break-even at this stage.

4.38. Risks and Opportunities within the Department.

- The Street Operations Service (SOS) has a saving relating to charging for waste containers to RSLs totalling +£0.237m that is being assumed as met. However, the service still needs to identify exactly how +£0.197m of this saving is to be achieved.
- SOS' forecasts are dependent on previous management action around reducing agency costs i.e., reducing shifts from 580 weekly shifts to 400 (further action will be taken if necessary – costs will be vigorously monitored throughout the remaining months) and include insurance income from vehicle repairs.
- Public Protection has two savings totalling +£0.170m that is being assumed as met, however the service still needs to identify exactly how they will meet these savings.
- Possible NLWA levy rebate – an estimate of this for 22/23 will not be known until Feb 2023. However, in 19/21 it was -£0.191m, 20/21 -£0.780m and 21/22 (-£0.460m - estimated).

Fairer Together +£0.144m, a decrease of -£0.050m since the previous reported position

4.39. The Fairer Together Directorate is currently forecasting a (-£0.144m) overspend, which is detailed by key variances in **Appendix 1**. This position has decreased (-£0.050m) which is attributable underspends materialising across Fairer Together due to planned projects and programmes not mobilising which is offset by an increase in the unmet vacancy factor saving within Resident Experience.

4.40. Significant variances within the directorate are as follows:

- (-£0.080m, new variance since the previous reported position) underspend due to planned projects and programmes across Fairer Together not mobilising during 2022-23.
- (+£0.095m, +£0.030m since the previous reported position) cost pressure from materialised risk of unmet vacancy factor savings, as the sheer volume of calls received by the Access Islington team means vacancies must be filled by agency or overtime to deal with current workload.
- (+£0.055m, unchanged since the previous reported position) cost pressure due to the cost of three temporary full time Customer Service agents to support the Council's Cost of Living campaign.
- (+£0.021m, unchanged since the previous reported position) cost pressure due to overtime to deal with Chief Executive complaints effectively and efficiently, to combat Ombudsman action and ultimately avoid fines.

Figure 11 – 2021/22 Call volumes for the Chief Executive Team (Stage 2)

- (+£0.040m, unchanged since previous reported position) COVID-19 related costs from We Are Islington, which was wound down by Month 5. These costs are for additional overtime and salary related expenditure, from providing extra support and assistance provided to the vulnerable, those isolating and communities in general.
- (+£0.013m, unchanged since the previous reported position) shortfall due to unmet income targets against courses supplied by Resident Experience.

4.41. Risks and Opportunities

- There is a risk that in addition to the reported +£0.095m overspend above, that +£0.032m of the vacancy factor saving may be unmet. This risk, along with the reported overspend is equivalent to 2.5 full time Customer Service Agents.

Homes and Neighbourhood -£0.800m underspend, a movement of -£0.274m since the previous reported position

4.42. The Homes and Neighbourhood directorate is currently forecasting a -£0.800m underspend position, this is an increase of -£0.274m in underspend since month 8. The primary reason for the movement is the receipt of additional grants.

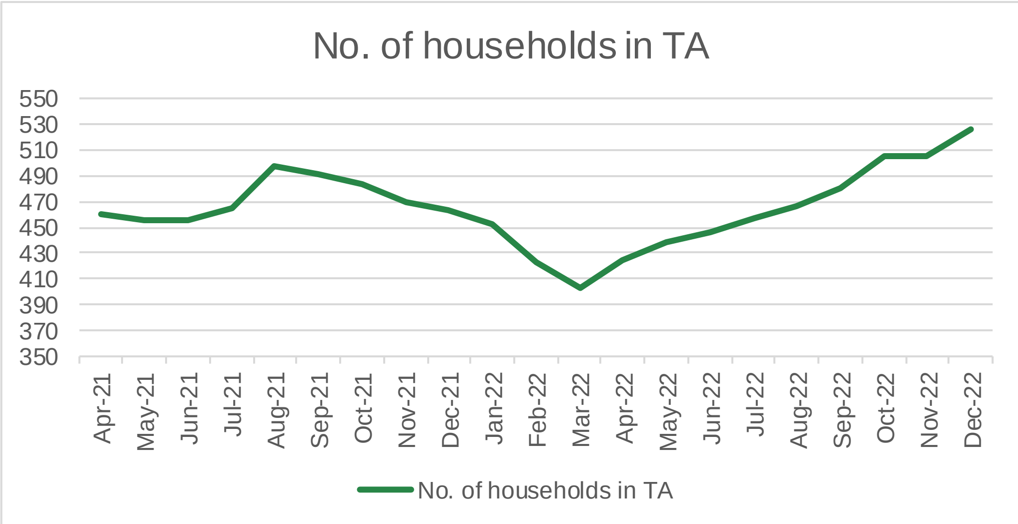
4.43. Within the underspend position there are a number of variances to note:

- Nightly Booked Temporary Accommodation (TA) is currently forecasting an underspend of -£0.799m. Numbers in TA overall are continuing to rise due to the large and increasing number of people presenting as homeless. The movement into further underspend is the result of the increased utilisation of additional grant money to meet TA costs.
- Bad debts/arrears are expected to be +£0.247m overspent. As case numbers rise and the cost of living impacts, then more people will be in a position where other priorities conflict with TA rents, resulting in increased arrears. The department will seek to reform the management of this area ensuring it is led by a specialist team, to drive a focus on improving outcomes and collection rates.
- Islington Lettings is currently forecasting +£0.174m pressure. Islington Lettings is a guaranteed rent scheme that means a liability is created when tenants do not pay their rent and arrears develop. The department is seeking to mitigate the cost of this scheme by removing tenants from this more expensive accommodation either by transferring them into nightly booked TA or by creating direct relations between the tenants and the landlords, moving them out of the scheme.
- This is offset by smaller variances detailed in **Appendix 1**.

4.44. There are a number of risks and opportunities to report for 2022/23. TA cases nationally are rising and expecting to rise to rise over the next 3 years by 20% per year by Heriot-Watt University. The local and national picture are increasingly difficult for the homeless:

- Nationally the cost-of-living crisis is beginning to impact on residents, private sector rents are rising in Islington by 16.2pc (based on inner-London rental values 2021).
- The number of private rented sector properties available to rent has fallen in London by 38% (July 2021 to July 2022).
- The number of evictions in the borough are rising due to the evictions ban ending in mid-2021.
- The number of cases presenting themselves to the team has risen in the first few months of 2022/23. The department is focusing on preventing case numbers rising insurmountably by increasing the number of clients being supported back into private sector options and through moving clients into cost neutral accommodation.

Figure 12 – April 2021 to December 2022 Number of Households in Temporary Accommodation



- Islington is participating in a number of refugee schemes, namely those for Syrian, Afghan and Ukrainian citizens. These projects, while coming with grant money, provide an increased burden on the service staff to manage this influx of clients. The department is seeking to match any additional expenditure with government grants, monitoring the position closely over the medium term.
- A number of different capital grants are coming into the HRA/HGF that will lead to an increase in Islington's acquisitions programme and the new Stacey Street project releasing up to 150 new properties. These properties will be cost neutral to the Housing General Fund budget and will help lower TA costs in the long term.
- The Housing Needs Service is currently undertaking a restructure, the outcome has not been determined; however, any immediate financial impact will be met from the department's own resources. It is not clear at this point what the impact will be in future financial years.

4.45. Savings – Homes and Neighbourhood have a significant amount of savings £0.675m to be delivered in 2022/23. This report assumes that all par the reduction in numbers in TA will be achieved £0.100m. Sustained rises in case numbers are increasing the risk that this saving will not be delivered. The service can absorb this cost pressure in this financial year.

4.46. It is difficult to draw long-term conclusions for 2023/24 for the department. TA case rises, service restructure costs, and the return of one-off NRPF demography in 2023/24 make the long-term position particularly fluid.

Public Health (Break-even), unchanged since previous reported position

4.47. Public Health is funded by a ring-fenced grant of £28.135m in 2022/23. The directorate is currently forecasting a break-even position.

4.48. There are number of variances that may impact on the department and have been included in the current forecast for 2022/23:

- The Sexual Health Service is currently in an underspend position. The Sexual Health Service continues to pay suppliers at baseline tariffs, and it is expected that this will continue for the remainder of the year. There have been additional costs related to an increase in activity for Pre-Exposure Prophylaxis (PrEP) and the E-Service.
- The department is funding number of one-off projects +£0.500m in the Other Public Health Division. This will be met from underspends in the remaining divisions. The total underlying underspend position is -£0.687m. The remaining -£0.187m underspend will be transferred to the Public Health reserves at the end of the year.

4.49. There are number of risks and opportunities in the area for 2022/23 and further:

- The PrEP budget has previously not been fully utilised, but this was more a consequence of the pandemic preventing full access to the service. Demand is continuing to increase and is likely to fully consume any additional funding in the year ahead.
- There is an increase in the use of online sexual health services that are not offset by a reduction in costs for in-clinic sexual health services, which have been significantly impacted by the response to the outbreak of Mpox virus. Public Health cannot offset online sexual health service costs in the short term. It is possible that in the longer term some efficiencies across the whole sexual health system can be realised, but at the current time, the Mpox virus outbreak following the impacts on operation over the first two years of the Covid pandemic means that this is a sector that is still in recovery.
- There are challenges in the Sexual Health services from the Mpox virus. Vaccination costs are paid from NHSE, but the assessment, testing and treatment may have direct or indirect financial impacts on the service if support to meet the additional cost pressure is not provided by DHSC or NHSE.
- The demerger between Camden and Islington risks creating a number of financial pressures. Additional staff may be required and there will be previously shared costs that may need to be absorbed solely going forward. It is too early to determine the financial outcome from this process, but the loss of overhead income from Camden would create a financial pressure of +£0.213m.
- Inflation risks creating financial pressures for providers, resulting in requests for additional payments or risk of provider failure, forcing the service to find alternative provision at additional cost. Inflationary pressures risk increased pay awards that will consume a greater share of the Public Health grant.
- The department has been awarded an additional core Public Health grant uplift of £0.767m from the 2021/22 allocation. It is unclear if this uplift will be needed to pay for the Agenda for Change pay awards in contracts, if so, this will likely consume all the uncommitted uplift.

4.50. Savings – Public Health have a significant amount of recurring savings £0.433m to be delivered in 2022/23. At this stage it is assumed that all savings will be delivered.

Resources +£0.222m, an increase of +£0.184m since the previous reported position

4.51. The Resources Directorate is currently forecasting an overspend of +£0.222m, an increase of +£0.184m since the last reported position. The main items making up this forecast are:

- (-£0.296m, unchanged since the previous reported position) forecast underspend against the activity and training budgets within human resources due to slippage in the roll-out of training programmes.
- (+£0.456m, an increase of +£0.184m since the previous reported position) net staffing cost pressure across the whole directorate.
- (+£0.300m, unchanged since the previous reported position) pressure due to the replacement of hardware devices to meet demand and as existing stock reaches the end of its life.
- (-£0.360m, unchanged since the previous reported position) underspend against the cost of software licenses.

4.52. Risks within the directorate include:

- There is an inflationary pressure and exchange rate risk in re-negotiating contracts with Digital Services suppliers. The service is monitoring this on an individual contract basis.
- Since the start of the pandemic the Digital Services department has had to improve technology in several areas, and this has seen a significant increase in projects. Digital Services are reviewing spend profiles on all projects in the department to ensure that project forecasts are robust and mitigate overspend risks on projects. The pressure in this area will become clearer as the review is completed.

Corporate Items +£5.756m, no change since the previous reported position

4.53. The corporate items forecast is a +£5.756m overspend.

4.54. The pressures relates largely to the working assumption of the minimum 2022/23 pay award, based on the most recent Local Government pay offer. There is currently a centrally held budget to allow for a 2% pay award in 2022/23. The latest local government pay offer for the period 1 April 2022 to 31 March 2023 is for a flat rate increase of £2,355 (for NJC pay points). On average, across the Council's payroll, initial estimates are that this would equate to a 6% increase in the council's pay bill. This would add an estimated £5.779m pressure to the in-year budget monitoring position. This is offset largely (at this stage) by applying the council's £5m contingency budget to the month 5 forecast. The ongoing, additional cost will need to be reflected in the 2023/24 base budget position going forward. Work is ongoing to fully assess the actual impact of the pay award (in-year and ongoing) and future reports will include the full-year figure.

4.55. The latest transformation fund allocations and anticipated drawdowns are included at **Appendix 3** for noting.

Collection Fund Update

<u>Background</u>

4.56. The recovery of council tax and business rates continues to be affected by the impact on household budgets of the cost-of-living crisis. The collection and recovery of collection fund income could be adversely affected in the current year.

4.57. Council tax and business rates income is a major source of the council's overall funding, representing around 24% of the council's gross general fund income. The combined collection fund income (council tax and business rates) is shared with the Greater London

Authority (GLA) and central government. The council currently keeps 76.9% of council tax income collected, approximately £102.3m, and 30% of business rates income, approximately £73.7m, based on the estimated 2022/23 budget.

4.58. Collectable gross income and actual outturn is offset by number of reliefs such as single person discounts and exemptions (council tax) and charity relief (business rates).

Current Collection Rate

4.59. The council has set an in-year target collection rate for council tax collection of 95.33%, against which 71.04% (£102.4m) has been collected at month 9. This is -1.46% lower than the monthly in-year target.

4.60. For business rates the council has set an in-year target 96.7%, against which 77.8% (£224.4m) has been collected at month 9. This is +1.67% higher than the monthly in-year target rate.

4.61. The two graphs below illustrate the recovery trends of in-year council tax and business rates by month and year.

Figure 13 – Council Tax In-Year Collection Rate Trend

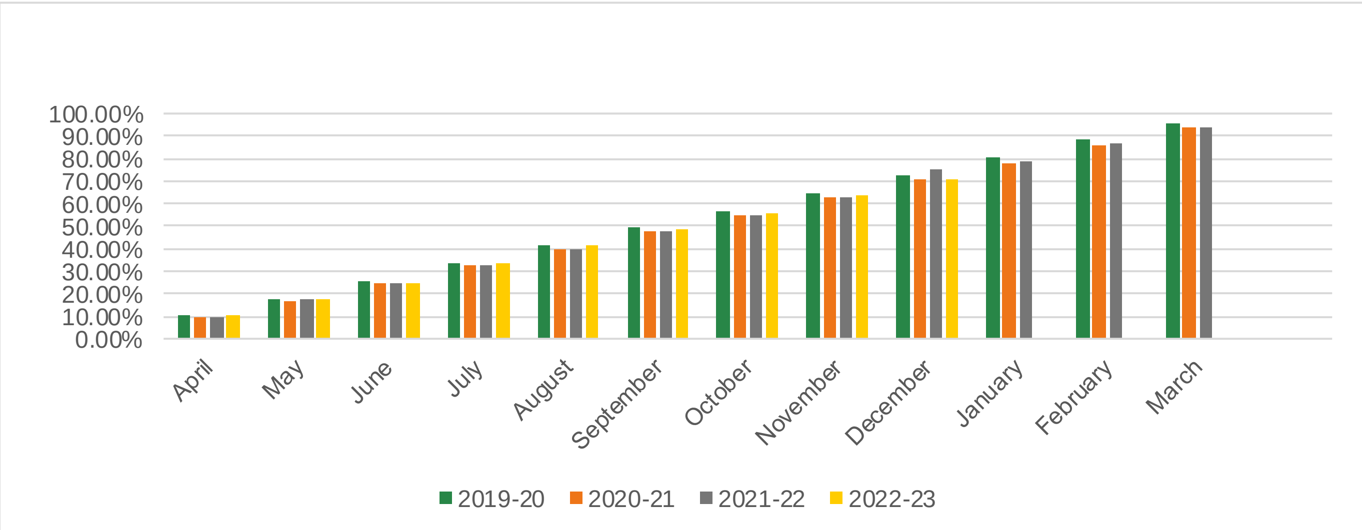


Figure 14 – Business Rates In-Year Collection Rate Trend

Arrears Analysis

4.62. The total NNDR arrears outstanding at month 9 is £73.9m (£22.2m is Islington's share) of which £53.7m (£16.1m Islington's share) or 72.6% being the current year arrears. The remaining £20.2m relates to prior year arrears.

4.63. The total council tax arrears outstanding at month 9 is £68.6m (£52.7m is Islington's share), of which £36.2m (£27.8m Islington's share) or 52.8% being the current year arrears. The remaining £32.4m relates to prior years.

4.64. The business rates (NNDR) and council tax outstanding arrears between current and prior years and movements between months is summarised in **Table 5** below. The outstanding NNDR arrears decreased sharply between current and last month, in-year arrears reduced by 36.4% and prior years by 27.6%, bringing the overall reduction to 34.3%, which equates to £38.4m in financial terms.

4.65. The data also shows a reduction between last month and the current month in council tax of 31.4% for the current year debts and for prior years it is 1.8%, making the overall reduction 20%, equating to £17.2m.

Table 5 – Collection Fund Arrears Movement

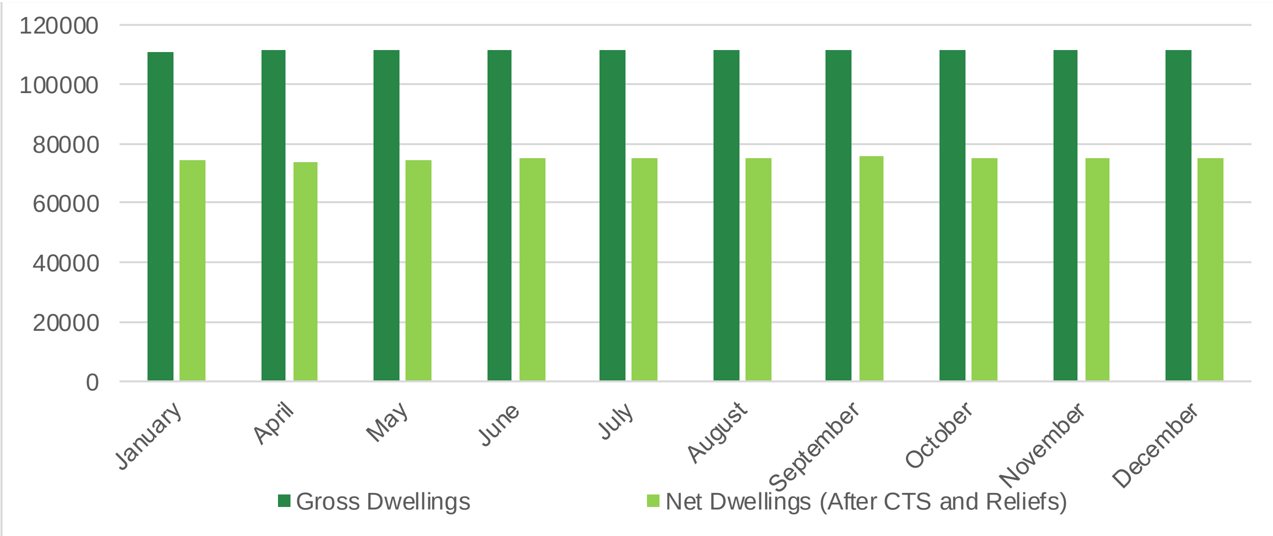
	Business Rates			**Council Tax**		
	Nov 2022	**Dec 2022**	**% Change**	**Nov 2022**	**Dec 2022**	**% Change**
	£m	£m	%	£m	£m	%
Current Year Arrears	84.5	53.7	**-36.4%**	52.8	36.2	**-31.4%**
Prior Years Arrears	27.9	20.2	**-27.6%**	33	32.4	**-1.8%**
Total Outstanding Arrears	**112.4**	**73.9**	**-34.3%**	**85.8**	**68.6**	**-20.0%**

4.66. Out of the overall £68.6m current outstanding debts, it is estimated that £7.2m (8%), or 10,968 accounts, relate to council tax payers who are in receipt of council tax support. At present it is not possible to identify those accounts who are also in receipt of Universal Credit – this is being reviewed with the software provider to enable reporting on this.

Tax Base Analysis

4.67. At January 2022, the overall council's gross dwellings were estimated to be 111,023 and net dwellings, after adjusting for Council Tax Support and various reliefs but before the collection losses, for tax base purpose was 74,459. The number of gross dwellings currently stands at 111,320, which is an increase of 0.27% and estimated net dwellings 75,018, which is an increase of 0.75%.

Figure 15 – Monthly Changes in Gross Dwellings and Estimated Taxbase Before Collection Losses.



Additional Commentary

4.68. At month 9 the council has paid out £10.1m or 95.4% of the available grants (67,437 properties) for the government's £150 Energy Bill Rebates scheme to help households with rising costs of living. This is available to properties in council tax bands between bands A to D. This scheme is now closed.

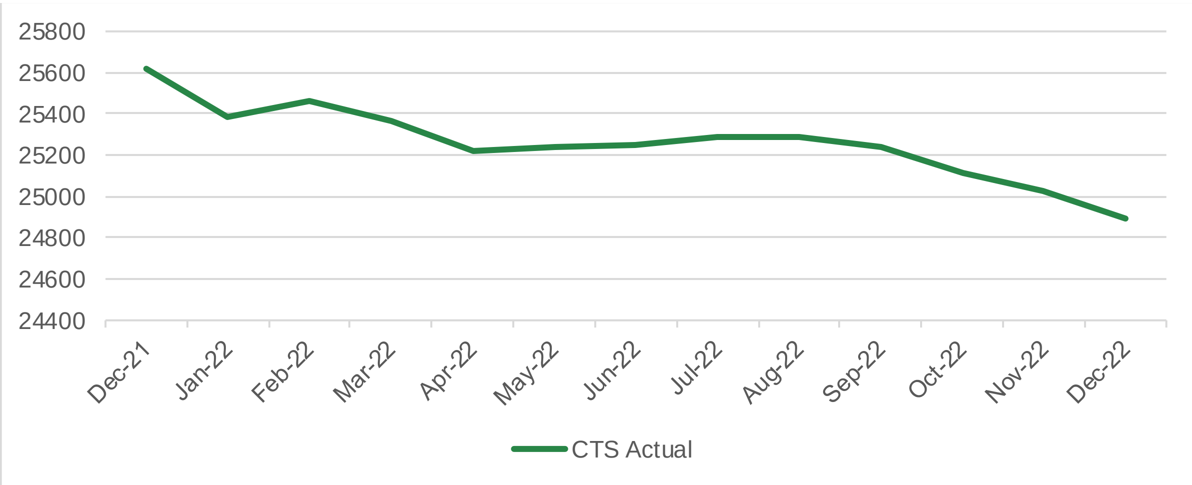
4.69. The council has also paid out £2.4m or 98.9% of total available grants from the Discretionary Fund to 26,983 households. Since this scheme is also now closed, further changes to the data are not anticipated.

4.70. Of the £17.2m grant provided to the council under the Covid-19 Additional Relief Fund (CARF) scheme, the council has made payments of £16.2m or 94.4%. Take-up has increased due to automatic award of the grants to identifiable businesses by the council.

4.71. The virtual court hearings system for both council tax and business rates continues to operate efficiently. At month 9 the council has issued 19,736 summonses (16,175 council tax and 3,561 business rates). Based on the current trend, costs raised through the summonses are in line with budget estimates.

4.72. At month 9 Council Tax Support (CTS) scheme caseloads stood at 24,983 representing £31.2m in financial terms), of which 17,913 (£21.7m) related to working-age recipients and 6,980 (£9.5m) related to pension-age recipients.

Figure 16 – Total Council Tax Support Case Load Over 2022/23



Energy Price Analysis – Month 9

4.73. Rising energy prices, global supply chain issues and the economic consequences of the war in Ukraine have driven inflation levels to a 40-year high. It is important that the impact of rising prices is monitored within departmental monitoring submissions with, in addition, a more wide-ranging analysis in this section. This assists in identifying trends and impacts over time. The graphs below reflect the movements in price since 1 March 2022.

Figure 17 - Weekly monitoring of electricity commodity price at Megawatt per hour

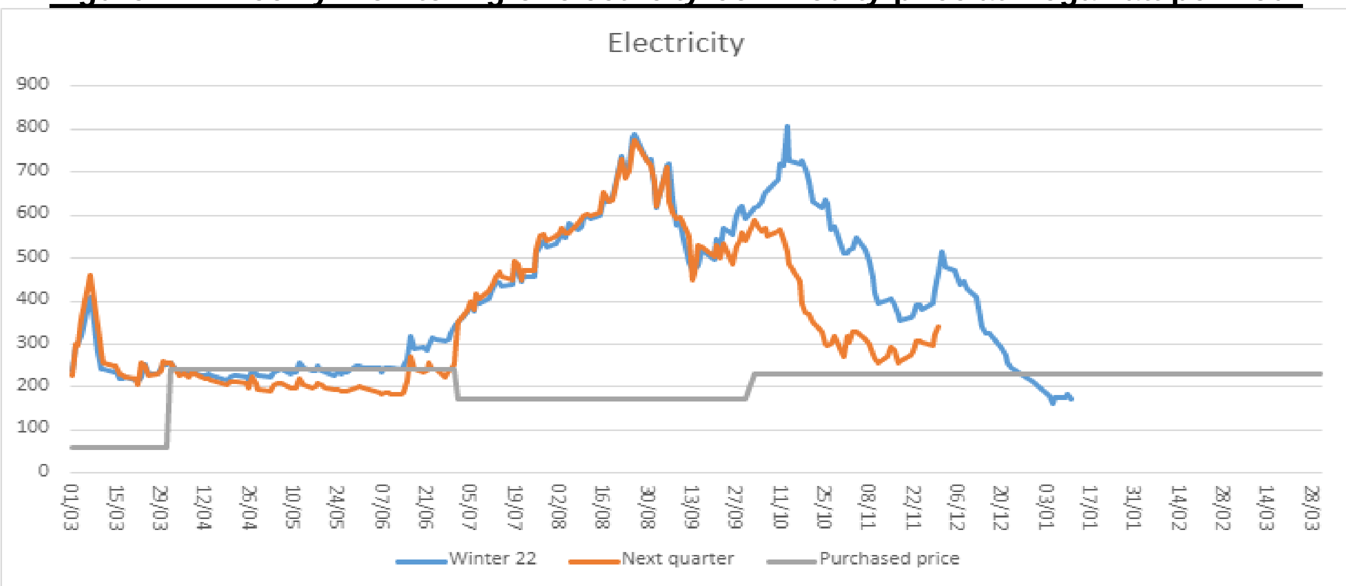
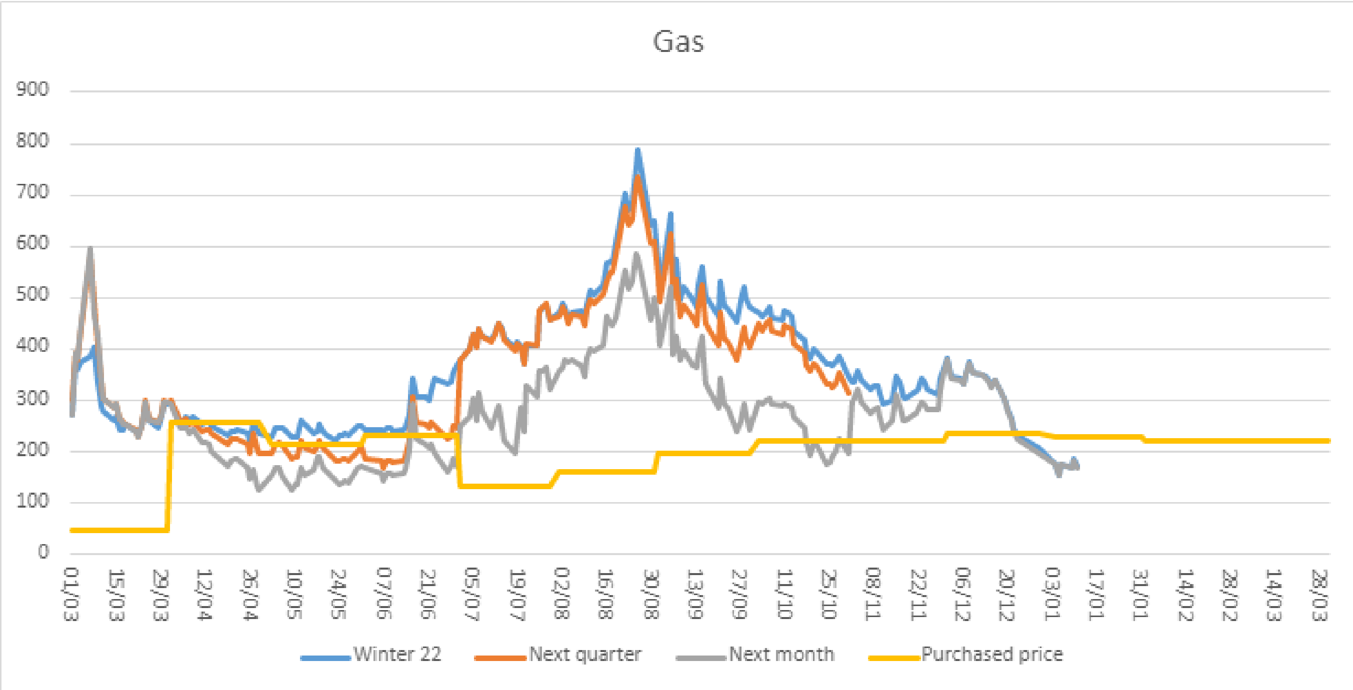


Figure 18 - Weekly monitoring of gas commodity price per therm



4.74. For quarter 1 of 2022/23 the council purchased electricity at £243/Megawatt (MW) and gas at an average price of 235p/therm. This equated to end user costs of around 37p/kWh for electricity and 9p/kWh for gas (a figure which includes an estimate of the standing charges). Volume was estimated at 2021/22 levels with an allowance of 20% in reduction or increase on usage. There was a drop in prices for quarter 2 and electricity was purchased at £173/MWh and gas at 163p/therm on average, resulting in end user prices of around 30p/kWh for electricity and 7p/kWh for gas.

4.75. There was a sharp increase in commodity prices for quarter 3 and quarter 4 since mid-June. This occurred while the council was waiting for the development and sign-off of a new energy purchasing strategy commissioned from an energy market consultancy firm.

4.76. Following the development and subsequent adoption of this strategy, the council purchased electricity at £575/megawatt (MW) and gas at an average price of 477p/therm. This equated to end user costs of around 70p/kWh for electricity and 17p/kWh for gas (a figure which includes an estimate of the standing charges).

4.77. The government has introduced an ‘Energy Bill Relief Scheme: help for businesses and other non-domestic customers’ to take effect from 1 October 2022. The government is providing a discount for all non-domestic energy users at £211 per megawatt hour (MWh) for electricity and £75 per MWh for gas. Suppliers will apply reductions to the bills of all eligible non-domestic customers.

4.78. **Table 5** shows the estimated quarterly costs of gas and electricity for the General Fund and Leisure Centres, HRA and Schools following the introduction of the price cap. These estimates are based on the prices purchased at and 2021/22 usage figures.

Table 5 – Quarterly Electricity and Gas estimates for 2022/23

	General Fund		HRA		Schools (Incl. academies)	
Period	**Elec. £m**	**Gas £m**	**Elec. £m**	**Gas £m**	**Elec. £m**	**Gas £m**
Quarter 1 average	1.108	0.418	1.746	1.392	0.664	0.357
Quarter 2 average	1.010	0.268	1.411	0.615	0.539	0.160
Quarter 3 average	1.320	0.550	1.683	2.059	0.641	0.529
Quarter 4 average	1.257	0.629	1.683	2.459	0.641	0.632
Total	**4.696**	**1.864**	**6.524**	**6.526**	**2.485**	**1.679**
Total Gas and Electricity	**6.560**		**13.050**		**4.164**	

4.79. **Table 6** shows energy pressures of +£3.031m, reflected in the month 9 general fund and HRA financial positions.

Table 6 – Current Energy Pressures - 2022/23 Month 9

Directorate/Service	**General Fund £m**	**HRA £m**
CWB - Corporate Landlord Services	1.816	-
Environment - Pressure on Leisure Contract	0.576	-
Environment - Street Lighting Contract	0.639	-
Landlord supplies and community centres (non-recoverable)	-	0.220
	3.031	**0.220**

4.80. Since the implementation of the price cap there has been a reduction of £3.132m from the month 5 position of +£6.163m. Further commentary on figures in **Table 6** is included in the directorate narratives within the main body of the report. There is also commentary in the directorate narratives on emerging energy risks.

4.81. Facilities Managers are currently running workshops to raise awareness, advice and guidance on how to save on energy. Mitigating actions are covered such as regular meter readings, actions on usage of lighting, technology, air conditioning and appliances.

4.82. The Corporate Landlord team is also reviewing building operating hours to determine if reducing operating hours will reduce energy costs.

5. Housing Revenue Account (HRA)

5.1. The HRA is currently forecasting an in-year surplus of -£2.792m, a -£0.564m change since previous reported position.

5.2. As the HRA is a ring-fenced account, a surplus or deficit at the end of the financial year will be transferred to or from HRA reserves.

5.3. Variances within the department includes:

- -£0.843m favourable variance from rent and service charge income (excluding the mid-year revised communal electricity charges, effective from 28 November 2022), representing 0.45% of rent and tenant service charge income budgets. This is detailed in the table below:

Table 7 – Rent and service charge income - 2022/23 Month 9

	Current Budget £m	Forecast £m	Variance £m
Dwelling rents	(168.394)	(169.006)	(0.612)
Tenant service charges	(19.263)	(19.494)	(0.231)
Total Dwelling rents and tenant service charges	**(187.657)**	**(188.500)**	**(0.843)**

- +£0.403m staffing cost pressure resulting from the 2022/23 Pay award. This is detailed in the table below:

Table 8 – Staff Costing Pressures HRA

	£m
Impact of the 2022/23 Pay award to the HRA	2.615
Staffing cost underspends	(1.005)
Capitalisable costs	(0.276)
2022-23 Pay award assumed at budget setting (2%)	(0.931)
Net staffing cost pressure	**0.403**

- Following the return of PFI 2 stock to Council management a re-assessment of the budget provision allocated in respect of PFI 2 stock indicates that the service can be provided at a lower cost than initially anticipated. This is expected to result in a -£1.000m underspend within the repairs and maintenance service.

- -£0.450m forecast underspend variance from rent and service charge income, representing 0.35% of rent and service charge income budgets against provisions provided to accommodate one-off mobilisation costs arising from the re-integration of PFI 2 street properties to council management

- Works to migrate tenants on housing benefits to universal credit has not progressed at a pace initially anticipated. As such, one-off provisions set aside to manage cost pressures that may have arisen is expected to be lower than budgeted -£0.400m.

- The early repayment of the HRA's Pension deficit in 2022/23 of £20.000m funded from a planned drawdown from HRA reserves will relieve the HRA from annual pension deficit contributions, generating a saving of -£1.600m per annum.

- -£3.080m in respect of reduced Capital financing costs. A combination of temporarily funding the New build programme from reserves in 2021/22 and New build slippage of £47.936m in 2022/23 (from £104.885m to £56.949m) has reduced the HRA's budgeted increase in borrowing by £47.094m (£33.902 in 2021/22 and £13.192 in 2022/23) and as such, has reduced interest costs in 2022/23 by £3.080m. It should be noted that this reduction in borrowing is simply a timing issue, the overall borrowing requirement to fund the new build programme remains unchanged.

- -£0.244m forecast overachievement of parking -£0.128m and non-Dwelling rents -£0.116m income.
- +£0.716m the use of HRA reserves to temporarily fund the new build programme in 2021/22 has resulted in a reduction to HRA balances. As such, interest receivable in respect of HRA reserve balances are expected to reduce.
- +£3.487m increase in depreciation costs anticipated as a result of an upward revaluation of HRA dwelling assets during 2021-22. Whilst this appears to represent a cost pressure to the HRA, this is a technical overspend. Depreciation costs are transferred to the Major Repairs Reserve (MRR) to fund HRA major works projects, as such, the increase in MRR balances will reduce the use of Revenue Contributions to Capital Expenditure (RCCO) over the medium term thus no adverse impact on the HRA
- In light of the spiralling cost of energy, a mid-year Housing Service Charges review was undertaken. With effect from 28 November 2022, heating and hot water charges and communal electricity charges were revised which aims to recover the increased costs of supplying gas and electricity to HRA residents.
- The Council has taken immediate action to reduce the impact of increasing gas costs for our residents and took important steps to reduce the heating season and heating hours of the communal heating service, reducing the provision of communal heating by 5 hours a day and the heating period by 6 weeks. By reducing energy usage, it is expected a saving of approx. £1.128m will be achieved and bring costs down for our residents to a more affordable level.
- To further support tenants who are struggling with household bills, the council has decided to limit the increases in gas costs by investing the remaining £1.126m balance held in the tenant heat reserve to cover some of the increases tenants face.
- As a result of the Energy Bill Relief Scheme and the reduced heating hours, the forecast cost increases have been revised down to +£4.546m, +£2.176m gas and +£2.370m electricity.

Table 9 below outlines the expected costs arising from the increased energy prices:

Table 9 – Energy Budget and Forecast Variances 2022/23

			Before Energy Bill Relief Scheme		After EBRS and Reduced Heating Hours		
		2022/23 Budget (£m)	**Forecast BEFORE (£m)**	**Variance BEFORE (£m)**	**Forecast AFTER (£m)**	**Variance AFTER (£m)**	**Reduction in cost (£m)**
Landlord supplies and community centres (not recoverable)	Elec	0.245	0.594	0.349	0.377	0.132	(0.217)
	Gas	0.083	0.300	0.217	0.171	0.088	(0.129)
Landlord supplies and community centres total		**0.328**	**0.894**	**0.566**	**0.548**	**0.220**	**(0.346)**
Communal Electricity and heating supplies (recoverable from tenants and leaseholders)	Elec	3.726	9.026	5.300	5.964	2.238	(3.062)
	Gas	3.040	10.952	7.912	5.128	2.088	(5.824)
Communal electricity and heating total		**6.766**	**19.978**	**13.212**	**11.092**	**4.326**	**(8.886)**
Total energy costs		**7.094**	**20.872**	**13.778**	**11.640**	**4.546**	**(9.232)**

- It is anticipated the income generated from the revised charges will off-set the increased costs for supplying communal electricity and heating.
- +£0.220m of the increased costs relate to supply costs for landlord supplies and community centres which are not recoverable from tenants and leaseholders, thus representing a cost pressure to the HRA.

5.4. HRA Reserves position

- The table below outlines the anticipated HRA reserves position as at 31 March 2023.

Table 10 – Forecast HRA Reserves Position as at 31 March 2023

	£m
HRA Reserves – Balance as of 1st April 2022	**+73.884**
Early repayment of HRA's pension deficit	-20.000
Transfer from revenue to HRA reserves	+10.914
HRA Reserves – Anticipated balance as of 31st March 2023	**+64.798**

- HRA 2022/23 reserves opening balance totals £73.884m, whilst these reserves are in the long term designated to funding the major works capital programme, in the short term the reserves are available to temporarily delay borrowing thus reduce capital financing costs.
- The early repayment of the HRA's pension deficit will relieve the HRA from annual contributions towards the pension deficit, generating annual savings of £1.600m.

5.5. Risks and opportunities within the department include:

Heat Metering Regulation

- The Heat Network (Metering and Billing) Regulations 2014 requires all properties connected to a heat network to have end point level meters or building level meters installed. Meters are to be installed by 1 September 2022, and failure to comply will mean that the council could face fines which are equivalent to the value of the works required to make our network compliant.
- We are engaging with the Department for Business Energy and Industrial relations Strategy (BEIS) and keeping them aware of our progress, BEIS are satisfied with our progress towards compliancy as such there is currently no threat of fines being levied, even though we are officially in breach of the deadline. Engagement with BEIS will be maintained as a priority to mitigate this risk of fines as far as is possible.
- Of the already assessed housing stock, 800 properties have been identified and will need to have end point meters installed. Once all assessments have been completed, it is likely to result in a further 800 properties requiring end point meters.
- Once end point metering is installed, the council is legally obliged to bill residents based on their individual use, taking into account the cost of fuel, contract costs including repairs and maintenance costs. Local authorities are expected to operate on a not-for-profit basis.
- A number of properties that require meters installed are currently on the pooled heating system and by virtue, will be removed from the pool once meters are installed. This is likely to distort the charges for those remaining in the pool which could cause a movement in charges levied on tenants from current levels.
- The installation of end point meters and Building level meters in particular sites that are older and more complex will require significant investment. It is unclear what the full costs of these works will be until a full assessment has been carried out.

Increase Bad Debt Provision (BDP) in relation to the revised communal electricity and heating charges

- Measures have been put in place to reduce the impact of rising energy costs. The revised charges will mean charges will be higher than they were at the start of the year. The cost-of-living crisis is already affecting hundreds of thousands of families and households and the increased charges will likely impose further financial pressure on families and household on communal heat networks and communal electricity. As such, an allowance for BDP may be necessary to accommodate the risk of tenants falling into arrears and become irrecoverable as a result of the increased charges. Whilst it is not known if a BDP in respect of communal electricity and heating charges is required at this stage, a provision for such costs has been set aside in the HRA business plan.

6. Capital Programme 2022/23

6.1. At the end of month 9, total capital expenditure of £90.910m had been incurred against a 2022/23 full year forecast of £165.266m, representing 55% of the forecast capital expenditure.

6.2. This is summarised between the non-housing and housing capital programme in **Table 11** and detailed in **Appendix 4**.

Table 11 – 2022/23 Capital Programme

Directorate	Agreed Budget (£m)	21/22 Outturn Adj. (£m)	Budget Changes as at M9 (£m)	Revised Budget (£m)	Actuals to Date (£m)	Forecast Outturn (£m)	Forecast Variance (£m)
Community Wealth Building	19.721	3.940	(8.229)	**15.432**	8.703	13.154	(2.277)
Environment	25.481	5.255	(11.817)	**18.919**	6.433	18.920	0.000
Total GF	**45.202**	**9.195**	**(20.046)**	**34.351**	**15.136**	**32.074**	**(2.277)**
Homes and Neighbourhoods	168.607	16.651	(49.947)	**135.311**	75.774	133.192	(2.119)
Total HRA	**168.607**	**16.651**	**(49.947)**	**135.311**	**75.774**	**133.192**	**(2.119)**
Total Programme	**213.809**	**25.846**	**(69.993)**	**169.662**	**90.910**	**165.266**	**(4.396)**

6.3. Current forecasts are showing that approximately the same amount spent in the first 9 months of the year will be spent in the remaining 3 months. Capital spend analysis of the last 3 financial years shows an average spend in the second half of the financial year being approximately £77m – there is currently £75m forecast to be spent in months 10 to 12 of 2022/23.

6.4. Key Terms:

- Capital Slippage – The reprofiling of capital budgets to future financial years to match forecast timing of expenditure, whilst staying within the approved project budget.
- Capital Acceleration - The reprofiling of capital budgets from future financial years to match forecast timing of expenditure, whilst staying within the approved project budget.
- Capital Additions - Capital budgets may be added in year where these are to be funded by resources available to the Council, including grant funding.
- Capital Reduction – A reduction in an agreed capital budget.
- Underspend - Where a capital scheme spend is less than the budget agreed.
- Overspend – Where a capital scheme spend is more than the budget agreed.

General Fund Position

6.5. As at month 9 there is a variance to the budget of -(£2.277m) against a budget of £34.351m. This variance relates to £0.050m of capital acceleration (for agreement in this report) to be reprofiled to the current year to match the latest expected spend profile, and £2.327m of underspends/reductions as outlined in month 8.

Community Wealth Building

6.6. Forecast outturn is reported at £13.154m against a revised budget of £15.432m.

6.7. The variance of -£2.277m relates to capital acceleration of £0.050m and underspends/reductions of -£2.327m.

6.8. It is requested that the following scheme(s) is accelerated by £0.050m, to the current financial year (2022/23) include:

- 7 Automated Public Toilets/Convenience, funded via the Compliance and Modernisation allocation.

6.9. As outlined in month 8 reporting, the remaining variance of -£2.327m is mainly comprised of underspends/reductions in the following schemes:

- Enhanced Children's Residential Provision – -£0.526m underspend due to being unable to secure match funding for the scheme.
- Schools Tufnell Park School Expansion – -£0.579m – scheme completed
- The scheme at Holly Hall has been discontinued -£0.550m as the property was not deemed fit for purpose. A new scheme for 16-18 Hornsey Road is being taken forward, with a forecast spend of £0.050m in 2022/23.

Environment

6.10. The Environment Directorate capital forecast is expenditure of £18.920m compared to the revised 2022/23 capital budget of £18.919m (which includes £11.817m of reprofiling agreed as at M6 2022/23). As at the end of Month 9, £6.433m of capital expenditure had been incurred, representing 34.0% of the revised capital forecast

6.11. In month 8 a deep dive was carried out in line with the budget setting process to ensure budgets have been profiled correctly and delivery is on track. The revised capital forecast assumes a significant amount of capital expenditure in the last 4 months of the financial year (£14.159m) which is aligned to the milestones of the various projects; Retrofit schemes for the WRC and New River College, as well as a significant component of the WRC electrification (infrastructure) project.

Housing Capital Programme

6.12. The Housing (HRA and GF) capital forecast totals £133.192m compared to the revised 2022/23 capital budget of £135.311m (which includes £16.651m of net slippage from 2021/22 primarily in respect of the new build prog. Less £49.947m slipped to future years agreed as at M6 2022/23).

6.13. Forecast outturn is reported at £133.192m, of which:

- £40.006m relates to the major works capital programme covering the cost of investment in existing HRA stock.
- £56.949m relates to the HRA's new build programme.
- The remainder £36.237m relates to the acquisition programme of properties for temporary accommodation which is on target.

6.14. The overall forecast reflects a variance totalling £2.119m which is made up of; slippage of £185k in respect of the new build programme, slippage of £1.434m in respect of the major works and improvements programme and a potential underspend of £500k in respect of the major works programme relating to retrofitting pilots which can only proceed if carbon offset grant is available which remains unconfirmed.

6.15. The £40.006m capital programme of major works and investment is largely on track for delivery except for £2.5m slippage due to on-going cyclical improvement prog. planning delays and the re-phasing and repackaging of projects. This slippage is offset by £1.1m of increased expenditure in respect of voids (kitchens and bathrooms) and high value repairs capitalisation.

6.16. The slight increase in new build prog. slippage of £185k continues to relate to unforeseen on-site events and global inflationary pressures either delaying contract award or creating supply chain issues/labour shortages which is impeding contractor productivity and progress on site.

S106/CIL

6.17. The Community Infrastructure Levy (the 'levy') is a charge which can be levied by local authorities on new development in their area based on an approved charging schedule which sets out its levy rates. Most new development which creates net additional floor space of 100 square metres or more, or creates a new dwelling, is potentially liable for the levy.

6.18. In Islington, 50% of the CIL (known as Strategic CIL) collected from a development is used to help fund the Council's annual Capital Programme. For the other 50% Ward Councillors (in consultation with officers, constituents, ward partnerships etc) are asked to make recommendations to the Borough Investment Panel on how this funding is allocated.

6.19. 15% of the 50% (known as Local CIL) can be allocated to the provision, replacement, operation or maintenance of infrastructure or anything else that is concerned with addressing the demands that development places on an area. The remaining 35% (known as Strategic-Local CIL) can be allocated for the provision, replacement, operation or maintenance of infrastructure.

6.20. Planning obligations, secured through Section 106 Agreements of the Town and Country Planning Act 1990, are used to make developments acceptable in planning terms that would not be acceptable otherwise. Obligations can include either direct provision of a service or facility, financial contributions towards a provision made by the Council or external service provider, or both. With the introduction of the CIL in 2014, the council mostly now secures financial S106 contribution for non-CIL eligible infrastructure or to meet specific planning policy requirements such as off-site affordable housing and affordable workplace payments, carbon offsetting and employment and training contributions.

6.21. The table below sets out current budget position for S106 and CIL including current year income and spend forecast.

Table 12 – S106 and CIL

Fund	Received in 2022/23 (£m)	Brought Forward £m	2022/23 Forecast Expenditure £m	Forecast Carry Forward to 2023/24 £m
S106	4.288	28.384	5.414	27.258
CIL	2.994	13.989	3.431	13.552
Total	**7.282**	**42.373**	**8.845**	**40.810**

6.22. The current combined S106 and CIL Balance is £49.655m. This consists of £35.6m that has been allocated to various projects and programmes and £14m that is unallocated.

6.23. There is a capital forecast spend of £6.34m in the current financial year. A number of S106/CIL funded capital projects are at planning stage with the majority of spend expected in future years. The overall budget also includes £9m of funding allocated to revenue programmes and projects including staff costs, and an expected £2.5m revenue spends in the current financial year.

6.24. Of the £14m unallocated funding, £3.9m is Strategic CIL which has been earmarked to fund the recently launched Thriving Neighbourhoods Programme. A further £2.5m has been secured from S106 Agreements for Affordable Housing and Affordable Workspaces and it is expected this will be allocated before the end of the year.

6.25. Ward councillors are asked to recommend how a proportion of CIL and older S106 contributions (secured before introduction of CIL) are allocated. There is currently £4.5m unallocated CIL and S106 'ward' funding. Of this Clerkenwell (£1m), St. Peter's and Canalside (£1m) and Bunhill (£0.5m) have the largest amounts of unallocated funds.

7. Implications

7.1. **Financial Implications:** These are included in the main body of the report.

7.2. **Legal Implications:** The law requires that the council must plan to balance its spending plans against resources to avoid a deficit occurring in any year. Members need to be reasonably satisfied that expenditure is being contained within budget and that the savings for the financial year will be achieved, to ensure that income and expenditure balance (Section 28 Local Government Act 2003: the council's Financial Regulations 3.7 to 3.10 Revenue Monitoring and Control).

7.3. **Environmental Implications:** This report does not have any direct environmental implications.

7.4. **Equality Impact Assessment:** 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.

7.5. An equality impact assessment (EQIA) was carried out for the 2022/23 Budget Report agreed by Full Council. This report notes the financial performance to date but does not have direct policy implications, therefore a separate EQIA is not required for this report.

Appendices:

- **Appendix 1** – General Fund and HRA Revenue Monitoring by Variance
- **Appendix 2** – 2022/23 Revenue by Service Area
- **Appendix 3** – Transformation Fund Allocations
- **Appendix 4** – Capital Programme 2022/23
- **Appendix 5** – Savings Delivery Tracker

Background papers: None

Authorised by:	Executive Member for Finance, Planning and Performance	Date: 1 February 2023

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