

Report of: Executive Member for Finance, Planning and Performance  
Meeting of: Executive  
Dates: 9 February 2023  
Ward(s): All

# Budget Proposals 2023/24 and Medium-Term Financial Strategy

## 1. Synopsis

- 1.1. The principal purpose of this report is for the Executive to agree proposals in respect of the council's 2023/24 budget, the level of council tax and the medium-term financial position, for onward recommendation to Full Council.
- 1.2. The budget setting process for the 2023/24 financial year has been particularly challenging due to the national cost-of-living and energy crisis, and great economic and political uncertainty. The long-term economic impact of COVID-19 and the Ukraine War, has contributed towards the current cost-of-living crisis with inflation, as measured by the Consumer Prices Index (CPI), at 10.7% in November 2022, a level not seen for around 40 years.
- 1.3. The cost-of-living crisis is already having a significant impact on Islington residents and businesses, and the council. High inflation has resulted in significant budget pressures in respect of energy and fuel costs, pay inflation and high contract inflation for key service areas.
- 1.4. Significant demand pressures have been evident in the 2022/23 budget monitoring reports, including demographic pressures within key services such as Adult Social Care and Children's Services. These pressures are expected to continue over the medium term.
- 1.5. Inflationary and demand pressures alongside real-terms cuts to our central government funding meant that the 2023/24 and medium-term budget setting process started with a very significant funding gap to close. To set a balanced budget in 2023/24, the council is proposing savings of £10.995m in 2023/24. A further £8m of savings are planned over 2024/25 to 2025/26 towards the medium-term gap.
- 1.6. Investment continues in the frontline services that residents and businesses rely on, and in the council's key priorities for a more equal borough. This includes protection of free school meals for every primary school pupil, keeping our libraries open, maintaining weekly recycling and rubbish collections and a regular street sweeping programme.
- 1.7. Alongside continuing to protect vital council services, the 2023/24 budget enables the delivery of the principles and priorities set out in the council's Strategic Plan – [Islington Together for a More Equal Future](#). Budget proposals include growth to support manifesto commitments and continued transformation funding to put strategic principles into practice.
- 1.8. The government has assumed in its local government funding calculations that in 2023/24 the council will increase core council tax by the maximum amount (2.99%) and will apply

a further 2% Adult Social Care (ASC) precept. This is reflected in the 2023/24 budget proposals.

- 1.9. For the average (Band D) property, the proposed 4.99% increase in the basic 2023/24 Islington council tax (excluding the GLA precept) equates to an increase of around £1.26 per week for full council tax payers. Working aged recipients of full council tax support living in a Band D property will pay an increase of around 6 pence per week.
- 1.10. The Mayor of London published the draft GLA consolidated budget, capital spending plan and provisional council tax precept for 2023/24 on 26 January 2023, following a budget consultation period.
- 1.11. The Policy and Performance Scrutiny Committee reviewed the budget proposals on 26 January 2023 and its comments have been considered in finalising the budget proposals and proposed level of council tax for onward recommendation and agreement by Full Council on 2 March 2023.
- 1.12. The council invited comments from business rates payers (and representatives) in Islington on the draft 2023/24 budget proposals set out in this report. The consultation period ran from 5 January 2023 to 25 January 2023.
- 1.13. The contents of the report are summarised below:
  - **Section 2** sets out the recommendations.
  - **Section 3** summarises the assumptions within the General Fund (GF) Medium-Term Financial Strategy (MTFS) and sets out the 2023/24 net revenue budget, fees and charges and estimated reserves.
  - **Section 4** covers the Housing Revenue Account (HRA) and includes HRA savings, rents, service charges and other fees and charges.
  - **Section 5** summarises the 2023/24 to 2025/26 capital programme and funding, and the latest indicative programme up until 2032/33. This also includes the Capital Strategy, Treasury Management Strategy, Minimum Revenue Provision (MRP) Policy Statement and Investment Strategy.
  - **Section 6** includes the detailed, statutory council tax calculations and matters relating to retained business rates.
  - **Section 7** details the further 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, budget consultation to business rate payers, the annual review of compliance against the CIPFA Financial Management Code, the Annual Pay Policy Statement for 2023/24 and the Retail Relief Scheme for 2023/24.

## **2. Recommendations**

### **The General Fund Budget 2023/24 and MTFS (Section 3)**

- 2.1. To agree and recommend to Full Council the MTFS and balanced 2023/24 budget, including the underlying MTFS principles, in-year monitoring position (to date) and the budget assumptions. (**Paragraphs 3.1-3.46, Table 1, and Appendix A**)
- 2.2. To agree and recommend to Full Council the proposed 2023/24 net budgets by directorate. (**Paragraph 3.3, Table 2, and Appendix A**)

- 2.3. 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 3.18**)
- 2.4. To note that the 2023/24 budget incorporates budget provision for manifesto commitments and provide additional support to residents in the current cost-of-living crisis. (**Paragraph 3.26-3.36**)
- 2.5. To agree and recommend to Full Council a one-off £1m Hardship Fund to support residents focussing on working households, with low incomes, who are facing large rent rises, for launch in advance of the 2023/24 financial year. (**Paragraph 3.28-3.32**)
- 2.6. To agree and recommend to Full Council the annual budget for the London Councils Grants Committee, following consideration by the London Councils Leaders' Committee on 13 December 2022, and to note that this will reported to the Voluntary and Community Sector (VCS) Committee on 20 March 2023 for noting. (**Paragraph 3.39-3.40**)
- 2.7. To agree and recommend to Full Council the 2023/24 savings and note that individual savings may be subject to individual consultation before they can be implemented. Further, to note the draft savings proposals for 2024/25 and 2025/26. (**Paragraphs 3.42-3.46, Table 4, and Appendix B**)
- 2.8. To note the funding assumptions following the announcement of the Provisional Local Government Settlement on 19 December 2022. (**Paragraphs 3.47-3.75**)
- 2.9. To note that the fees and charges policy and the General Fund fees and charges for 2023/24 have been agreed by Executive on 24 November 2022 and to agree the amendment to the fees and charges schedule in respect of GLL activities and memberships. (**Paragraphs 3.76-3.80**)
- 2.10. To agree and recommend to Full Council the policy on General Fund contingency and reserves and agree the movements to/from earmarked reserves assumed as part of the 2023/24 revenue budget. (**Paragraphs 3.81-3.91 and Table 7**)
- 2.11. To agree and recommend to Full Council that the Section 151 Officer is delegated responsibility for any technical adjustments required for the 2023/24 budget (in line with the council's financial regulations).

#### **The HRA Budget and MTFs (Section 4)**

- 2.12. To agree and recommend to Full Council, the balanced HRA 2023/24 budget and note the latest estimates over the 3-year MTFs period. (**Paragraphs 4.1-4.3, Table 8, and Appendix C1**)
- 2.13. To agree and recommend to Full Council the 2023/24 savings and note that individual savings may be subject to individual consultation before they can be implemented. (**Table 9, and Appendix C3**)
- 2.14. To note the HRA rents and other HRA fees and charges for 2023/24. (**Paragraphs 4.4-4.39, Tables 10-12, and Appendix C2**)
- 2.15. To note that the HRA 30-year business plan is currently being updated to reflect latest government policy (**Paragraph 4.2**)

#### **Capital Investment and Treasury and Investment Management (Section 5)**

- 2.16. To agree and recommend to Full Council, the proposed 2023/24 to 2025/26 capital programme and note the indicative capital programme for 2026/27 to 2032/33. (**Paragraphs 5.3-5.6, Table 13, and Appendices D1 to D2**)

- 2.17. To note the estimated funding of the 2023/24 to 2025/26 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. (**Paragraph 5.10 and Table 14**)
- 2.18. To note the estimated borrowing levels for the General Fund and HRA in relation to the 2023/24 to 2025/26 capital programme (**Paragraph 5.13 and Tables 15-16**)
- 2.19. To agree and recommend to Full Council the Capital Strategy, Investment Strategy, Minimum Revenue Provision (MRP) Policy Statement and Treasury Management Strategy. (**Paragraph 5.14 and Appendices E1-E4**)

### **Council Tax and Retained Business Rates (Section 6)**

- 2.20. To agree and recommend to Full Council the calculations required for the determination of the 2023/24 council tax requirement and the level of council tax as detailed in **Section 6** and summarised below.
  1. The 2023/24 council tax requirement of **£113,039,838.03** (**Paragraph 6.7 and Table 19**)
  2. The relevant basic amount of Islington Band D council tax of £1,380.52, a 4.99% increase compared to 2022/23 (comprising 2% specifically for expenditure on adult social care and 2.99% for all expenditure), and that this is not 'excessive' in accordance with the council tax referendum principles for 2023/24. (**Paragraph 6.9 and Table 20**)
  3. The basic amount of Islington Band D council tax for dwellings to which no special item relates (i.e. outside of the Lloyd Square Garden Committee area) of £1,380.25. (**Paragraph 6.11 and Table 22**)
  4. The amount of 2023/24 council tax (excluding the GLA precept) for each valuation band over each of the council's areas. (**Paragraph 6.11 and Table 21 and Table 22**)
  5. The total amount of 2023/24 council tax (including the GLA precept) for each valuation band over each of the council's areas. (**Paragraph 6.13 and Table 24 and Table 25**)
- 2.21. To note the council's estimated retained business rates funding in 2023/24, as per the 2023/24 NNDR1 return estimate. (**Paragraph 6.15 and Table 26**)
- 2.22. To note the council's forecast NNDR surplus/(deficit) for 2022/23. (**Paragraph 6.16 and Table 27**)

### **Further Matters to Consider in Setting the Budget (Section 7)**

- 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 7.1-7.6**)
- 2.24. To note the Monitoring Officer comments. (**Paragraphs 7.7-7.11**)
- 2.25. To note the Equality Impact Assessment (**Paragraphs 7.12-7.14 and Appendix F**) and to take fully account of it in approving the overall budget and related proposals.
- 2.26. To note the assessment of compliance against the CIPFA Financial Management Code and that this will be re-visited at least annually as part of the budget process, with any actions or recommendations implemented on an ongoing basis. (**Paragraphs 7.15-7.16 and Appendix G**)
- 2.27. To note that the council invited business rate payers or representatives of business rate payers in Islington to comment on the draft 2023/24 budget proposals in this report, as

required under Section 65 of the Local Government Finance Act 1992. (Paragraphs 7.17-7.19)

2.28. To agree and recommend to full Council, the Annual Pay Policy Statement 2023/24. (Paragraph 7.20 and Appendix H)

2.29. To agree and recommend to Full Council the Retail Relief Scheme for 2023/24 (Appendix I and Paragraph 7.21)

### 3. General Fund MTFS and 2023/24 Revenue Budget

#### Summary of MTFS 2023/24 to 2025/26

3.1. The latest assumed budget position in 2023/24 and over the medium term is summarised in Table 1 and detailed at Appendix A. There was an estimated gross budget gap of £28m in 2023/24 (balanced in full by the proposals in this report) and £63m over the medium term. There is a remaining estimated 3-year gap of £25m after the proposals and underlying assumptions in this report. This is before any decisions around council tax in respect of the financial years 2024/25 and 2025/26.

**Table 1 – Summary Budget Gap 2023/24 to 2025/26**

	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Pay and pension inflation	19.034	5.450	5.450	<b>29.934</b>
Non-pay/contract inflation	14.129	4.350	3.879	<b>22.358</b>
Demographic growth	8.315	8.000	8.000	<b>24.315</b>
Base budget adjustments/growth	(6.203)	(2.802)	(1.650)	<b>(10.655)</b>
Corporate items (e.g., levies/contingency)	6.511	7.177	6.257	<b>19.945</b>
Government funding	(13.591)	(9.172)	0.000	<b>(22.763)</b>
<b>Gross Budget Gap</b>	<b>28.195</b>	<b>13.003</b>	<b>21.936</b>	<b>63.134</b>
Proposed savings	(10.995)	(5.069)	(2.818)	<b>(18.882)</b>
Business rates inflation funding	(9.587)	(0.443)	0.000	<b>(10.030)</b>
Assumed council tax base increase	(2.241)	(0.565)	(0.596)	<b>(3.402)</b>
<b>Budget Gap (Before Council Tax Increases)</b>	<b>5.372</b>	<b>6.926</b>	<b>18.522</b>	<b>30.821</b>
Assumed Council Tax Increase 2023/24 (2.99%)	(3.219)			
Assumed ASC precept increase 2023/24 (2%)	(2.153)			
<b>Remaining Budget Gap to Close</b>	<b>0.000</b>	<b>6.926</b>	<b>18.522</b>	<b>25.448</b>

#### MTFS Principles

3.2. The proposed 2023/24 budget is underpinned 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 not applying one-off funding to bridge ongoing funding gaps.
- 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 and 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 ending at short notice.

- 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.
- Setting a sufficient contingency budget 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 2023/24

3.3. **Table 2** summarises the 2023/24 net revenue budget by directorate. A breakdown of the movement between the 2022/23 and 2023/24 budget is shown in **Appendix A**.

**Table 2 – Net Revenue Budget 2023/24**

	2022/23 Net Budget £m	Changes £m	2023/24 Net Budget £m
Adult Social Services	56.769	(4.537)	52.232
Chief Executive's Directorate	1.228	0.099	1.327
Children's Services	84.966	2.628	87.594
Community Wealth Building	16.627	4.686	21.312
Environment	5.389	(4.893)	0.496
Fairer Together	7.112	1.452	8.563
Homes and Neighbourhoods	6.354	1.534	7.888
Public Health (net nil as wholly grant funded)	0.000	0.000	0.000
Resources Directorate	28.258	6.888	35.146
Central Costs	20.956	7.120	28.076
<b>Net Cost of Services</b>	<b>227.659</b>	<b>14.975</b>	<b>242.635</b>
General Contingency	5.000	0.000	5.000
Inflation, Energy and Demand Contingency	0.000	5.000	5.000
Transfer to/(from) Earmarked Reserves	(15.913)	26.128	10.215
Unringfenced Grants	(8.298)	4.904	(3.394)
<b>Net Budget Requirement</b>	<b>208.448</b>	<b>51.007</b>	<b>259.456</b>
Settlement Funding Assessment	(110.601)	(6.366)	(116.967)
Business Rates Growth	(15.183)	(9.587)	(24.770)
Collection Fund (Surplus)/Deficit	22.761	(27.440)	(4.679)
<b>Council Tax Requirement</b>	<b>105.425</b>	<b>7.614</b>	<b>113.040</b>

### Budget Monitoring Position 2022/23

3.4. The estimated outturn position for the current financial year (2022/23) is reported through the Council's Executive at regular intervals throughout the financial year and to the Policy and Performance Scrutiny Committee. The estimated financial position for the current financial year incorporates known and emerging budget variances and details any known residual risks, both at directorate level and corporately. The financial position reports on the council's General Fund, HRA and the capital programme, analysing financial data and the performance monitoring context within which the financial data sits. 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.

- 3.5. The financial context of high inflation (with a significant knock-on impact in terms of higher than estimated service costs) and the continued recovery from the pandemic has created a very uncertain backdrop to the 2022/23 financial year. When combined with significant demand pressures within services and the ongoing effect of a decade of central government under-funding of council services, the 2022/23 financial position presents a challenge to keep in balance.
- 3.6. At the time of writing, the most recent budget monitoring reported to the Council's Executive and through to the Policy, Performance and Scrutiny Committee was the report for the financial period to the end of month 6 (30 September 2022). Key variances reported in the month 6 monitoring position included the following:
  - Adult Social Care: Demographic pressures of c£2.3m at month 6 2022/23. The ongoing budget impact of demographic pressures is incorporated in the MTFs for 2023/24.
  - Children's Services: Significant pressures in relation to the placements budget of c£2.5m at month 6 2022/23. The 2023/24 budget incorporates the ongoing impact of additional demand for services.
  - Corporate: The agreed local government pay award equates to an approximate 6% increase in the council's pay bill and a significant pressure on the council's GF budget for 2022/23 and the base pay budget over the medium term. The ongoing, additional cost is reflected in the 2023/24 base budget position going forward
  - Energy: Rising energy prices, driven particularly by the war in Ukraine, have had an impact across the council's budgets in 2022/23. This has been most keenly felt across corporate landlord services, leisure, street lighting, housing-related landlord supplies/community centres and housing-related electricity/heating supplies. The 2023/24 budget includes an additional £4.805m of energy contingency provision to offset anticipated 2023/24 energy pressures.
- 3.7. Maintaining sufficient reserves for future budgetary pressures and risks is a key component of a council's overall financial resilience. Reserves can only be used once. They cannot sustainably be used to fund recurrent expenditure. The council has experienced significant budget pressures since the approval of the balanced 2022/23 budget, as detailed above. For the first time in several years, we are unexpectedly having to draw upon our reserves to help balance the in-year position. This is only possible because of the prudent contributions we have made to reserves in previous years. Overall, the GF financial position at month 6 2022/23 assumed the application of the following corporate resources:
  - Corporate Energy Provision/Energy and Inflation Smoothing Reserve
  - Social Care Reserve
  - General Contingency
- 3.8. 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 are fully reflected in base budgets.
  - Reviewing base savings proposals for deliverability in-year and over the medium term.

- 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.

## **Economic Forecasts**

- 3.9. The Office for Budget Responsibility's (OBR) published economic forecasts alongside the Autumn Statement 2022. The OBR has stated that the UK economy is expected to enter a recession from the third quarter of 2022, and it is expected to last just over a year. The OBR flagged the combined impact of Russia's invasion of Ukraine on food and energy supply, the ongoing recovery from the pandemic, high inflation, and interest rates as contributing factors.
- 3.10. Annual Gross Domestic Product (GDP) is expected to grow by 4.2% in 2022 (0.4% higher than forecast in March 2022). GDP is expected to fall by 1.4% in 2023 and to rise again by 1.3% in 2024. Output is expected to return to pre-pandemic levels by end of 2024.
- 3.11. Inflation (CPI) is forecast to peak in the current quarter at a 40-year high of 11.1%. Inflation is expected to fall slightly in 2023 then sharply over 2024-2026 before returning to its 2% target in 2027. Unemployment is likely to rise from 3.5% to a peak of 4.9% in 2024, then down to 4.1% in 2025.
- 3.12. Borrowing is forecast at £177bn (7.1% of GDP) in the current year (a sharp rise from £133bn) and is expected to fall to £69bn (2.4% of GDP) in 2027/28. Interest rate rises have increased the cost of servicing debt, leaving public finances vulnerable to market shocks. Higher borrowing pushes public sector net debt up sharply, from 84.3% of GDP last year to a 63-year high of 97.6% in 2025/26. Public sector net debt is expected to stabilise in 2026/27 and fall by 0.3% in 2027/28.
- 3.13. The OBR has flagged the economic and fiscal risks of cliff-edges in energy related support, the planned increase to the fuel duty rate in March 2023, the use of repeated one-off support measures and inflationary pressures on departmental budgets.
- 3.14. The Real Household Disposable Income (RHDI) measure of living standards is estimated to fall by 4.3% in 2022/23 and by 2.8% in 2023/24. This would be the largest fall on record, taking the measure of living standards per person to its lowest level since 2013/14.

## **Key Revenue Budget Cost Pressures**

- 3.15. The MTFS assumes a 6% per annum pay award in 2023/24 and then 3% over the remainder of the medium term. As the 2022/23 budget assumed a 2% pay award (in line with government expectations at the time), the 2023/24 budget effectively must make additional provision for the 2022/23 pay award (equating to an additional £6.5m). Every 1% increase in pay equates to approximately £1.75m for the General Fund. There is a risk that pay settlements could be higher than the MTFS forecasts from 2023/24 onwards.
- 3.16. Following the 2022 triennial pension fund valuation, adjustments have been made in respect of employer pension contributions. The future service rate is expected to increase from 14.6% to 18.3%.
- 3.17. The MTFS provides for contract and non-pay inflation that cannot be managed within existing budgets:



- This includes the significant impact on Adult Social Care contracts of the National Living Wage (from £9.50 to £10.42 per hour), London Living Wage (from £11.05 to £11.95 per hour).
- It also includes provision for the estimated impact of rising energy costs.

### Demography

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 £8.315m in 2023/24 and then £8m in 2024/25, and a further £8m in 2025/26. This is the net growth requirement after planned management actions to mitigate cost increases. There is considerable uncertainty around these estimates, due to the unknown lasting impact of the pandemic on demand. It is recommended that demographic growth 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.

3.19. 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.

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

- Memory, Cognition, and Physical Support – It is estimated that approximately 9% of Islington’s population is aged over 65. Between 2022 and 2031 the Islington population aged over 65 is projected to rise by 27%.
- Mental Health, Learning Disabilities and Physical Disabilities - People are living longer but are developing long-term conditions earlier in life. There are also a growing number of frail older family carers. Planning is necessary to meet the needs of an increasing number of people with profound and multiple disabilities and manage the resulting pressure on resources.

3.21. The demographic growth for Children’s Services relates to the following service areas:

- Demand pressures in relation to Children’s Social Care – Bed night activity has continued to increase during 2022/23 and is projected to increase further in-line with the increasing 13-17 population (the age range at which most children come into care) and increasing levels of family poverty in the borough. Alongside this we are seeing increased numbers of care leavers as increasing numbers of children in care turn 18.
- Increased provision of short breaks and home to school transport as the numbers of pupils with special educational needs and disabilities continues to increase.
- An increase in provision of school uniform grants and Post-16 bursaries as the eligibility for free school meals continues to increase.

### Energy

3.22. Energy prices are likely to continue to be a significant and highly volatile cost pressure in 2023/24. The rise in energy prices is largely driven by global supply chain issues and the economic consequences of the continued war in Ukraine.

- 3.23. Energy costs in 2022/23 have been mitigated by the Government's Energy Bill Relief Scheme (EBRS). A review of the EBRS for non-domestic energy consumers, excluding public sector organisations, will determine support beyond 31 March 2023. The overall scale of support will be much lower and targeted at those consumers that are most impacted.
- 3.24. Work has been undertaken to reduce the council's energy usage (including schools) which has reduced demand across the council by around 5% in 2022/23. In addition, the council has introduced a new energy purchasing strategy which has procured 70-80% of the energy for 2023/24. This strategy has reduced the level of risk in the 2023/24 position and provided security for energy costs. However, this still leaves 20-30% of energy demand at risk of volatile markets. The 20-30% risk element is within the allocated 2023/24 budget.
- 3.25. The 2023/24 budget includes an additional £4.805m of energy provision to offset anticipated 2023/24 energy pressures.

### **Additional Support for Residents**

- 3.26. The 2023/24 budget provides funding for manifesto commitments such as ensuring every Islington child has access to a laptop or tablet as they move into secondary school and providing free swimming lessons for families in some school breaks, building on the current summer offer by 2026.
- 3.27. Residents and businesses are being impacted by the cost-of-living crisis. The 2023/24 budget makes provision to provide support to those most vulnerable and to ensure services can continue effectively, including:

#### Creation of a Hardship Fund

- 3.28. Considerable support will remain in place for low income and financial vulnerable households into 2023/24, helping mitigate the impact of raising rents to the 7% cap and a proposed 4.99% overall Islington council tax increase.
- 3.29. Islington Council already has in place a generous council tax support scheme that provides extra support for disabled people and families. There is also additional relief for pensioners, foster carers, shared lives, and care leavers. Lowest income pensioners on pension credit will receive 100% council tax support so will not be impacted by the council tax increase and working age households on lowest incomes receive 95% support.
- 3.30. The Resident Support Scheme (including discretionary housing payments) will continue to assist with cases of hardship. The Autumn Statement confirmed ongoing cost of living payments in 2023/24 of £900 for low-income benefits, £300 for pensioners, and £150 for disability benefits. The Household Support fund will continue into 2023/24, likely to provide £4.4m across the full year.
- 3.31. However, even with all this support, it is recognised that raising rents by 7% will add to the financial pressures of the council's tenants, with residents in the private rented sector also facing rising rents. The 2023/24 budget includes a one-off Hardship Fund of £1m focusing on working households, with low incomes, who are facing large rent rises, for launch in advance of the 2023/24 financial year.
- 3.32. More details of the one-off Hardship Fund will be shared in the coming months. It will start accepting applications from those in need before the end of March 2023.

### Enhanced Access Islington Capacity

- 3.33. The Access Islington Service continues to see significant demand from our residents as an initial gateway for help including for key initiatives such as the energy rebate scheme, additional grant payments and other crisis support services. We expect the pressures on the service to grow as residents continue to struggle with the cost-of-living crisis.
- 3.34. With reduced capacity and increasingly complexity, call waiting times have increased, making the contact experience for residents more challenging. Following a detailed assessment of the data on call volumes, the 2023/24 budget adds nine additional members of staff at a cost of £0.337m. Once these staff are trained, they will be allocated to work on the phones in the council's main call centre.
- 3.35. This additional staffing resource will have a number of positive benefits for both residents and staff. With more staff available when residents phone to speak to the council, wait times will significantly reduce. There will also be an anticipated reduction in abandonment, with this expected to return to pre-pandemic levels as more calls are able to be answered by our staff.
- 3.36. Alongside this immediate investment, we will:
- Continue to ensure tight performance management and quality assurance within the service at a team and individual level.
  - Explore necessary improvements to our digital offer.
  - Enable those residents who want to complete more transactions online to do so.

### **Levies**

- 3.37. The council is required to pay levies to various external organisations, estimated to total £17.025m in 2023/24. 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.
- 3.38. The estimated levies for 2023/24 are shown in **Table 3**.

**Table 3 – Levies 2023/24**

	<b>2022/23 Budget £m</b>	<b>2023/24 Estimate £m</b>	<b>Increase/ (Decrease) £m</b>
Concessionary Fares	7.471	8.341	0.870
NLWA Household Levy	6.801	6.107	(0.694)
London Pensions Fund Authority	1.139	1.162	0.023
Inner North London Coroner's Court	0.367	0.374	0.007
Traffic and Control Liaison Committee	0.290	0.296	0.006
Lee Valley Regional Park Authority	0.190	0.194	0.004
Environment Agency (Thames Region)	0.189	0.193	0.004
London Boroughs Grants Scheme	0.184	0.184	0.000
<b>Total</b>	<b>16.631</b>	<b>16.851</b>	<b>0.219</b>

- 3.39. 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.

3.40. The London Councils Grant Committee report was considered by the Leaders' Committee on 13 December 2022 and will be reported to the Voluntary and Community Sector (VCS) Committee on 20 March 2023 for noting. Two-thirds of boroughs need to agree the grants budget by the end of January each year. The London Councils Leaders' Committee recommended for constituent councils (including Islington) overall expenditure of £6,686,000 comprising:

**Expenditure:**

- Payments to Commissions – £6,173,000
- Administrative Expenditure – £453,000
- London Funders Membership Fees – £60,000

**Funded By:**

- Borough contributions – £6,668,000 (Islington contribution £183,779)
- Use of reserves – £18,000

**Transformation Project Funding**

3.41. To help protect much-needed reserves, the MTFs continues to provide £1.5m per annum for one-off corporate transformation projects.

**Revenue Savings**

3.42. The 2023/24 revenue budget assumes the delivery of savings totalling £10.995m in 2023/24 (**Appendix B**), with draft savings set out for the period 2024/25 to 2025/26. This is summarised by directorate in **Table 4**.

**Table 4 – General Fund Budget Savings Proposals by Directorate**

Directorate	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Adult Social Services	2.090	1.540	0.876	4.506
Children's Services	1.407	0.377	0.247	2.031
Cross-Cutting	2.940	0.000	0.000	2.940
Community Wealth Building	0.991	1.123	0.069	2.183
Environment	1.793	1.472	0.505	3.770
Fairer Together	0.300	0.000	0.150	0.450
Homes and Neighbourhoods	0.374	0.407	0.511	1.292
Public Health	0.500	0.000	0.060	0.560
Resources	0.600	0.150	0.400	1.150
<b>Total</b>	<b>10.995</b>	<b>5.069</b>	<b>2.818</b>	<b>18.882</b>

3.43. It should be noted that individual savings may be subject to individual consultation before they can be implemented. If 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.

3.44. The identification and delivery of savings gets more challenging every year. This is particularly the case for cross-cutting savings that are still to be worked up in more detail.

3.45. To support the review of street cleaning and enforcement operations proposed saving, it is proposed that £0.100m one-off budget will be provided in 2023/24 to allow the service to respond to any short-term operational issues, such as during the leafing period. The service will also commission specialist technical analysis of litter monitoring data to map

levels of deterioration and inform the operational changes. This will minimise the impact on performance and visual appearance of the borough's streets.

- 3.46. Updates on the delivery of the 2023/24 budget savings will be provided as part of the 2023/24 budget monitoring process, reported up through the Executive and scrutinised by the Policy and Performance Scrutiny Committee.

### **Funding Announcements (Provisional Local Government Finance Settlement)**

- 3.47. The Provisional Local Government Finance Settlement for 2023/24 was announced on 19 December 2022. The final settlement is due to be announced in early February 2023.
- 3.48. The settlement is in line with expectations following the Autumn Statement 2022 and the balanced draft budget position for 2023/24.
- 3.49. Whilst it was a one-year settlement for 2023/24 only, the government policy statement released earlier in December suggested that the same principles will also apply in 2024/25.
- 3.50. The MTFs does not currently assume any additional government grant funding beyond 2024/25 as this is beyond the current Government Spending Review Period.
- 3.51. Based on the government's methodology, Islington's Core Spending Power will increase by 9.8% in 2023/24 in cash terms. Within this, it is assumed that the council will raise council tax by the maximum amount (2.99% referendum limit and 2% ASC precept). This represents a real-terms funding cut that does not address historical funding shortfalls and requires a significant proportion of additional funding to be raised locally through council tax.
- 3.52. Any funding reforms or changes in funding distribution (e.g., the Fair Funding Review and business rates baseline reset) will not be implemented until 2025/26 at the earliest.

### **Settlement Funding Assessment**

- 3.53. Islington's Settlement Funding Assessment, or core government funding, 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.

**Table 5 – Settlement Funding Assessment\***

	<b>2022/23</b>	<b>2023/24</b>	<b>Change</b>	<b>Change</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>
Business Rates Baseline	82.456	79.160	(3.296)	(4.00%)
Top-Up Grant	2.798	9.284	6.486	231.81%
<b>Baseline Funding Level</b>	<b>85.254</b>	<b>88.444</b>	<b>3.190</b>	<b>3.74%</b>
Revenue Support Grant	25.347	28.523	3.176	12.53%
<b>Settlement Funding Assessment</b>	<b>110.601</b>	<b>116.967</b>	<b>6.366</b>	<b>5.76%</b>

\*The composition of Baseline Funding Level between Business Rates Baseline and Top-Up Grant has been updated to reflect Business Rates Revaluation 2023 that will take effect on 1 April 2023. The decrease in Business Rates Baseline is due to an overall decrease in rateable value in Islington following the revaluation. The revaluation is neutral overall for the council's funding as there is an offsetting increase in Top-Up Grant.

- 3.54. Revenue Support Grant will increase in 2023/24 in line with the September 2021 to September 2022 change in the Consumer Price Index (CPI, 10.1%). Other small changes to Revenue Support Grant include the rolling in of the following specific grants:
- Local Council Tax Support Administration Subsidy grants

- Additional funding for food safety and standards enforcement (Natasha’s Law)

3.55. All business rates retention related income, including retained growth above the funding baseline, will be uplifted by 10.1% in 2023/24. Of this, 3.7% will be received through the Baseline Funding Level with the remaining 6.4% received separately as Section 31 grant.

3.56. It is expected that business rates retention income and Revenue Support Grant will increase in 2024/25 in line with the September 2022 to September 2023 change in the Consumer Price Index.

### Council Tax

3.57. The settlement confirmed the council tax referendum threshold at 4.99% (2.99% core threshold and 2% Adult Social Care Precept) as expected following Autumn Statement 2022. The government have clarified that the same referendum principles as in 2023/24 will apply in 2024/25.

### Business Rates

3.58. In the Autumn Statement 2022, the Chancellor made the following key announcements around business rates, now confirmed in the settlement:

- Although the business rates multiplier (the rate in the £ annual increase) is ‘frozen’ (49.9p in the £), the settlement includes an offset to reflect overall increases in rateable values of the 2023 national revaluation and a balancing uplift for inflation (3.74%).
- Transitional Relief – bill increases capped at 5-15% (depending on the size of the business) to support properties impacted by the 2023 business rates revaluation.
- Support for eligible retail, hospitality and leisure businesses is extended and increased from 50% to 75% business rates relief in 2023/24, up to £110,000 per business.
- The council will be fully compensated for the impact of these changes on its retained business rates income and will receive new burdens funding for administrative/IT costs.

3.59. The impact of the announcements and business rates revaluation on businesses in borough will vary between sectors and individual businesses.

### Other Grants

#### Social Care Funding

3.60. Autumn Statement 2022 announced additional social care funding at a national level. The council’s social care funding allocations for 2023/24 are summarised at **Table 6**. The additional funding is fully committed towards funding the significant inflation and demand pressures on the council’s social care budgets.

**Table 6 – Social Care Funding**

	2022/23 £m	2023/24 £m	Change £m
Improved Better Care Fund	14.502	14.502	0.000
Social Care Grant	14.558	23.690	9.132
Independent Living Fund	1.182	0.000	(1.182)*
Adult Social Care Discharge Fund	0.000	2.033	2.033
Market Sustainability and Improvement Fund	0.868	3.011	2.143
<b>Total</b>	<b>31.110</b>	<b>43.236</b>	<b>12.126</b>
*The Independent Living Fund grant has been rolled into the Social Care Grant in 2023/24.			

- 3.61. The Improved Better Care Fund will remain at the same level in 2023/24 as in 2022/23. The grant will continue to be required to be pooled as part of the Better Care Fund.
- 3.62. The Social Care Grant (ring-fenced for both Children's and Adults Social Care purposes) has been increased by £1.506bn nationally in 2023/24. This due to £1.265bn repurposed funding previously allocated for the now delayed adult social care charging reforms, £162m 'rolling-in' of the Independent Living Fund grant and £81m funding repurposed from elsewhere in the settlement. It is expected to increase by a further £612m nationally in 2024/25.
- 3.63. The Autumn Statement announced £600m of new grant funding for 2023/24 to support hospital discharges. Local authorities will receive £300m of this funding (increasing to £500m in 2024/25), of which Islington will receive £2.033m in 2023/24. This funding will be required to be pooled as part of the Better Care Fund.
- 3.64. The 2022/23 Market Sustainability and Fair Cost of Care grant (£162m nationally) has been re-purposed as the Market Sustainability and Improvement Fund and increased by £400m. It is expected to increase by a further £282m in 2024/25.

### **Services Grant 2023/24**

- 3.65. The services grant will continue in 2023/24 (and 2024/25) using the same methodology for distribution as in 2022/23. Funding previously provided for the increased (now reversed) National Insurance Contributions has been clawed back. Some funding will go to increasing the funding for the supporting families programme and to pay for other parts of the settlement including increasing Revenue Support Grant. The total funding distributed will be £464m nationally, of which Islington will provisionally receive £3.312m (a decrease of £2.565m from 2022/23). This is reflected in the net revenue budget at **Table 2**.
- 3.66. The government has held a small proportion of the grant back as contingency. The government will review whether this contingency is necessary for the final local government finance settlement, and any contingency left unused at that point will go back into the Services Grant.

### **Lower Tier Services Grant / Minimum Funding Guarantee**

- 3.67. This grant has been abolished and repurposed to provide a 3% minimum funding guarantee increase in Core Spending Power to all councils. Islington does not benefit from the minimum funding guarantee because the council's Core Spending Power increase is already higher than 3%.

### **New Homes Bonus**

- 3.68. The settlement confirmed that the New Homes Bonus grant will continue for an additional year in 2023/24. This is the fourth one-off NHB allocation, none of which have resulted in legacy payments. Islington's allocation, based on housing growth in the borough over the past year, is £0.082m. The government have stated that they will set out the future position of New Homes Bonus ahead of the 2024/25 local government finance settlement.

### **Public Health Grant**

- 3.69. Public health grant is outwith the Core Spending Power calculation and is announced separately from the settlement itself. Spending Review 2021 had announced that the grant would increase in line with inflation.

## **Homelessness Prevention Grant**

3.70. The Homelessness Prevention Grant allocations for 2023/24 are now available. Islington will receive £3.782m, an increase of £0.115m since 2022/23.

## **Dedicated Schools Grant (DSG) Funding**

3.71. An additional £4.219m (3.0%) has been provided for 2023/24 in the Schools Block following an increase in per-pupil funding for primary and secondary schools of 5.8% and 5.2% respectively. The 3.0% increase in funding is after taking into account the 2.2% reduction in pupil numbers from October 2021 to October 2022. Had pupil numbers not reduced, then a further £2.875m in funding would have been received for schools. The Schools Block is the main source of funding for mainstream schools.

3.72. In addition to the growth in schools block funding an additional £5m has been allocated to mainstream schools in Islington, including academies following the government's Autumn Statement. This funding is being provided outside of the DSG through a mainstream schools additional grant.

3.73. There has been a further reduction in the historic duties element of Central Schools Services Block funding for Council services provided to mainstream schools of £0.084m (20%) in 2023/24. This follows a 20% reduction in each of the last three years, in line with the Department for Education's (DfE) plans to phase out this funding for local authorities by 2026/27. Funding for ongoing duties is reducing by £0.014m (1.3%) due to declining pupil numbers despite a 0.9% increase in the per-pupil funding rate for local authorities. The total reduction in funding is £0.099m (6.7%).

3.74. There is a year-on-year increase of £4.288m (10.3%) in High Needs Block following the provision of additional funding for high needs nationally. Increases in funding for High Needs are expected to be just 2% per annum from 2024/25, in line with guidance from the DfE. 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.

3.75. Early Years Block funding is provided for the statutory entitlements to early education and childcare. Funding is set to provisionally increase by £0.800m (4.4%) in 2023/24. This is an initial position based on the January 2022 headcount. It will be updated by the DfE for January 2023 pupil numbers 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 9.8%, while the 3- and 4-year-old rate has increased by 3.1%. These increases include the roll-in of teachers pay and pensions grant.

## **Fees and Charges**

3.76. 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. The most widely used measure of inflation is the Consumer Price Index (CPI).

3.77. The 2022/23 budget report agreed that discretionary fees be uplifted by 2% unless a variation was stated - this was the government's target inflation rate at that time and was considered a prudent assumption. Due to the high levels of inflation during 2022/23, the charges for discretionary services and the cost of providing those services were not aligned and so the cost of provision was not being fully recovered. It was agreed by Executive on



24 November 2022 that all discretionary fees and charges be increased by an average 10% (based on CPI) from 1 January 2023, unless a variation was otherwise stated.

- 3.78. 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.
- 3.79. Since GLL's price proposal agreed within the fees and charges report to Executive on 24 November 2022, the inflation position and the impact of utilities has continued to escalate with utility rises impacting the sector particularly in the management of pools. A 10% rise on activity price increases is recommended, if concession prices are also set at a maximum of 10% in line with the inflation rise on benefits. In addition, a 6% increase across Membership pricing and a 15% increase for Lessons and Courses on the basis that concessions remain at 10% on Lessons and Courses and that anyone attending Free Swimming Lessons would access discounted pricing to the paid for swim programme thereafter for 6 months. It is recommended that Executive approve the following amendments to the fees and charges report and schedule agreed by Executive on 24 November 2022:
- GLL Activities Pricing (**Appendix J1**)
  - GLL Membership Pricing (**Appendix J2**)
  - GLL Trampolines Pricing (**Appendix J3**)
- 3.80. HRA fees and charges are considered later in this report.

### **General Fund Contingency, Reserves and Balances**

- 3.81. A fundamental element of the robustness of the council's annual budget and MTFS is the level of contingency budget, earmarked reserves, and General Fund balance, as determined by the Section 151 Officer.
- 3.82. Even prior to the pandemic, the 2020/21 budget report had noted the need for the council to strengthen its financial resilience for budget risks over the medium term.
- 3.83. In recent years external auditors have highlighted the comparatively low levels of the council's non-schools reserves and emphasised the importance of maintaining sufficient reserves. Furthermore, the significant expenditure pressures and income shortfalls incurred as a result of COVID-19 have highlighted the underlying level of risk in the council's budget.
- 3.84. The 2023/24 budget includes an ongoing corporate contingency budget of £5m per annum, unchanged from 2022/23. The contingency budget is available as a last resort for in-year contingency pressures that cannot be funded from compensating underspends elsewhere and 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 funding is agreed.
- 3.85. A £5m inflation, energy and demand contingency is assumed within the MTFS from 2023/24. This provides further financial resilience for these heightened risks going forward.
- 3.86. Islington's current General Fund balance (£21.7m, excluding balances held on behalf of schools) equates to just over one week of gross expenditure. It is proposed that any underspend on the General Fund and contingency budget at the end of each financial year

is used to increase the General Fund balance (excluding schools balances) from the current level towards a target level of £40m over the medium to longer term. This £40m target level of General Fund balance (excluding schools balances) would be achievable by delivering a balanced budget over the next 5 years and transferring the unused contingency budget to general reserves. 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 balance needed to deal with economic shocks and insulate the council from potential compensating cuts to key services in the short term.

- 3.87. The estimated level of General Fund reserves, reflecting current known movements, over the 3-year MTFS period is shown in **Table 7** followed by a brief description of each reserve. This reflects known reserves movements and assumes that the estimated budget gap for 2024/25 and 2025/26 will be fully closed without drawing down on reserves.
- 3.88. The 2022/23 budget established a £4m per annum recurrent transfer to earmarked reserves as part of the council's efforts to strengthen financial resilience for hardening budget risks. It is prudently assumed that this £4m annual budgeted transfer to earmarked reserves will be fully offset by drawdowns against reserves commitments. However, if the MTFS can fund pressures within the annual base budget position, the budgeted transfer to reserves will help towards further strengthening the overall reserves position.
- 3.89. 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 2022/23 financial outturn after the end of the current financial year.

**Table 7 – Estimated General Fund Reserves**

	31/03/22 Actual £m	31/03/23 Estimate £m	31/03/24 Estimate £m	31/03/25 Estimate £m	31/03/26 Estimate £m
<b>Earmarked Reserves</b>					
BSF PFI Smoothing	5.769	6.299	6.803	7.293	7.293
Budget Risk and Insurance	25.675	24.266	28.266	32.266	36.266
Budget Strategy	19.586	10.648	10.647	10.147	10.147
Business Continuity	10.000	10.000	10.000	10.000	10.000
Capital Financing	3.120	3.120	3.120	3.120	3.120
Care Experience	16.000	20.000	20.000	20.000	20.000
CIL Admin	0.196	0.196	0.196	0.196	0.196
Core Funding	33.580	11.540	21.254	21.254	21.254
Dedicated Schools Grant	5.218	5.150	3.837	(2.803)	0.000
Energy and Inflation	5.509	4.000	4.000	4.000	4.000
IAH Restoration Levy	0.018	0.018	0.018	0.018	0.018
Joint Cemeteries Trading Account	1.731	1.731	1.731	1.731	1.731
Levies	2.726	2.983	4.020	4.020	4.020
Net Zero Carbon	2.481	2.481	2.481	2.481	2.481
Pooled Schools Budgets	0.828	0.828	0.000	0.000	0.000
Public Health	1.712	1.712	1.712	1.712	1.712
Social Care	8.999	0.958	0.958	0.958	0.958
Street Markets	0.138	0.138	0.138	0.138	0.138
<b>Total</b>	<b>143.286</b>	<b>106.068</b>	<b>119.181</b>	<b>116.531</b>	<b>123.334</b>
<b>General Fund Balance</b>					
Non Schools	21.704	21.704	21.704	21.704	21.704
Schools	8.314	3.210	(0.755)	(7.588)	(7.588)
<b>Total</b>	<b>30.018</b>	<b>24.914</b>	<b>20.949</b>	<b>14.116</b>	<b>14.116</b>

3.90. The reduction in school balances is a national issue as schools face increasing cost pressures. The main pressure on school balances is as a result of falling pupil numbers and increasing cost pressures such as energy and unfunded pay pressures. On average a primary school receives £5,500 per pupil and a secondary school £7,500 per pupil. There was a reduction in pupil numbers of 404 at primary and 44 at secondary between October 2021 and October 2022, which equates to a loss in funding of £2.875m for schools next year. Schools that are in deficit or are set to go into deficit are required to complete deficit recovery plans to bring their budget back into balance within three years.

3.91. Reserve narratives:

- 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 (examples include transformation projects, the revenue costs of capital projects and 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.
- Dedicated Schools Grant – This reserve is the balance of Dedicated Schools Grant held by the council that will be spent in future financial years.
- Energy and Inflation – This reserve is earmarked to smooth the budgetary impact of dramatically increasing energy prices and record high levels of inflation.
- 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 mitigates the significant uncertainty around levies estimates over the medium term, particularly concessionary fares, and the North London Waste Authority levy.
- Net Zero Carbon - This reserve supports the delivery of the council's Net Zero Carbon programme.
- 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.
- 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.

## 4. Housing Revenue Account

### Overview

- 4.1. 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 programme, the funding of which comes primarily from rents and tenants' and leaseholders' service charges.
- 4.2. The HRA's indicative 30-year business plan is currently balanced over the long term and includes the agreed package of savings totalling £3.775m to 2025/26 (detailed at **Table 9** and **Appendix C3**). However, work is ongoing to update the business plan to finalise the impact of the Chancellor's recent Autumn Statement which caps the 2023/24 social housing rent increase to +7%. The underlying government rent policy as compared to the full inflationary increase of September 2022 CPI (10.1%) + 1%, the rent cap gives rise to a loss of rental income over the life of the business plan of in the region of £213m. This loss of income reduces the council's capacity within the business plan to invest in improving the condition of Council owned housing and Net Zero Carbon (NZC) technologies whilst at the same time meeting its new statutory requirements in relation to building safety.
- 4.3. The proposed HRA budget for 2023/24 and latest estimates for the medium term, including HRA reserves estimates, is set out at **Appendix C1**. The movement between the approved 2022/23 budget and the proposed 2023/24 budget is summarised in **Table 8**.

**Table 8 – Summary of HRA Budget Changes 2022/23 to 2023/24**

<b><u>Expenditure</u></b>	<b>£m</b>
Pay and pensions inflation	4.8
HRA savings proposals (See <b>Table 7</b> )	(1.4)
Reduction in contributions to HRA reserves	(4.7)
Contractual inflationary increases and other budgetary changes	5.6
Increase in the cost of communal gas and electricity	4.7
Increase in bad debt provision	1.0
Capital related items (borrowing, RCCO and depreciation charges)	11.3
<b>Total Expenditure Increase</b>	<b>21.3</b>
<b><u>Income</u></b>	
Rent and Tenant charges	16.9
Heating charges (Tenants and Leaseholders)	2.7
Leaseholder annual service charges	1.9
Other income net increases	0.1
Change in interest receivable on HRA balances	(0.3)
<b>Total Income Increase</b>	<b>21.3</b>

**Table 9 – Summary of HRA Savings 2023/24 to 2025/26**

<b>Savings type</b>	<b>2023/24 £m</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>Total £m</b>
Efficiency	0.300	0.530	0.150	<b>0.980</b>
Service reconfiguration	0.485	0.853	0.500	<b>1.838</b>
Income generation	0.000	0.000	0.295	<b>0.295</b>
Technical budget adjustments	0.602	0.060	0.000	<b>0.662</b>
<b>Total</b>	<b>1.387</b>	<b>1.443</b>	<b>0.945</b>	<b>3.775</b>

**Rental Income and Other HRA Fees and Charges**

- 4.4. 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.
- 4.5. In February 2019 the government issued a policy statement on rents for social housing effective from April 2020.
- 4.6. 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 DLUHC to have regard to the government’s policy statement referred to above and as such, the Regulator’s rent standard, first published in May 2019 and updated in December 2020, reflects the government’s policy statement.
- 4.7. The Autumn Statement 2022 limits 2023/24 rent increases for existing tenants to a maximum of plus 7%. The Autumn Statement does not specifically address target rent and rent cap increases however, the government’s 2023/24 Rent Setting Consultation and the draft 2023/24 Rents Policy Statement suggest that both will increase by Sept. 22 CPI (in full) 10.1% plus a further 1.00% for target rents and plus a further 1.5% for rent caps. The HRA budgets for 2023/24 have been set on the basis that this is the case.
- 4.8. It should be noted that, at this stage, initial new build rents in respect of first lets and general needs stock re-lets will be set at the lower of target rent or rent cap inflated in line with the government’s draft 2023/24 Rents Policy Statement.
- 4.9. Should the government’s final 2023/24 Rent Policy Statement not reflect the full September 2022 CPI increase in respect of target rents and rent caps then general needs re-let rents and initial new build lets will be set with effect from April 2023 in compliance with government policy.
- 4.10. 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)**

- 4.11. **Table 10** sets out the average rent in 2023/24 for existing tenancies. The maximum 2023/24 permitted rent is the prior year 2022/23 actual rent plus 7%.
- 4.12. However, if the maximum rent exceeds the lower of the 2023/24 national rent cap (for the relevant bed size) or the property’s 2023/24 national target rent then the 2023/24 rent will be the higher of A or B:

A. The lower of 2023/24 national target rent (inflated by 11.1%) or the 2023/24 national rent cap (inflated by 11.6%) or

B. The 2022/23 actual rent plus 7%

- 4.13. All the council's general needs properties will be subject to the maximum rent increase in 2023/24 of plus 7% as their maximum rents in 2023/24 do not exceed the lower of the 2023/24 national target rents or the 2023/24 national rent caps.
- 4.14. 1% (216) of the council's general needs properties have a national target rent greater than the national rent cap.

**Table 10 – Existing Tenancies Average Weekly Rent 2023/24**

Average Weekly Rent 2022/23	£117.71
Increase (£)	£8.24
Increase (%)	7.00%
Average Weekly Rent 2023/24	£125.95

- 4.15. General needs properties will be re-let at the lower of the 2023-24 national rent cap (for the relevant bed size) or their 2023-24 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.
- 4.16. In accordance with the government's 2023/24 Rents Consultation and draft 2023/24 Policy Statement 2023/24 national target rents will reflect an increase of CPI 10.1% (September 2022) plus 1% and the 2023/24 national rent caps will reflect an increase of CPI 10.1% (September 2022) plus 1.5%.
- 4.17. **Table 11** sets out the likely average rent in 2023/24 for re-let properties.

**Table 11 – Re-Let Properties Likely Average Weekly Rent 2023/24**

Average Weekly National Target Rent 2022/23	£123.13
Increase (£)	£13.67
Increase (%)	11.1%
Average Weekly National Target Rent 2023/24	£136.80

**Islington Council Managed General Needs New Build Properties**

- 4.18. 2023/24 new build existing tenants' rents will reflect an increase of 7%.
- 4.19. 2023/24 re-let and first-let new build rents will, like the LBI managed general needs stock, be based on the lower of the 2023-24 national rent cap or the 2023-24 national target rent.
- 4.20. 50% 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)**

- 4.21. Existing tenancies and re-let rents in 2023/24 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**

- 4.22. Existing Tenancies – 2023/24 rents will be set at the lower of:

- A. The 2022/23 rent plus 7% or
- B. The lower of the relevant 2023/24 local housing allowance rate (frozen at 2022/23 rates per the Chancellor's 2022 Autumn Statement) or 80% of the relevant market rent.

4.23. Re-lets and first-lets in 2023/24 will be set at the lower of:

- A. The relevant 2023/24 local housing allowance rate (frozen at 2022/23 rates per the Chancellor's 2022 Autumn Statement) or
- B. 80% of the relevant market rent

**LBI Managed Property Acquisitions - purchased using GLA grant**

4.24. Existing Tenancies – 2023/24 rents will be set at the lower of:

- A. The 2022/23 rent plus 7% or
- B. The relevant 2023/24 local housing allowance rate (frozen at 2022/23 rates per the Chancellor's 2022 Autumn Statement)

4.25. Re-lets and first-lets in 2023/24 will be set at:

- A. The relevant 2023/24 local housing allowance rate (frozen at 2022/23 rates per the Chancellor's 2022 Autumn Statement)

**Properties Currently Managed (PF1) and Properties Previously (Until April 2022) Managed (PF2) under a Private Finance Initiative (PFI) Contract by Partners for Islington**

4.26. 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.

4.27. To move towards achieving this alignment, existing tenants 2023/24 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 2022/23 rent plus 7% minus 50p per week towards convergence with standard social rents.

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

4.29. **Table 12** sets out the average rent in 2023/24 for existing tenancies and likely average rent in 2023/24 for re-lets for current PFI (1) properties and ex PFI (2) properties.

**Table 12 – Existing Tenancies + Re-Lets – PFI (1) current contract and PFI (2) returned to Council management - Average Weekly Rent 2023/24**

Average Weekly Rent 2022/23	£166.17
Increase (£)	£11.12
Increase (%)	6.69%
Average Weekly Rent 2023/24	£177.29

**Shared Ownership Rents**

4.30. Rent charged with effect from 1 April 2023 in respect of the unsold equity in relation to shared ownership properties will be capped at a maximum of the prior year rent plus 7%.



## **Other HRA Fees and Charges**

- 4.31. Other HRA fees and charges are set out at **Appendix C2** and summarised below.
- 4.32. Caretaking/Cleaning and Estate Services - Caretaking and Estate Service Charges will increase by £1.03 (+5.4%) per week as compared to the Revised 2022/23 Charges (increased to reflect the 54% increase in electricity costs that arose during 2022/23) this £1.03 increase per week primarily reflects the net impact of; the reduction in the weekly charge for communal electricity that has come down because the recovery of costs in 2023/24 is spread over a longer time frame and the increase in staffing related costs covering the increase in the 2022/23 pay award, the estimated 2023/24 pay award and the increase in the employers pension contribution rate all off total.
- 4.33. Digital TV Maintenance - Charges have increased by 1p per week in 2023/24 to reflect the cost of the provision of this service.
- 4.34. Heating and Hot Water - Gas prices are forecast to increase by a further 14% in 2023/24 over and above the revised 2022/23 costs which increased by 106% during 2022/23. in 2022/23. Spreading the costs over a longer time frame in 2023/24 and using the remaining balance in the tenants' heat reserve limits the increase in charges to +9%. The average weekly heating and Hot Water charge in 2023/24 will be £19.33 per week. Unlike, Caretaking, Estate Service and Concierge charges, Heating and Hot Water charges are not covered by housing benefit or universal credit.
- 4.35. Concierge Service Charges - These have increased by 11.4% this increase relates primarily to the increase in staffing costs.
- 4.36. Estate based Parking and Storage Charges - Charges in respect of facilities used for vehicles i.e., Garages, parking spaces and car cages increase by 5% to reflect inflationary cost pressures whilst also acknowledging the cost-of-living pressures facing tenants and leaseholders.
- 4.37. Diesel Surcharge (Off Street) - This charge has increased by £31 per year or (+24%) in 2023/24 to align with the on-street parking surcharge.
- 4.38. Home Ownership Administration costs - Increase by 5% to reflect inflationary cost pressures whilst also acknowledging the cost-of-living pressures facing leaseholders.
- 4.39. Carpet Charges - Increase by 2% to reflect the recently re-negotiated contract price.

## **5. Capital Programme**

- 5.1. The council takes a strategic, long-term approach to managing and enhancing our community asset base.
- 5.2. The proposed capital programme delivers the assets required to achieve this strategy and its corporate objectives. Specific factors about the Capital Programme recommended for approval are:
- Providing significant investment to support key council priorities on affordable housing and net zero carbon.
  - Expanding the non-housing capital programme to support much-needed modernisation and enhancement of a wide range of community assets.
  - Forecasting indicative capital investment needs over a longer time frame.
- 5.3. The proposed 2023/24 to 2025/26 capital programme as well as indicative estimates for 2026/27 to 2032/33 are summarised by council priority in **Table 13** and detailed at

**Appendix D1.** This is estimated to deliver up to £1.1bn of capital investment in the borough over the next 10 years.

- 5.4. Profiling of capital expenditure is extremely important as it affects our expected borrowing (and revenue implications) together with an impact on the services provided from those assets. In recent years there has been significant in-year reprofiling of the capital programme to later in the MTF 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.
- 5.5. The council has continued to increase project manager capacity as the programme grows ever larger however it is still necessary to apply a central reprofiling adjustment to consider the macro impact of the delivery risks and broadly reflecting prior performance. This has been applied recognising the further into the future, the greater the risk to delivery timing. As such, expenditure in Year 1 is assumed to slip by 35%, Year 2 by 45% and Year 3 by 55%. These adjustments are made to the bottom line of the capital programme and not a scheme-by-scheme basis. Some schemes will spend to accelerated timescales whereas others will slip.
- 5.6. There are also a series of proposed capital schemes which strategically align to the council's aims, but which require either further work on its business case, separate funding decisions or confirmation of external funding to progress to delivery. As such, in line with the Financial Regulations, these schemes are included within a 'Reserve List'. This list can be found at **Appendix D2**.

**Table 13 – Capital Programme 2023/24 to 2025/26 and Indicative Programme 2026/27 to 2032/33**

Area of Programme	2023/24 £m	2024/25 £m	2025/26 £m	2023/24 to 2025/26 Total £m	2026/27 to 2032/33 £m	Total 10 Year £m
CWB	32.286	39.383	8.779	80.448	20.207	100.655
Environment	27.084	20.759	9.123	56.966	81.844	138.810
<b>Total Non-Housing</b>	<b>59.370</b>	<b>60.142</b>	<b>17.902</b>	<b>137.414</b>	<b>102.051</b>	<b>239.465</b>
Housing - GF	19.713	43.857	56.526	120.096	371.850	491.946
Housing - HRA	130.838	142.856	139.507	413.201	751.970	1,165.171
<b>Total Housing</b>	<b>150.551</b>	<b>186.713</b>	<b>196.033</b>	<b>533.297</b>	<b>1,123.820</b>	<b>1,657.117</b>
<b>Total</b>	<b>209.921</b>	<b>246.855</b>	<b>213.935</b>	<b>670.711</b>	<b>1,225.871</b>	<b>1,896.582</b>
Slippage in	0.000	73.472	144.147	0.000	196.945	0.000
Slippage Out (35%, 45%, 55%)	(73.472)	(144.147)	(196.945)	(196.945)	(782.549)	(782.549)
<b>Revised Budget</b>	<b>136.449</b>	<b>176.180</b>	<b>161.137</b>	<b>473.766</b>	<b>640.267</b>	<b>1,114.033</b>

- 5.7. The capital programme over the next three years will support the council's objectives by providing funding for the following projects:

**Decent and Genuinely Affordable Homes for All:**

- Housing New Build Programme – the continuation of our major programme of investment in new social housing in Islington.

- Housing major works and improvements programme - ongoing investment in council homes and estates, including cyclical improvements, mechanical and electrical works, fire safety and energy efficiency improvements.
- New investment to support the redevelopment of Finsbury Leisure Centre, delivering new affordable housing, a new leisure centre and medical centre, and other significant community benefits.

#### **Children and Young People:**

- Investments in Adventure Playgrounds.
- Improving our early years, schools, youth and play provision.

#### **A Safer Borough for All:**

- Upgrade to the council's core CCTV network and investment in CCTV-enabled vehicles to increase coverage for hot spots.

#### **A Greener and Cleaner Islington:**

- Continuing investment to support the council's Net Zero Carbon strategy.
- Vehicle electrification charging infrastructure and replacement of vehicles.
- People Friendly Streets and School Streets – borough-wide programmes to reduce car trips and improve neighbourhoods for walking, cycling, and living.
- Investment in the borough's public toilets, parks, open spaces, and leisure facilities.

5.8. In addition to these programmes, the capital programme will support the effective management of Islington's infrastructure and estate. This includes:

- Structural maintenance of the highway infrastructure including carriageways, footways, and drainage.
- Compliance and modernisation improvements to deal with urgent property compliance issues.
- Use of Community Infrastructure Levy and S106 payments to make targeted investment across the borough spending decisions led and managed by local ward councillors.

5.9. The capital programme also includes the council's £10m investment in its Thriving Neighbourhoods Programme. This is a capital investment programme of improvement works over a three-year period. The programme supports the council's drive to empower communities to make decisions about their local area and allows local people to put forward their ideas for improving shared spaces on estates, with the council funding and implementing the approved projects. These might include:

- Cycle storage facilities
- Improved play facilities, such as equipment for children with disabilities.
- New and improved recycling bins, with disabled access
- Outdoor gyms
- New outdoor seating areas where communities can come together
- Improved landscaping to make estates more attractive and environmentally friendly
- Improved security

- Community centre (estate based) improvements

5.10. The estimated funding of the 2022/23 to 2024/25 capital programme is summarised in **Table 14**. At the end of each financial year, the Section 151 Officer will apply resources to finance capital expenditure in the most cost-effective way for the council.

**Table 14 – Estimated Funding of Capital Programme 2023/24 to 2025/26**

	2023/24 £m	2024/25 £m	2025/26 £m	2023/24 to 2025/26 Total £m
<b>General Fund</b>				
Capital Grant	7.254	1.515	0.000	8.769
S106/ CIL	12.069	11.971	2.209	26.249
Capital Receipts	12.608	22.914	5.076	40.598
General Fund Borrowing	46.247	66.099	67.143	179.489
Revenue Contribution	0.905	1.500	0.000	2.405
<b>Total General Fund</b>	<b>79.083</b>	<b>103.999</b>	<b>74.428</b>	<b>257.510</b>
<b>HRA</b>				
Revenue Contribution	13.590	6.862	10.000	30.452
Capital Receipts	46.314	35.648	41.897	123.859
S106/CIL	6.718	4.090	2.880	13.688
Grants	0.000	0.000	0.000	0.000
Housing Revenue Account Reserves	38.872	35.593	31.959	106.424
Housing Revenue Account Borrowing	25.345	60.663	52.771	138.779
<b>Total HRA</b>	<b>130.838</b>	<b>142.856</b>	<b>139.507</b>	<b>413.201</b>
<b>Total</b>	<b>209.921</b>	<b>246.855</b>	<b>213.935</b>	<b>670.711</b>
Slippage in	0.000	73.472	144.147	0.000
Slippage Out (35%, 45%, 55%)	(73.472)	(144.147)	(196.945)	(196.945)
<b>Total Budget</b>	<b>209.921</b>	<b>320.328</b>	<b>358.082</b>	<b>670.711</b>
<b>Revised Budget</b>	<b>136.449</b>	<b>176.180</b>	<b>161.137</b>	<b>473.766</b>

5.11. It should be noted that the projected capital receipts financing is intrinsically linked with the housing new build capital programme, and that there is uncertainty around the timing and value of these receipts. To mitigate these risks the council maintains a regular review of the property market and has been prudent in its financial assumptions. Timing delays can largely be managed using HRA reserves. In the event of a decrease in projected capital receipts, the new build programme would need to be re-assessed in line with the overall available funding.

5.12. Because the slippage factor applies to all schemes the table above just shows an adjustment to the bottom line. Slippage also then affects Capital Financing. As financing decisions will be made in the most efficient way based on actual capital outlay it would not be representative to show a 'slipped' version of the capital financing summary.

5.13. It is, however, important to specifically estimate the level of borrowing which will be incurred in each year as this drives out revenue forecasts and key Treasury Management indicators. As such, separate estimates of borrowing, taking into account slippage are displayed in the following tables.

**Table 15 – Estimated General Fund Borrowing 2023/24 to 2025/26**

Area of Programme	2023/24 Net Budget £m	2024/25 Net Budget £m	2025/26 Net Budget £m	2023/24 to 2025/26 Total £m
CWB	19.888	20.690	6.570	47.148
Environment	19.254	17.659	9.123	46.036
Housing GF	7.105	27.750	51.450	86.305
<b>Estimated General Fund Borrowing</b>	<b>46.247</b>	<b>66.099</b>	<b>67.143</b>	<b>179.489</b>
Slippage in	0.000	16.186	37.029	(57.294)
Slippage out	(16.186)	(37.029)	(57.294)	
<b>Revised Estimated General Fund Borrowing</b>	<b>30.060</b>	<b>45.257</b>	<b>46.877</b>	<b>122.195</b>

**Table 16 – Estimated Housing Revenue Account (HRA) Borrowing 2023/24 to 2025/26**

Area of Programme	2023/24 Net Budget £m	2024/25 Net Budget £m	2025/26 Net Budget £m	2023/24 to 2025/26 Total £m
<b>HRA Borrowing</b>	<b>25.345</b>	<b>60.663</b>	<b>52.771</b>	<b>138.779</b>
Slippage in	0.000	8.871	31.290	(46.234)
Slippage out	(8.871)	(31.290)	(46.234)	
<b>Revised HRA Borrowing</b>	<b>16.474</b>	<b>38.244</b>	<b>37.828</b>	<b>92.545</b>

5.14. The Capital Strategy that underpins the capital programme, together with the linked documents of the Investment Strategy, Minimum Revenue Provision Statement and the Treasury Management Strategy are included at **Appendices E1 to E4**.

## **6. Council Tax and Retained Business Rates**

### **Council Tax Forecast 2023/24**

6.1. The latest estimated 2022/23 Collection Fund forecast for council tax, which is subject to change between now and at the end of the financial year, is a £4.350m surplus. This comprises a £0.979m in-year surplus and a prior year surplus of £3.370m brought forward from 2021/22.

6.2. The forecast in-year Collection Fund surplus of £0.979m is due to the following variances:

- Lower than budgeted single person discount and council tax support scheme costs contributing to net additional council tax income of £1.406m.
- A £0.977m improvement in forecast collection compared to assumptions around collection losses when setting the 2022/23 taxbase.
- Offset by a £1.404m payment to the council's General Fund and the GLA in relation to the forecast Collection Fund surplus as part of 2021/22 budget setting in January 2022.

6.3. The distribution of the forecast Collection Fund surplus at the end of 2022/23 in the 2023/24 budget is outlined in **Table 17** based on prescribed accounting requirements, including the three-year phasing of 2020/21 Exceptional (COVID-19) Deficits.

**Table 17: Distribution of Forecast 2022/23 Council Tax (Surplus)/Deficit**

			Total £m
Total Forecast (Surplus)/Deficit for the year			<b>(0.979)</b>
Prior Year (Surplus)/Deficit Brought Forward			<b>(3.370)</b>
<b>Total (Surplus)/Deficit to be distributed in 2023/24</b>			<b>(4.350)</b>
	Islington Council £m	GLA £m	Total £m
1/3 of 2020/21 Exceptional Balance (Final share of 3-year spreading)	0.478	0.130	<b>0.608</b>
Remainder of (Surplus)/Deficit	<b>(3.811)</b>	<b>(1.147)</b>	<b>(4.958)</b>
<b>Total (Surplus)/Deficit in 2023/24 Budget</b>	<b>(3.333)</b>	<b>(1.016)</b>	<b>(4.350)</b>

#### **Council tax Base 2023/24**

- 6.4. The council is required to calculate its council taxbase for the next financial year and notify precepting authorities by 31 January (2023). The council has delegated responsibility for determining the council taxbase to its Audit Committee. 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. The council separately calculates the taxbase for the Lloyd Square Garden area.
- 6.5. On 30 January 2023, the Audit Committee agreed a Band D equivalent council taxbase for 2023/24 of 81,882.2 properties for the council's whole area and 44.1 properties for the Lloyd Square Garden Committee area. The number of Band D equivalent properties is after taking into account the estimated collection rate for 2023/24 which continues to be forecast at 97.0%. This is the percentage of 2023/24 council tax bills that the council is budgeting to receive over time (as opposed to cash collection in-year).

#### **Level of Council Tax 2023/24**

- 6.6. Sections 31A and 31B of the amended Local Government Finance Act (LGFA) 1992 require the council to calculate its gross expenditure, gross income and council tax requirement. For these purposes, HRA expenditure and income is included even though it has no effect on council tax, and the gross expenditure figure includes special expenses relating to part only of the of the council's area. **Table 18** shows the council's net budget split between gross expenditure and gross income.

**Table 18 – Section 31A (Amended LGFA 1992) Calculation 2022/23**

	£
Aggregate of the amounts which the council estimates for items set out in Section 31A (2) (a) to (f) of the LGFA 1992 <b>(A)</b>	<b>971,912,260.03</b>
Aggregate of the amounts which the council estimates for items set out in Section 31A (3) (a) to (d) of the LGFA 1992 <b>(B)</b>	<b>(858,872,422.00)</b>
Calculation of the council tax requirement under Section 31A (4), being the amount by which the sum aggregated at <b>(A)</b> above exceeds aggregate at <b>(B)</b> above	<b>113,039,838.03</b>

- 6.7. The calculation of the relevant (average) 2022/23 council tax per Band D property is set out in **Table 19**.

**Table 19 – Section 31B (amended LGFA) Calculation 2023/24**

Council Tax Requirement	<b>£113,039,838.03</b>
Council Tax Base	81,882.2
<b>2023/24 Relevant Basic Band D Council Tax</b>	<b>£1,380.52</b>
<b>Increase Compared to 2022/23 (%)</b>	<b>4.99%</b>

- 6.8. Each billing authority and precepting authority must determine whether its relevant basic amount of council tax for a financial year is excessive. If an authority's relevant basic amount of council tax is excessive, a referendum must be held in relation to that amount. For 2022/23, the relevant basic amount of council tax for Islington would be excessive if it is 5% or more greater than 2022/23 (comprising 2% specifically for expenditure on adult social care, and 3% for all expenditure). Therefore, the proposed 4.99% increase in the relevant basic amount of Band D Islington council tax, which comprises 2% specifically for expenditure on adult social care and 2.99% for all expenditure, is not excessive.
- 6.9. Additional council tax calculations are required where special items relate to part only of the council's area (for Islington, the Lloyd Square Garden Committee special expense). The calculation of the 2023/24 basic amount of council tax for dwellings in Islington to which no special item relates (i.e., outside the Lloyd Square Garden Committee area) is shown in **Table 20**.

**Table 20 – 2023/24 Basic Council Tax for All Other Parts of the Council's Area**

Council Tax Requirement (Including special expenses)	£113,039,838.03
<b>Less</b> Lloyd Square Garden Committee special expense	£21,855.03
<b>Council Tax Requirement (Excluding special expense)</b>	<b>£113,017,983.00</b>
Council Tax Base	81,882.2
<b>2023/24 Basic and D Council Tax for All Other Parts of the Council's Area</b>	<b>£1,380.25</b>
<b>Increase Compared to 2021/22 (%)</b>	<b>4.99%</b>

- 6.10. The Lloyd Square Garden Committee has agreed a special expense of £21,855.03 for 2023/24, an increase of 10% since 2022/23. When this is divided by the Lloyd Square Garden Committee Band D tax base (44.1), it gives a charge of £495.58 per Band D equivalent property for 2022/23. This will be charged to Lloyd Square Garden area dwellings in addition to the basic Islington Band D council tax of £1,380.25 for all other parts of the council's area.
- 6.11. The 2022/23 basic amount of Islington council tax for each valuation band for the Lloyd Square area (**Table 21**) and all other parts of the council's area (**Table 22**) are shown below. These amounts are calculated by multiplying the Band D council tax amount per property by the proportions set out in Section 5(1) of the LGFA 1992.

**Table 21 – Lloyd Square Garden Area Basic Islington Council Tax 2023/24**

Valuation Band	Lloyd Square Garden Area 2022/23 (£)	Lloyd Square Garden Area 2023/24 (£)	Lloyd Square Garden Area Increase (£)
A	298.99	330.39	31.40
B	348.83	385.45	36.62
C	398.66	440.52	41.86
<b>D</b>	<b>448.49</b>	<b>495.58</b>	<b>47.09</b>
E	548.15	605.71	57.56
F	647.82	715.84	68.02
G	747.48	825.97	78.49
H	896.98	991.16	94.18

**Table 22 – All Other Parts of the Council's Area Basic Islington Council Tax 2023/24**

Valuation Band	All Other Parts of the Council's Area 2022/23 (£)	All Other Parts of the Council's Area 2023/24 (£)	All Other Parts of the Council's Area Increase (£)
A	876.43	920.17	43.74
B	1,022.51	1,073.53	51.02
C	1,168.58	1,226.89	58.31
<b>D</b>	<b>1,314.65</b>	<b>1,380.25</b>	<b>65.60</b>
E	1,606.79	1,686.97	80.18
F	1,898.94	1,993.70	94.76
G	2,191.08	2,300.42	109.34
H	2,629.30	2,760.50	131.20

6.12. The proposed 2023/24 GLA precept for each valuation band is shown in **Table 23**.

**Table 23 – GLA Precept**

Valuation Band	GLA Precept 2022/23 (£)	GLA Precept 2023/24 (£)	Increase (£)
A	263.73	289.43	25.70
B	307.68	337.66	29.98
C	351.64	385.90	34.26
<b>D</b>	<b>395.59</b>	<b>434.14</b>	<b>38.55</b>
E	483.50	530.62	47.12
F	571.41	627.09	55.68
G	659.32	723.57	64.25
H	791.18	868.28	77.10

6.13. The 2023/24 total amount of Islington council tax (including GLA precept) for each valuation band for the Lloyd Square area (**Table 24**) and all other parts of the council's area (**Table 25**).



**Table 24 – Total Islington and GLA Council Tax for the Lloyd Square Garden Area  
2023/24**

Valuation Band	Lloyd Square Garden Area 2022/23 (£)	Lloyd Square Garden Area 2023/24 (£)	Lloyd Square Garden Area Increase (£)
A	1,439.15	1,539.99	100.84
B	1,679.02	1,796.64	117.62
C	1,918.88	2,053.31	134.43
<b>D</b>	<b>2,158.73</b>	<b>2,309.97</b>	<b>151.24</b>
E	2,638.44	2,823.30	184.86
F	3,118.17	3,336.63	218.46
G	3,597.88	3,849.96	252.08
H	4,317.46	4,619.94	302.48

**Table 25 – Total Islington and GLA Council Tax for All Other Parts of the Council's Area  
2023/24**

Valuation Band	All Other Parts of the Council's Area 2022/23 (£)	All Other Parts of the Council's Area 2023/24 (£)	All Other Parts of the Council's Area Increase (£)
A	1,140.16	1,209.60	69.44
B	1,330.19	1,411.19	81.00
C	1,520.22	1,612.79	92.57
<b>D</b>	<b>1,710.24</b>	<b>1,814.39</b>	<b>104.15</b>
E	2,090.29	2,217.59	127.30
F	2,470.35	2,620.79	150.44
G	2,850.40	3,023.99	173.59
H	3,420.48	3,628.78	208.30

### Retained Business Rates

- 6.14. Under the existing business rates retention system, the council retains 30% of business rates income in the borough and receives Section 31 grant to compensate for the impact of government policy (e.g. new reliefs, freezing of business rates) on its retained business rates income.
- 6.15. The council's NNDR1 return (detailed business rates estimate) for 2023/24 has now been submitted following the 31 January 2023 statutory submission deadline. The financial implications of this return are fully incorporated in the proposed 2023/24 budget. **Table 26** summarises the NNDR1 return estimate in terms of the council's total retained business rates income.

**Table 26 – Estimated Business Rates Income 2023/24**

	<b>2022/23</b>	<b>2023/24</b>
	<b>£</b>	<b>£</b>
Gross Business Rates	357,513,839.00	344,649,330.00
Small Business Rate Relief (net of additional yield from small business supplement)	(209,278.00)	103,794.00
Charitable Occupation	(25,966,295.00)	(25,190,312.00)
Unoccupied Property	(16,867,146.00)	(17,072,450.00)
Discretionary Reliefs	(1,198,719.00)	(1,238,254.00)
Discretionary Reliefs Funded by S31 Grant	(41,755,599.00)	(35,641,113.00)
<b>Net Business Rates Payable</b>	<b>271,516,802.00</b>	<b>265,610,995.00</b>
Estimated Bad Debts and Appeals	(24,948,655.00)	(15,426,345.00)
<b>Net Business Rates Less Reliefs and Losses</b>	<b>246,568,147.00</b>	<b>250,184,650.00</b>
Cost of Collection	(727,168.00)	(689,267.00)
Amount Retained for Renewable Energy Schemes	(79,268.00)	(103,293.00)
<b>NDR Income – Total</b>	<b>245,761,711.00</b>	<b>249,392,090.00</b>
<b>NDR Income – Islington (30% share)</b>	<b>73,728,513.30</b>	<b>74,817,627.00</b>
Plus: Section 31 Grant	23,545,737.00	28,982,719.89
<b>Total Retained Income – Islington</b>	<b>97,274,250.30</b>	<b>103,800,346.89</b>

6.16. The 2023/24 NNDR1 return also includes a forecast 2022/23 surplus on business rates income to be incorporated in the 2023/24 budget. This is summarised in **Table 27**. The 2023/24 budgetary impact of the council's share of this surplus will be fully offset by a transfer to the Core Funding reserve that has been earmarked for this purpose.

**Table 27 – 2022/23 Forecast NNDR Surplus/(Deficit)**

	<b>Total</b>	<b>Islington 30% Share</b>
	<b>£</b>	<b>£</b>
Net Business Rates Income	257,645,961.00	77,293,788.30
Allowance for Non-Collection	(1,975,444.00)	(592,633.20)
Appeals Refunds and Provisions	(3,401,917.00)	(1,020,575.10)
Budgeted Demand based on Agreed Budget	(245,761,711.00)	(73,728,513.30)
Other Charges (e.g. cost of collection)	(1,004,252.00)	(301,275.60)
<b>Total Surplus/(Deficit)</b>	<b>5,502,637.00</b>	<b>1,650,791.10</b>
Opening Surplus/(Deficit)	(63,730,370.00)	(19,119,111.00)
Contribution towards Prior Year Deficit	79,496,860.00	23,849,058.00
<b>Total Surplus/(Deficit) in Budget</b>	<b>21,269,127.00</b>	<b>6,380,738.10</b>

6.17. The rateable value of properties (which is used to calculate business rates bills) will be revised in April 2023 to reflect the current property market. The last such revaluation was in 2017. The draft revised list has been published which suggests a 2.3% reduction in rateable value across Islington properties. This compares to an average increase of 0.5% for Inner London Boroughs and 11.3% for Outer London Boroughs. Islington is one of four London councils to see an overall decrease. These figures are subject to change prior to the revaluation list going live in April 2023 and subject to the appeals process.

## **7. Matters to Consider in Setting the Budget**

### **Comments of the Section 151 Officer**

- 7.1. 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.
- 7.2. The final assessment on the robustness of the 2023/24 budget proposals and adequacy of financial reserves will be made in the budget report to the Executive on 9 February 2023 and 2 March 2023.
- 7.3. 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 work 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 key source of assurance in determining that overall estimates in the budget (including contingency) are robust and that financial reserves, whilst needing to be further strengthened, are adequate.
- 7.4. The estimates for the 2023/24 financial year have been compiled in the context of huge budget risks and uncertainties, on a scale not encountered in recent years. As such, the council's financial sustainability mechanisms such as contingency budgets, reserves and balances are more important than ever. Whilst higher than in previous years, the enhanced provision for contingency budgets is needed to mitigate risks of rising demand, inflation remaining higher for longer and an uncertain energy market.
- 7.5. The medium-term local government funding outlook continues to be highly uncertain, with potential government funding reforms on the horizon that could have a significant impact on funding levels towards the end of the current MTFS period.
- 7.6. The robustness of all assumptions, including delivery of savings, will next be reviewed in early spring 2023 to shape the new medium-term budget setting process from 2024/25 and estimated additional savings requirement. Given the unprecedented uncertainty and the lead-time in identifying and delivering savings, it is crucial that assumptions remain prudent in line with MTFS principles set out in this report.

### **Comments of the Monitoring Officer**

- 7.7. 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 2023/24. It also outlines the council's current and anticipated financial circumstances, including matters relating to the General Fund budget and MTFS, the HRA, the capital programme and borrowing and expenditure control.
- 7.8. The setting of the budget and council tax by Members involves their consideration of choices. No genuine and reasonable options should be dismissed out-of-hand and Members must bear in mind their fiduciary duty to the council taxpayers of Islington.
- 7.9. Members must have adequate evidence on which to base their decisions on the level and quality at which services should be provided. 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.

- 7.10. The report sets out the relevant considerations for Members to consider during their deliberations and Members are reminded of the need to ignore irrelevant considerations. Members have a duty to seek to ensure that the council acts lawfully. They are under an obligation to produce a balanced budget and must not knowingly budget for a deficit. Members 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.
- 7.11. 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 consider its comments when making those recommendations.

### **Equalities Impact Assessment**

- 7.12. 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.
- 7.13. 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.
- 7.14. The cumulative EQIA assessment of the budget proposals is set out at **Appendix E**. 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.

### **CIPFA Financial Management Code**

- 7.15. An initial compliance analysis against the CIPFA Financial Management Code has been undertaken as part of the 2023/24 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 CIPFA Financial Management 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. 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

7.16. The annual compliance analysis is included at **Appendix F** 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.

### **Budget Consultation**

7.17. 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.

7.18. 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.

7.19. The council invited comments from business rates payer and representatives of business rates payers in Islington on the draft 2023/24 budget proposals. The consultation period ran from 5 January to 25 January 2023.

### **Annual Pay Policy Statement**

7.20. Section 38 of the Localism Act 2011 requires local authorities to publish an annual 'Pay Policy Statement', setting out their policies in respect of chief officer remuneration and other specified matters. Regard must be had to guidance to be published by the Secretary of State in preparing the statement, which must be approved by Full Council. The council is then constrained by its pay policy statement when making determinations on chief officer pay, although the statement may be amended at any time by a further resolution of Full Council. The council's Annual Pay Policy Statement for 2023/24 is provided at **Appendix H**.

### **Retail Relief Scheme 2023/24**

7.21. 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 I** addresses the need to adopt the government's scheme variation, for the financial year 2023/2024. The adoption of the local policy described in **Appendix I** 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 2023/2024. The Islington Retail Relief Scheme proposed reflects the Government's guidance.

**Appendices**

Appendix A: General Fund Medium-Term Financial Strategy 2023/24 to 2025/26

Appendix B: General Fund Proposed Savings 2023/24

Appendix C1: HRA MTFS 2023/24 to 2025/26

Appendix C2: HRA Fees and Charges 2023/24

Appendix C3: HRA Savings 2023/24 to 2025/26

Appendix D1: Capital Programme 2023/24 - 2025/26

Appendix D2: Reserve List Capital Programme 2023/24 - 2025/26

Appendices E1-E4: Capital Strategy, Investment Strategy, Minimum Revenue Provision Statement and Treasury Management Strategy

Appendix F: Budget Cumulative Equality Impact Assessment 2023/24

Appendix G: CIPFA Financial Management Code Compliance Assessment

Appendix H: Annual Pay Policy Statement 2023/24

Appendix I: Retail Relief Scheme 2023/24

Appendices J1-J3: Fees and Charges Amendment – GLL Activities, Memberships and Trampolines Pricing

Background papers: None

<b>Signed by:</b>		
	Executive Member for Finance, Planning and Performance	Date

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