Report of: Executive Member for Finance, Planning and Performance
Meeting of: Executive
Date: 30 November 2023

# Subject: Budget Monitoring 2023/24 Quarter 2

## 1. Synopsis

1.1. This report presents the provisional outturn position for the 2023/24 financial year Quarter 2 (Q2) which covers the three-month period to the end of September 2023. This estimated financial position for the financial year incorporates known and emerging budget variances and details any known residual risks. Overall, there is a forecast General Fund (GF) overspend of **+£5.767m** following the application of corporate provisions and contingencies.

1.2. The Q2 forecast for the Housing Revenue Account (HRA) is an in-year deficit of +£6.839m. As the HRA is a ringfenced account, a surplus or deficit at the end of the financial year will be transferred to or from HRA reserves.

1.3. As at the end of Q2, total capital expenditure of £48.300m has been incurred against a 2023/24 forecast of £196.532m, representing 25% of spend against forecast.

1.4. Individual school balances in Islington have been in decline since 2018/19. Balances reduced steadily since then and are budgeted by schools to decline sharply during 2023/24. Balances are then forecast to reduce further over the next two years to an overall deficit balance of £5m in 2024/25 and £15m in 2025/26. The decline in school balances is a national issue as schools face increasing cost pressures and reducing numbers on rolls.

1.5. The Environment and Climate Change directorate is currently under interim corporate reporting arrangements due to vacant posts in the Senior Leadership Team:

- Environment & Commercial Operations reported under Homes & Neighbourhoods Director
- Climate Change and Transport reported under Community Wealth Building Director
- Civic Services reported under Community Engagement and Wellbeing Director

## 2. Recommendations

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

2.2. To note the forecast 2023/24 GF position. **(Section 3 and Table 1)**

2.3. To approve a one-off budget virement which creates an income budget and a corresponding expenditure budget due to the announcements of the Market Sustainability and Improvement Fund (MSIF) Workforce fund from the Department of Health and Social Care. **(Paragraph 4.13)**

2.4. To note, and where necessary agree, the virements of budgets between directorates. **(Paragraphs 4.63 to 4.65 and Appendix 2)**

2.5. To note the Collection Fund forecast for council tax and National Non-Domestic Rates. **(Paragraphs 4.70 to 4.78)**

2.6. To note progress on delivering the 2023/24 agreed budget savings. **(Appendix 4)**

2.7. To note the HRA forecast. **(Section 5 and Appendix 1 and 2)**

2.8. To note the capital expenditure forecast for Q2. **(Section 6, and Appendix 5)**

2.9. To approve capital slippage to future financial years and to note that there is a risk of further slippage over the remainder of the financial year. **(Section 6)**

2.10. To agree the latest earmarked reserve allocations and forecast drawdowns for 2023/24. **(Section 7 and Appendix 3)**

## 3. Revenue Summary

3.1. A summary position of the 2023/24 GF financial position is shown in Table 1, with a breakdown by individual variance in **Appendix 1**.

**Table 1 - 2023/24 GF Over/(Under)Spend**

| | Total Q2 Over/(Under) Spend £m | Total Q1 Over/(Under) Spend £m | Change since Q1 £m |
|---|---|---|---|
| Adults Social Services | 4.911 | 5.189 | (0.278) |
| Chief Executive's | - | - | - |
| Children & Young People | 2.480 | 2.339 | 0.141 |
| Community Engagement & Wellbeing | 0.741 | 0.572 | 0.169 |
| Community Wealth Building | 1.255 | 0.638 | 0.617 |
| Environment & Climate Change | 9.084 | 4.220 | 4.864 |
| Homes & Neighbourhoods | 0.083 | (0.246) | 0.329 |
| Public Health | - | - | - |
| Resources | 0.604 | 0.481 | 0.123 |
| **Total: Directorates** | **19.158** | **13.193** | **5.965** |
| Corporate | (1.429) | (1.031) | (0.398) |
| **Total: General Fund** | **17.729** | **12.162** | **5.567** |
| Less: Inflation, Energy, and Demand Contingencies | (6.962) | (5.000) | (1.962) |
| Less: General Corporate Contingency | (5.000) | - | (5.000) |
| **Net: General Fund** | **5.767** | **7.162** | **(1.395)** |

3.2. Further management actions are required to deliver a significant downward movement in directorate overspend positions by the end of the financial year. If this does not happen and an overall overspend materialises at the end of the financial year, it would need to be balanced from earmarked reserves. Drawing on earmarked reserves would significantly restrict the council's ability to replenish reserves and increase financial resilience as previously planned in the original 2023/24 budget.

# 4. General Fund

**Adult Social Services +£4.911m overspend, a decrease of £0.278m since previous reported position**

4.1. The Q2 forecast for Adult Social Services is a net overspend of +£4.911m, which is detailed by key variances in **Appendix 1**.

**Unavailability of Care Home Beds (+£2.554m, an increase of +£0.484m since previous reported position)**

4.2. The unavailability of beds in care homes within Islington and the cost of providing bed spaces out of borough has resulted in a cost pressure of +£2.554m, the increase in cost is due to the time required to reoccupy the care homes.

4.3. Further information was provided in the Exempt Appendix accompanying the Quarter 1 budget monitor, submitted to the 7th September Executive meeting.

**Memory Cognition and Physical Support - Increase in placement cost above demographic growth allocation (+£1.978m, an increase of +£1.470m since the previous reported position)**

4.4. Adult Social Services continues to be impacted by wider demographic pressures, including increased demand for services, the need for acute care and increases in acuity of need of existing service users.

4.5. Since Q1 there has been a significant increase in the costs of existing service users due increased needs - this relates to 285 service users equating to an £2.1m increase. Some of this increase has been offset by decreases in service user costs resulting in a net increase in costs of £1.470m.

4.6. Management actions to mitigate the pressures include:

- Using the Integrated Quality Assurance Meeting (IQAM) to focus on promoting independence and maximising enablement.
- Operational Social Work Management are working with the Finance team and Data Intelligence to capture further information on the pressures to be able to focus targeted work on areas of growth earlier.

**Figure 1 - Quarterly Snapshot of people accessing Homecare over the past three financial years.**

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

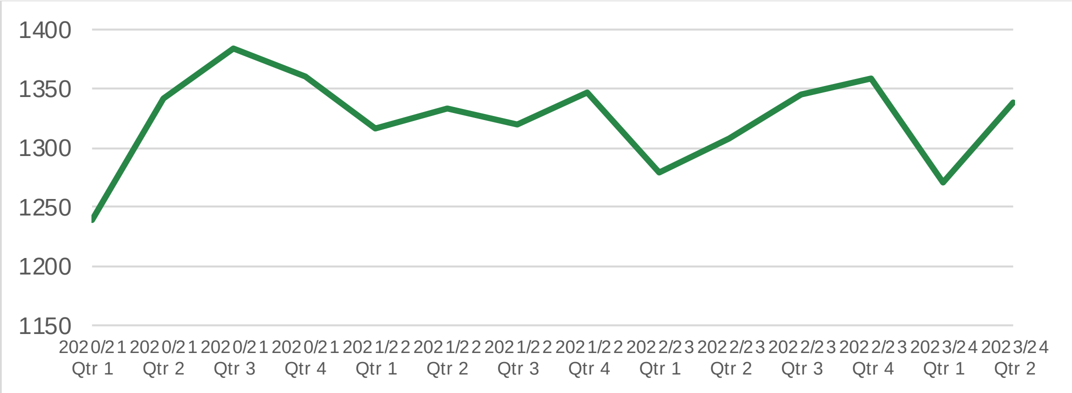
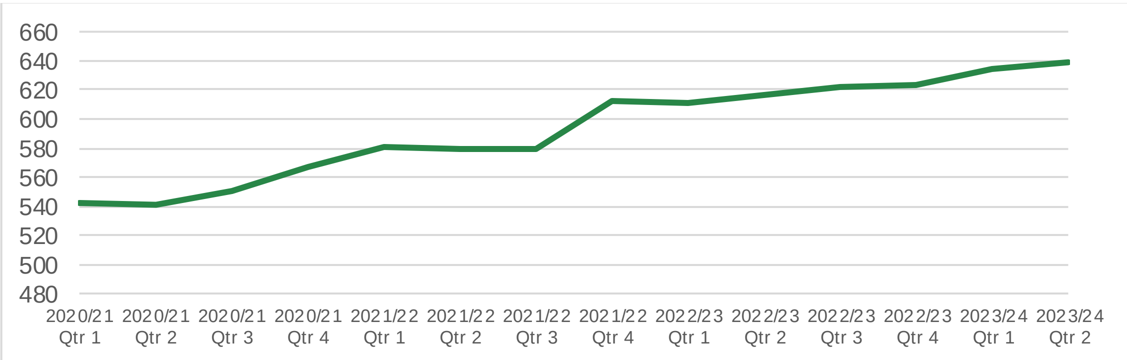



**Figure 2 - Monthly Snapshot of people accessing Residential and Nursing beds over the past three financial years.**




4.8. This graph shows that since the pandemic, demand for residential and nursing beds has been steadily increasing.

**Learning Disability - Increase in placement cost above demographic growth allocation (+£1.428m, an increase of +£0.361m since previous reported position).**

4.9. This pressure is due to the: Full year impact of service users who had been previously funded by Children's services and now have reached 18 years old and are now funded by Adult Social Care (+£0.610m). Also, there is an increase in the acuity of needs of existing service users (+£0.818m).

**Slippage in the delivery of savings (+£2.066m, an increase of +£0.522m since previous reported position).**

4.10. Delays in savings delivery in Learning Disabilities (+£0.602m). The reasons for this slippage are Continuing Health Care (CHC) agreements are taking longer than anticipated to finalise and staffing issues within the services which have delayed reviews savings being realised. These issues are being resolved and the aim is to deliver part year impact of these savings in 2023/24.

4.11. Delays in savings delivery in Memory Cognition and Physical Support +£1.464m:

- Impact of the reablement service on the demand for ongoing care services, has led to a pressure of +£0.138m.

- The introduction of Take Home and Settle service, to reduce the need for ongoing services, required the recruitment of specialist staff, which was delayed resulting in a pressure of +£0.279m
- Review of placements savings have slipped by +£1.046m, as more people have required additional care and support.

**Mental Health placement underspends (-£0.115m, an increase of (-£0.115m) since previously reported position)**

4.12. Currently the mental health placement budget is forecasting a small underspend of -£0.115m.

**Additional Grant Income**

4.13. It is recommended, for the Executive, to approve a one-off budget virement which creates an income budget and a corresponding expenditure budget due to the announcements of the Market Sustainability and Improvement Fund (MSIF) Workforce fund from the Department of Health and Social Care. The amount of income received in 2023/24 was £1.956m.

4.14. The MSIF fund aims to ease winter pressures by providing funding support for increasing uplifts to Adult Social Care providers, staffing demands and reducing waiting times, whilst also aiming to work in contingent with the NHS winter plans.

4.15. The service will use the MSIF fund to offset appropriate projected expenditure above budget and any additional spends to support the grant conditions.

4.16. Use of Grant Income and one-off funds to offset projected expenditure (-£3.000m, an increase of (-£3.000m) since previous reported position).

4.17. The service will use the MSIF fund and one-off discharge funding from the North Central Integrated Care Board (NCL ICB) to offset appropriate projected expenditure above budget.

4.18. Management actions include:

- Director level weekly reporting to track pressures, issues and risks.
- Increased communications to the teams highlighting the benefits of the Reablement, Assistive Technology and the Take Home and Settle Service,
- Production of a weekly dashboard of reablement usage to inform service improvement options.
- Further CHC training to support staff in the CHC process.
- A weekly steering group instigated to support the delivery of Reviews, Reablement and Take Home and Settle savings.
- A programme group has been set up across Adults and Children's Services to better understand and manage the progression to adulthood.

4.19. The position assumes the remaining savings are achieved going forward.

**Risks and Opportunities for Adult Social Care finances:**

4.20. Inflationary Pressures – Adult Social Care face a significant risk from Inflationary pressures exceeding the departmental market inflation allocation resulting an on-going pressure in Adult Social Care budgets. Uplift requests are being managed within the established Adults uplift process however inflation is still running at 6.7% (as of September 2023) increasing the pressure from providers. To mitigate this pressure, the Brokerage Teams and the Care Cost Negotiator are working with Providers to ensure their rates are appropriate and affordable for the Council and benchmark favourably with other London Boroughs.

**Chief Executive's Directorate £0.000m break-even position**

4.21. The Chief Executives Directorate's forecast is a balanced budget position.

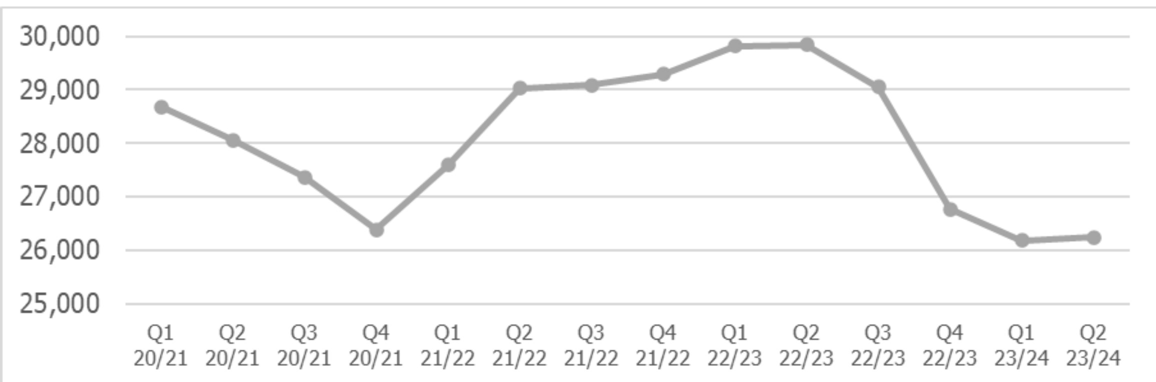
**Children and Young People +£2.480m, Schools +£0.077m**

4.22. The forecast for Children and Young People is a net overspend of +£2.480m (an increase of £0.141m since Q1), which is detailed by key variances in **Appendix 1**.

4.23. Variances to note include:

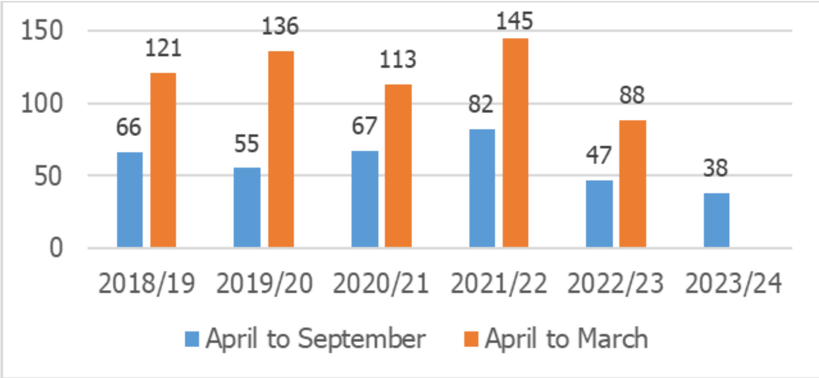
- -£0.201m underspend against the children's social care placements budget (a reduction of £0.454m) after the application of demographic growth of £1.050m. The outlook for this budget has continued to improve during Q2. The forecast takes into account that the service is on track to deliver £2.503m of demand management actions against the placement budget in 2023/24. However, this is a volatile demand led budget and significant risks remain, in particular in relation to market pressures, which have been largely contained in 2023/24 but are expected to increase in 2024/25.
- Bed night activity has levelled off in Q2 following reductions over the last three quarters and was 12% lower in the first half of this year compared to the first half of last year. Similarly, the numbers of children becoming looked after is 19% lower over the same time period compared to last year.

**Figure 3 - Quarterly bed night activity data (non-UASC)**



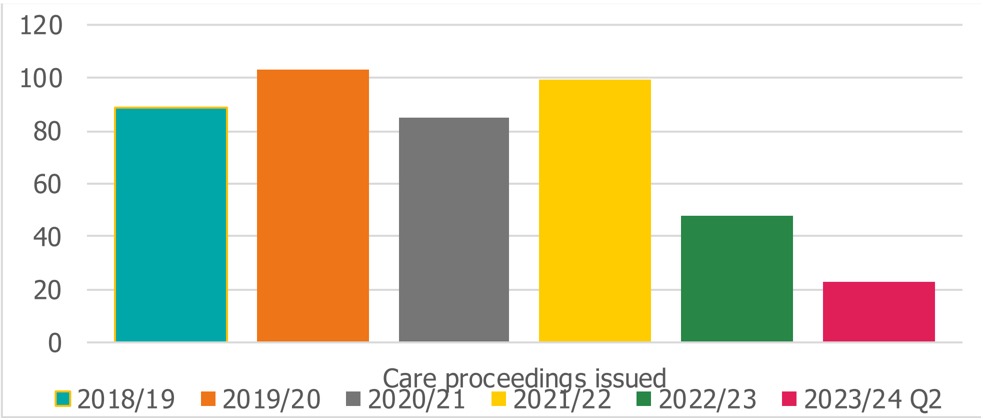

- Care proceedings activity data is shown below, indicating that the large reduction in care proceedings seen during 2022/23 has been sustained during Q1.

**Figure 4 – Numbers of children becoming looked after (non-UASC)**



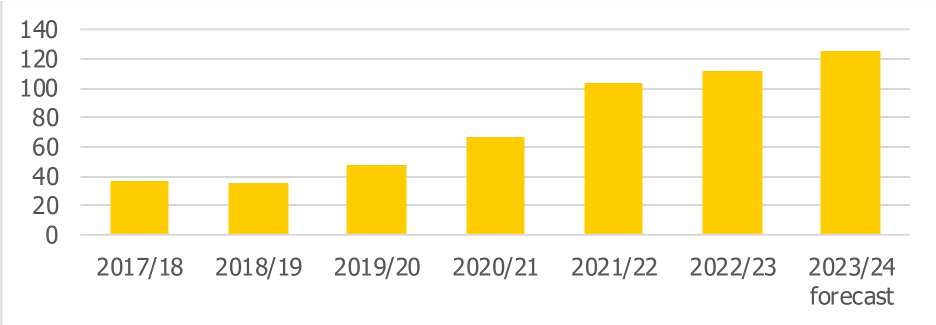

- Care proceedings activity data is shown below, indicating that the large reduction in care proceedings seen during 2022/23 has been sustained during Q2. In addition, Counsel spend is significantly lower than in previous years.

**Figure 5 - Numbers of care proceedings issued**




- +£0.973m forecast overspend against the budget for SEND transport (an increase of £0.365m from Q1). Activity on buses and taxis remains static, but there is a significant growth in the number of Personal Travel Budgets (PTBs). This costs less, but the overall growth in numbers is leading to a cost pressure. The cost of using PTBs is around a third of the cost of using taxis / busses, therefore the pressure would be significantly higher if the growth was on buses or taxis instead. Numbers of PTBs grew by 203% between 2018/19 and 2022/23 and are forecast to grow by another 9% this year. Inflationary pressures under the new taxi framework contract that commences from September is a significant contributor to the overspend, with unit costs increasing by an average of 30%.

**Figure 6 - Demand for personal travel budgets**




- +£0.293m forecast demand cost pressure in relation to short breaks and personal budgets (a reduction of £0.148m from Q1).
- +£0.250m forecast temporary accommodation pressure in the leaving care service whilst we await care leavers to be allocated permanent accommodation.
- +£0.223m structural shortfall in the budget for school support service and a shortfall in traded income (an increase of £0.147m since Q1).
- +£0.227m cost pressure from bringing Platform back in house (an increase of £0.035m from Q1).

4.24. The forecast overspend for Children and Families takes into account the delivery of savings. All savings are on track for delivery.

4.25. Risks to note include:

- Significant market pressures are being experienced in relation to children's social care placements. Each additional 1% increase costs above those already factored into the forecast will add an average £0.110m of costs to the placements pressure.
- There is a significant backlog at the Home Office in agreeing UASC cases which increases the risk that anticipated income may not materialise in full.

**Dedicated Schools Grant**

4.26. The forecast for the Dedicated Schools Grant (DSG) is an in-year overspend of +£0.077m, (a reduction of -£0.207m from Q1).

4.27. Variances to note include:

- +£0.512m forecast overspend against the school's block. This represents drawdown of the school's block balance from previous years to meet potential technical funding adjustments in relation to business rates for schools and distribution of the remaining balance of funding to schools.
- -£0.443m underspend against the high needs block. This underspend is the in-year high needs contingency that is being held to help meet future demand pressures. Demand for education health and care plans is increasing by between 8% and 12% per annum, but funding from the DfE is only set to increase by between 2% and 3%.
- -£0.207m underspend against the budget for centrally commissioned SEND provision in independent, out of borough, and post-16 provision (a new variance since Q1).

4.28. DSG balances are forecast to decrease by £0.077m during 2023/24 to £5.083m (an improvement of £0.207m from Q1). This is shown in the table below. These balances are earmarked in future years to manage increasing pressures on the high needs block and early years block, and to meet cost pressures within schools. The outlook for high needs is particularly concerning, with the balance forecast to reduce to £1.5m in 2024/25, before going into deficit in 2025/26. The forecast for 2025/26 is a £2.5m deficit balance that increases to £9m in 2026/27.

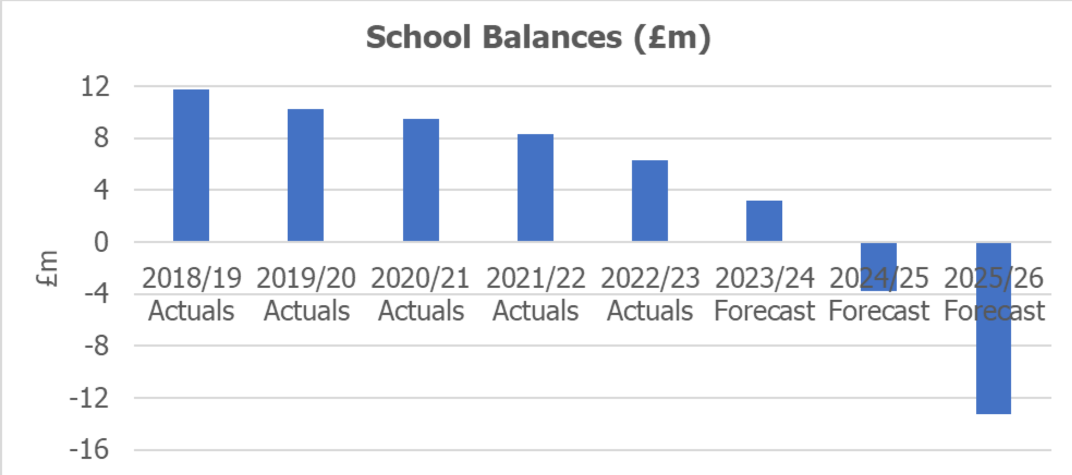
**Table 2 - Forecast DSG Balances**

| | Schools Block | De-delegated budgets | Central Schools Services | High Needs Block | Early Years Block | Total |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| **Opening balance** | **0.512** | **0.156** | **0.264** | **3.284** | **0.867** | **5.083** |
| In-year DSG variance | (0.512) | (0.156) | (0.059) | 0.650 | 0.000 | (0.077) |
| **Forecast closing balance** | **0.000** | **0.000** | **0.205** | **3.934** | **0.867** | **5.006** |

4.29. Schools budgeted to reduce their balances during 2023/24 by £4.811m to £1.480m. Q2 budget returns from schools forecast an improvement in the position, with balances forecast to be £3.230m at the end of the year (an improvement of £1.750m from budget setting and £1.456m from Q1). The number of schools forecast to be in deficit at the end of the year is 14 (27% of maintained schools) a reduction of 1 from the start of the year, with 3 schools entering into deficit and 4 emerging from deficit. A further analysis of balances, when compared to the Education and Skills Funding Agency (ESFA) suggested guidance of balances held by schools; 8% for nursery, primary and special schools and 5% for secondary schools, shows that just 12 schools will be above the suggested limits at the end of 2023/24, a reduction from 17 at the start of the year. Despite the improvement in the net position at Q2, the gross deficit for all schools forecast to be in deficit at the end of the financial year is largely unchanged from budget setting.

4.30. Individual school balances in Islington have been in decline since 2018/19 when they stood at £11.732m. Balances reduced steadily since then and are budgeted by schools to sharply decline during 2023/24. Balances are forecast by schools to reduce further over the next two years to an overall deficit balance of £5m in 2024/25 and £15m in 2025/26. The improvement in the position at Q2 improves the outlook for 2024/25 and 2025/26 to an overall deficit balance of £3.8m and £13.3m respectively. The decline in school balances is a national issue as schools face increasing cost pressures and reducing numbers on roll.

**Figure 7 – Schools Balances Forecast (£m)**




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

- Reducing pupil numbers. 90% of school funding is pupil led – each reduction in pupils equates to an average loss of funding per pupil of £5,706 in primary and £8,479 in secondary schools. Actual losses per pupil for individual schools will depend on the pupil characteristics at that school.
- Increased numbers of elective home educated pupils – there are currently 356 elective home educated pupils, at a cost of £2.2m in lost funding for our schools. This is an increase of 197 from before the pandemic, and 270 since 2016/17. If the 197 additional pupils returned to Islington schools, the additional funding would be equivalent to £1.2m.
- Increasing numbers of pupils with SEND. Education health and care plans increased by 8% in Islington in 2022/23 and are forecast to increase by 12% in 2023/24.
- Below inflation per-pupil increases in funding under the national funding formula. This is significantly less than the increases in energy costs and likely staff pay awards in schools, as well as other cost pressures.

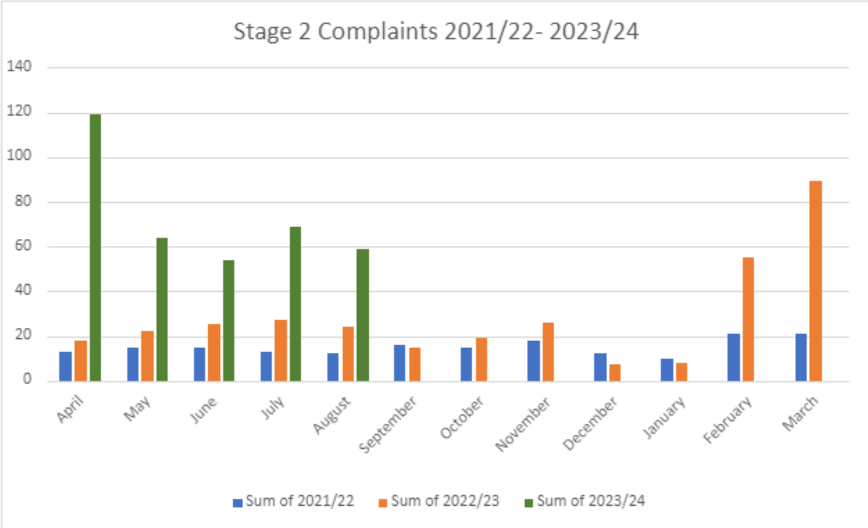
**Community Engagement and Wellbeing +£0.741m overspend, +0.169m since previous reported position**

4.32. The Community Engagement and Wellbeing Directorate is forecasted to overspend by +0.741m, which is detailed by key variances in **Appendix 1**.

4.33. Key variances within the department are as follows:

- (+£0.300m, new variance) unachieved saving due to the proposed alignment of Resident Experience and Libraries management structures not being achieved.
- (+£0.278m, +0.057m since previous reported position) cost pressure due to overtime and agency staff to deal with Chief Executive complaints effectively and efficiently, to combat Ombudsman action and ultimately avoid fines. The overspend relates to the staffing resource necessary to clear the backlog of complaints, and compensation payments to complainants were necessary. Cost pressure has increased since Q1 due to temporary staff contract extensions because of the backlog.

**Figure 8 – Number of complaints cases dealt with by the Chief Executive Team (Stage 2)**




- (+£0.163m, -£0.188m since previous reported position) cost pressures including staffing overspends and one-off costs across Community Engagement and Wellbeing, which is detailed further in **Appendix 1**. The position has reduced since the previous reported position due to staffing efficiencies from recruitment delays.

**Community Wealth Building +£1.255m overspend**

4.34. The revenue position for Community Wealth Building Directorate is an overspend of +£1.255m, assuming a drawdown from the Street Trading Reserve of £0.096m due to shortfall in income. Key variances are detailed in **Appendix 1**.

4.35. Corporate Landlord Division: +£1.182m

- Shortfall in Commercial Property Income of +£0.500m - The projected value of committed leases for the current fiscal year is estimated to be approximately -£3.800m, which falls short of the budgeted amount of -£4.300m. Efforts are currently underway within the organisation to address and rectify this historical deficit in the budget and this position has improved on the Q1 reported position of £0.638m.
- The Future Work project's budgeted savings will be delayed due to adjustments in project timelines. Initial estimates were based on a draft Business Plan from December 2022, finalised in April 2023. Following an options appraisal, the programme was baselined in August 2023. Due to delays in furniture orders, NBW will now close in December 2023, resulting in only £0.154m in savings being realised this year. The remaining £0.682m in savings will be deferred to next year.
- The movement from Q1 position is due to slippage of savings of +£0.682m as explained above, offset by favourable movement of -£0.138m due to additional commercial property income because of agreeing new rents.

4.36. Inclusive Economy and Jobs: +£0.073m

- The Inclusive Economy Division faces a staffing cost pressure of £0.073m. An underlying pressure of £0.310m exists due to a lack of core funding. The service largely depends on external sources like grants and S106/CIL contributions. Negotiations are underway to secure additional CIL funding to alleviate this pressure.

- There is a shortfall in the Street Trading expected income of £0.096m. The team are currently working to mitigate this risk. This is a ring-fenced account and any surplus or deficit will be transferred to this reserve and will not impact the GF.

4.37. Risks and Opportunities for Community Wealth Building finances:

- Staffing cost pressure in Inclusive Economy and Jobs Division - There is a potential risk of overspending in staffing costs, resulting in a shortfall of +£0.227m. This risk stems from the current situation of insufficient external funds. To address this risk, management is actively pursuing further external funding opportunities and conducting a comprehensive review of recruitment policies. These measures are being taken to minimise the potential overspend and ensure effective financial management.
- Planning and Development Income - There is a potential risk of not achieving the expected planning and development income, primarily due to a slowdown in the construction industry. The impact of this risk is currently under evaluation, and the service is actively monitoring the situation and will provide further updates regarding the potential implications.
- Corporate Landlord Service is currently undergoing a restructure which aims to deliver historic savings of £0.323m. If this is delayed, it is likely that this pressure will materialise in Q3.
- The Corporate Landlord service is currently awaiting the results of stock condition surveys, which could lead to increased costs in the repair and maintenance budget, thereby creating a financial pressure. The precise financial impact is unknown at this point and is contingent upon the outcomes of these surveys which is expected in January 2024.
- In the Community Financial Resilience Division, there is a risk of overspending on the Resident Support Scheme budget due to inflationary cost pressures, estimated at around £0.330m. To mitigate this, the team is actively seeking additional recharge income from Housing and Children's services.

**Environment and Climate Change +£9.084m overspend, +£4.864m increase since previous reported position**

4.38. The Environment & Climate Change directorate is reporting a +£9.084m overspend position (an increase of £4.864m since Q1), which is detailed by key variances in **Appendix 1**.

4.39. Business Performance Improvement -£0.012m underspend – there is a small underspend of -£0.012m across miscellaneous budgets.

4.40. Directorate -£0.151m underspend – there is a forecast underspend of -£0.151m due to vacant posts within the Senior Management Team of the Environment & Climate Change department due to the interim corporate reporting arrangements.

4.41. Climate Change & Transport – break even position - The Climate Change & Transport division is reporting a balanced budget position. There is a risk around income received from the advertising contract of c.£0.200m, but the service is looking to manage this risk with overperformance on other income lines within Highways and Streetworks.

4.42. Civic Services +£0.115m overspend – there is a forecast overspend position of +£0.115m within the divisions mainly due to additional staff overtime / sessional fees within Registrars, additional storage costs within the mortuary service.

4.43. Environmental and Commercial Operations +£9.131m overspend – there is a forecast +£9.131m overspend position within the division with the variances per service detailed below. This is a movement of almost £5m from the reported position of £4.2m overspent at Quarter 1. These changes are detailed below.

4.44. Fleet – there is a forecast underspend position of -£0.146m due to additional recharges for workshop services.

4.45. Greenspace & Leisure – there is a projected underspend of -£0.081m with higher levels of CPI on rental received on the leisure contract and higher levels of parks event income offset by pressures delivering the vacancy factor within grounds maintenance. The tree service cost pressure has been removed following allocation from reserves agreed as part of the Quarter 1 reporting.

4.46. Parking account – The parking account is projecting a +£9.094m shortfall mainly as a result of shortfall across a number of income lines.

- Permits & Vouchers – there is a shortfall on permit income of +£5.569m with lower levels of additional income from the permit prices changes implemented in January 2023 than was budgeted for. There has also been a decrease in the number and value of permits sold as residents make cleaner and more sustainable travel choices. The rate of change has been quicker than modelled and consequently our forecast income from permits and vouchers has decreased from the reported shortfall of £3.3m at Quarter 1.
- Paid for Parking – there is a shortfall in paid for parking income of +£1.828m. Whilst income has increased because of changes implemented in January 2023, transaction levels remain at around 70% of the pre-Covid levels. This shortfall has increased from the reported £1.4m position at Quarter 1 with lower level of transactions indicating an increased move to more sustainable travel options.
- Road Closure income – there is a shortfall in income of around +£0.479m mainly as a result of a refund of income that was accounted for during the previous financial year that was not accrued for.
- Penalty Charge Notice (PCN) - there is a forecast overperformance of -£0.426m due to higher levels of PCN issues forecast. Higher levels of PCN tickets issued have been offset by more irrecoverable PCNs due to higher levels of PCNs issued to unregistered vehicles.
- Suspension income – there is a forecast overperformance of -£0.310m. This assumes income of around £1.000m being received as part of the roll-out of high-speed internet connections. This was originally forecast to be much higher which would have offset other pressures, but the level of works is much lower. The service is meeting with other providers to encourage a quicker roll-out of this programme across the Borough.

There is a risk that works may not commence as expected during this financial year which would reduce this forecast.

- Expenditure - based upon last year levels of spend it is forecast that there will be an overspend of around +£1.954m across pay and non-pay lines. This includes +£0.550m contribution to fund the negotiation pay increase for front-line staff. The remainder of the variance relates to higher staff costs, general IT spend and financial charges.

4.47. Street Operational Services – the is projected overspend of +£0.265m mainly relating to base income pressures from sale/rent of containers and additional IT spend. These pressures are being offset from income received as part of the pilot contract arrangement for litter enforcement.

**Homes and Neighbourhood £0.083m overspend, £0.329m increase since previous reported position**

4.48. The Homes and Neighbourhood directorate (Housing Needs and Community Safety, Security, and Resilience (CSSR)) is reporting a £0.083m overspend position.

4.49. Within the overspend position there are a number of variances to note:

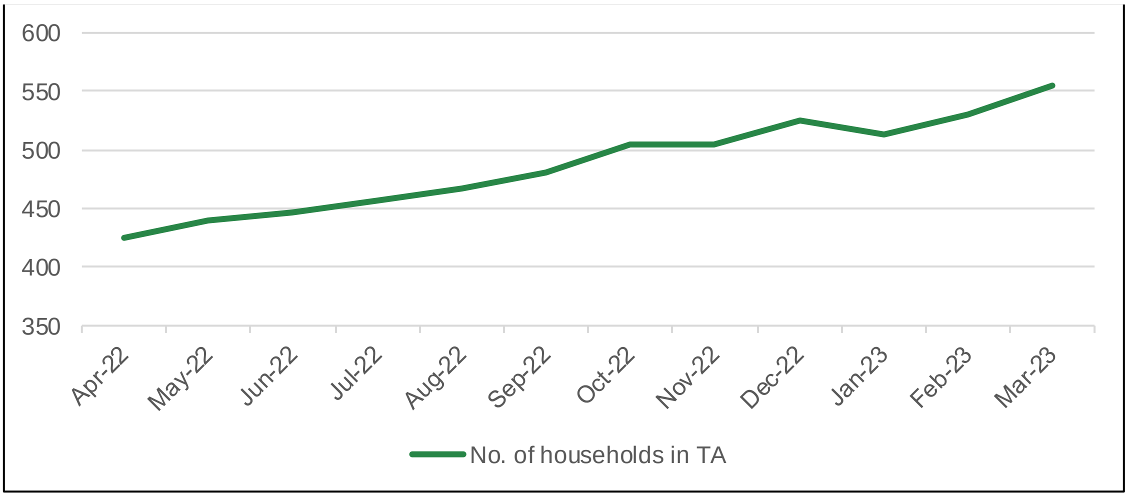
- Housing Needs: currently showing an overall underspend of -£0.257m. Nightly Booked Temporary Accommodation (TA) is the primary driver of costs in this area, reporting an underspend of -£0.265m. Numbers in TA have continued to rise due to the large and increasing number of people presenting as homeless. There is also a rise in costs as private sector rents are increasing and the department is forced to use of expensive hotel costs as the number of private sector landlords continues to diminish. The underspend is consequence of the provision of grant money to meet TA costs.
- Community Safety, Security, and Resilience: currently showing an overall overspend of £0.340m. Income from fixed penalty notices (FPNs) for littering, fly tipping, and commercial waste is below current targets, creating a forecast shortfall of £0.296m. Income targets have been revised up in recent years, yet the team are struggling with staff shortages, legal changes and competing littering compliance activities in other services. In any situation where fines increase, improved compliance can mitigate further fines creating diminishing returns. Staff pressures exist in the Compliance function of CSSR. Pan-London salary regrading in previous years and unfunded posts have contributed to £0.173m worth of financial pressures in this FY23/24.
- This is offset by smaller variances detailed in **Appendix 1**.

4.50. There are a number of risks and opportunities to report for 2023/24. TA cases nationally are rising and expected to rise to rise over the next 3 years by 20% per year by Heriot-Watt University and 21% by Islington’s own forecasts. The local and national picture are increasingly difficult for the homeless:

- Nationally the cost-of-living crisis is beginning to impact on residents, private sector rents are rising in Inner London by 18.5pc (based on inner-London rental values March 2022 to March 2023).

- The number of private rented sector properties available for use as TA in London to rent has fallen in London by 42% (April 2022 to April 2023).

**Figure 9 – April 2021 to September 2023 – Number of Households in Temporary Accommodation**




- Islington is participating in a number of refugee schemes. This could potentially lead to insufficient resources to meet new resettlement demands. New freedoms for settled refugees to move and settle around the UK may see higher numbers move to Islington, placing further responsibilities on the TA teams.
- A number of different capital grants are coming into the HRA/HGF that will lead to an increase in Islington's acquisitions programme and the new Stacey Street project releasing up to 100 new properties in FY23/24 and 310 new properties in FY24/25. These properties will be cost neutral to the Housing GF budget and will help lower TA costs in the long term.
- The Housing Needs Service and CSSR teams are currently undertaking restructures. It is not clear at this point what the impact will be in future financial years, but for both areas will need to balance to balance staff numbers with income maximisation and savings realisation. CSSR are reviewing their post numbers to see if any 'invest to save' opportunities exist in the short term.
- The Homes and Neighbourhood service has become heavily dependent on grant funding to meet costs that it would otherwise likely need to absorb. The department has a commitment £1.636m of grant funding for costs including prevention, relief, and assisting tenants with rent arrears. If these grants were withdrawn or reduced then the position would become +£1.719m overspent.

4.51. Savings – The HGF has a significant amount of savings £0.474m to be delivered in 2023/24. Sustained rises in TA case numbers are increasing the risk that the primary £0.374m Housing Needs savings will not be delivered. Finance will monitor this position closely.

4.52. It is difficult to draw long-term conclusions for 2023/24 and beyond for the department. TA case rises, service restructure costs, FPN income shortfalls, and the increasing cost of rent deposits will all add to the financial challenges in 23/24. Housing Needs and CSSR are both reliant on grants, if they are withdrawn or reduced the Council may be left with unfunded financial pressures that cannot be reduced easily.

**Public Health £0.000m break-even position**

4.53. Public Health is funded by a ring-fenced grant of £29.052m in 2023/24. The directorate is currently forecasting a break-even position.

4.54. There are number of variances that may impact on the department and have been included in the current forecast position for 2023/24:

- Central North West London (CNWL) NHS Trust has detailed a deficit in their funding for the delivery of sexual health and contraception service that requires a contribution from PH Islington to help support the budget deficit. Islington PH will be contributing (+£0.150m) this year. Islington PH is in active discussion to minimise the financial costs to the Council and reduce any contribution going forward.
- The department is funding a number of one-off projects (+£0.477m) in the Other Public Health division. This includes one-off commitment to fund staff costs (+£0.149m). This will be met from wider underspends in Public Health and would require a drawdown of (+£0.070m) from Public Health reserves.
- This is offset by smaller variances detailed in **Appendix 1**.

4.55. There are number of risks and opportunities in the area for 2023/24 and beyond.

- There is an increase in demand for online sexual health services that is not offset by a reduction in costs for in-clinic sexual health services. PH cannot realise cost efficiencies in clinics without undermining the clinical and financial position of the clinics. Planning for the recommissioning of these services for new contacts to commence in July 2025 is underway.
- There is an increase +£0.918m in Public Health grant allocation in 2023/24. This uplift has provisionally been allocated; however, if there are pressures arising from inflation, pay award pressures, or similar, as well as previously agreed contract uplifts, these will need to be managed and maintained within the grant.
- Central government has not committed to funding future Agenda for Change pay awards with PH NHS partners from 2024/25 onwards. It is possible that Islington PH will be required to meet the financial gap in the absence of any additional money.
- Savings – Public Health have a significant amount of recurring savings with £0.500m to be delivered in 2023/24. At this stage it is assumed that all savings will be delivered.

**Resources +£0.604m overspend, £0.123m increase since previous reported position**

4.56. The Resources directorate is currently forecasting an overspend of +£0.604m, which is a £0.123m increase since the previous reported position. The increase is due to the increased staffing pressures across the Business Support service.

4.57. +£0.428m is due to the delayed delivery of the £0.500m Back Office Efficiency saving. Plans are in place to implement the projects relating to this saving within the current financial year.

4.58. +£0.176m relates to staffing pressures across the Business Support service. A review of the service is underway with the expectation that a new structure will contribute to the Back Office Efficiency saving and eradicate any overspend by the next financial year.

**Corporate Items -£1.429m underspend, -£0.398m decrease since the previous reported position**

4.59. Corporate items are currently showing an underspend of -£1.429m, a -£0.398m decrease since the previous reported position.

4.60. This is predominantly due to reduced payments for the London Pension Fund Authority levy of -£0.646m and reduced contributions to Transport for London for the cost of concessionary fares of -£0.357m.

4.61. There is a small underspend within Other Corporate Items of -£0.398m. Variances largely relate to -£1.835m of unused corporate energy provision mainly offset by £1.423m pressures arising from the implementation of cross-cutting savings.

4.62. There is a council-wide risk in relation to the budgeted pay award for 2023/24. At the time of writing, the local government pay offer for the period 1 April 2023 to 31 March 2024 is a flat rate increase of £2,352 (for NJC pay points) for inner London councils. This offer has been rejected by both GMB and Unite unions and are set to move to ballots on industrial action. The Chief Officer pay award for the period 1 April 2023 to 31 March 2024 has been agreed at a 3.5% increase. There is currently a centrally held budget to allow for an average 6.5% pay award in 2023/24 however there is a risk that the pay award is higher than the centrally held budget. Any further pressure would adversely impact the council's overall in-year position, and the ongoing additional cost would need to be reflected in the 2024/25 base budget position going forward.

**Inter-directorate Virements and Structural Adjustments**

4.63. Inter-directorate virements and structural adjustments are detailed in **Appendix 2**.

4.64. The majority of the structural adjustments and virements posted relate to the updated senior leadership team structure. **Appendix 2** details the inter-directorate budget adjustments which have been made to reflect the new senior leadership team structure since budget setting.

4.65. Other virements posted in-year related to the delivery of agreed cross-cutting savings and to one-off growth for the estimated costs (£15,000) of the EPIC Awards event.

**Treasury Management**

4.66. The borrowing costs for the year were budgeted at £13m. This is forecast to increase by an additional £1m to £14m. This is split £10m HRA and £4m GF. The increase is due to an external borrowing requirement to fund the HRA capital programme leading to an expected £100m of borrowing during Q3 and Q4. Previously the capital programme was funded through internal borrowing, however cash has now reduced significantly.

4.67. Interest rates remain at multi decade highs leading to increased interest costs to the council for any new borrowing.

4.68. Interest income in 2023/24 will be approximately £1.8m. This is above the interest income budget of £1m and continues to be higher than 2022/23 & 2021/22 levels of income due to significant increases in interest rates.

4.69. The forecast net interest costs for the Council is expected to be approximately £12.2m.

**Collection Fund Update**

**Background**

4.70. Council tax and National Non-Domestic Rates (NNDR) income is a major source of the council's overall funding, together representing around a quarter of the council's gross GF income and collected via a ring-fenced Collection Fund. In 2023/24, the council will retain 76.07% of council tax income collected (the remaining 23.93% is the GLA share) and 30% of NNDR income collected (of the remaining 70%, 37% is the GLA share and 33% is the central government share).

4.71. The overall Collection Fund surplus/deficit in-year is affected by number of variables such as movements in the gross taxbase (e.g., the number of properties in the borough and for business rates, the impact on business rate appeals), offsetting deductions to bills (e.g., single person discount and council tax support for council tax and mandatory charitable relief for business rates) and the collection rate. Any forecast surplus or deficit on the Collection Fund will not impact the council's budget until the following financial year due to accounting regulations. The forecast surplus or deficit on the Collection Fund is made annually in January and factored into the budget setting estimates for the subsequent financial year.

**Council Tax**

4.72. The latest 2023/24 council tax forecast, which is subject to change between now and the end of the financial year, is a +£2.780m deficit (£2.115m Islington share; £0.665m GLA share) compared to assumptions at 2023/24 budget setting (as at January 2023). This comprises a +£1.346m in-year 2023/24 deficit and an additional +£1.434m deficit brought forward from 2022/23. The later relates to adverse movements in the 2022/23 council tax position between the January 2023 forecast and the actual 2022/23 outturn.

4.73. The forecast in-year deficit of +£1.346m is due to the following variances:

- Higher than budgeted, exemptions and single person discounts have contributed to extra costs of +£2.725m compared to budget. The costs of exemptions have increased substantially due to three years of backlog cases relating to student accommodation.
- However, the extra cost is offset by a projected -£1.379m improvement in the bad debt assumption compared to budget.

4.74. The budgetary impact of the council's share of the council tax deficit forecast is set out in **Table 3** and will be fully offset by a transfer from the Core Funding Reserve that has been earmarked for this purpose.

**Table 3 - Forecast 2023/24 Council Tax (Surplus)/Deficit**

| | LBI's Share £m | GLA's Share £m | Total £m |
|---|---|---|---|
| 1/3 of 2020/21 Exceptional COVID-19 Deficit (Final Year of 3-Year Spreading) | 0.478 | 0.130 | 0.608 |
| Remainder of Forecast (Surplus)/Deficit at 2023/24 Budget Setting (January 2023 Forecast of 2023/24 Position) | (3.811) | (1.147) | (4.958) |
| **Forecast 2023/24 Transfer (to)/from Core Funding Reserve** | **(3.333)** | **(1.017)** | **(4.350)** |
| Additional Prior Year (Surplus)/Deficit between 2023/24 Forecast (as at January 2023) and Actual 2022/23 Outturn Position | 1.091 | 0.343 | 1.434 |
| 2023/24 In-Year Forecast (Surplus)/Deficit | 1.024 | 0.322 | 1.346 |
| **Forecast 2024/25 Transfer (to)/from Core Funding Reserve** | **2.115** | **0.665** | **2.780** |

**NNDR**

4.75. The latest 2023/24 NNDR forecast, which is subject to change between now and the end of the financial year, is -£19.427m surplus (-£5.828m Islington share) compared to assumptions at 2023/24 budget setting. This comprises a -£6.819m in-year 2023/24 surplus and an additional £-12.608m surplus brought forward from 2022/23. The latter relates to favourable movements in the 2022/23 NNDR position (predominantly the business rates appeals estimates) between the January 2023 forecast and the actual 2022/23 outturn.

4.76. Partially offsetting this, there is a forecast adverse budget variance of +£2.162m in 2023/24 in relation to Section 31 grant compensation due to the council for the impact of government business rate reliefs.

4.77. The budgetary impact of the council's share of the forecast NNDR surplus and the Section 31 grant budget variance, is set out in **Table 4** and would be fully offset by a transfer from the Core Funding reserve that has been earmarked for this purpose.

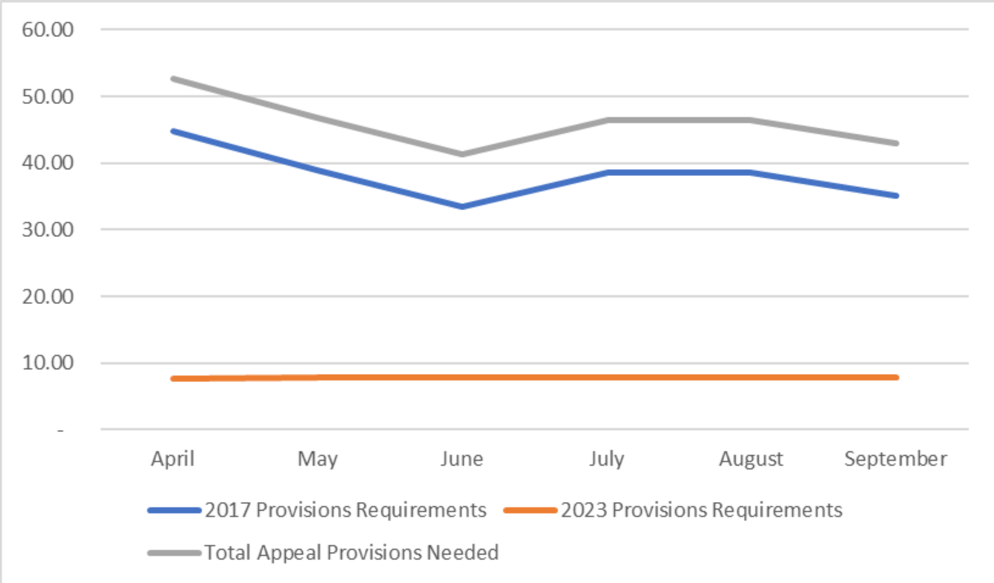
**Table 4 – 2023/24 Forecast NNDR Surplus/(Deficit)**

| | LBI's Share £m | GLA's Share £m | Govt Share £m | Total £m |
|---|---|---|---|---|
| 1/3 of 2020/21 Exceptional COVID-19 Deficit (Final Year of 3-Year Spreading) | 1.101 | 1.358 | 1.212 | 3.671 |
| Remainder of Forecast (Surplus)/Deficit at 2023/24 Budget Setting (January 2023 Forecast of 2023/24 Position) | (7.482) | (9.227) | (8.231) | (24.940) |
| Forecast 2023/24 Variance on Section 31 Grant Income | 2.162 | | | 2.162 |
| **Forecast 2023/24 Transfer (to)/from Core Funding Reserve** | **(4.219)** | **(7.869)** | **(7.019)** | **(19.107)** |

| | | | | |
|---|---|---|---|---|
| Additional Prior Year (Surplus)/Deficit between 2023/24 Forecast (as at January 2023) and Actual 2022/23 Outturn Position | (3.782) | (4.665) | (4.161) | (12.608) |
| 2023/24 In-Year Forecast (Surplus)/Deficit | (2.046) | (2.523) | (2.250) | (6.819) |
| **Forecast 2024/25 Transfer (to)/from Core Funding Reserve** | **(5.828)** | **(7.188)** | **(6.411)** | **(19.427)** |

4.78. The impact of business rate appeals on the NNDR forecast may fluctuate significantly between quarters due to significant uncertainty around the number and value of successful appeals. **Figure 10** below illustrates the fluctuation in appeals risks over the course of the financial year to date, split between the 2017 and 2023 valuation lists. This estimate is provided by the council's external ratings advisor, Analyse Local. The financial consequence to Islington of any appeals risk on the NNDR forecast would be limited to Islington's share of the overall impact, which is 30%, with the remainder split between the GLA and central government.

**Figure 10 – Monthly Fluctuations in Appeal Provision**




**Current Collection Rate**

4.79. The council has set an in-year target collection rate for council tax of 95.3%, against which 48.4% (£73.9m) has been collected. This is -0.73% (£1.1m) lower than the monthly in year target rate.

4.80. For business rates the council has set an in-year target collection rate of 96.7%, against which 56.5% (£155.3m) has been collected. This is +3.7% (£10.2m) higher than the monthly in-year target rate.

**Arrears Analysis**

4.81. The total council tax outstanding balance as at the end of Q2 is £112.9m (£85.9m Islington's share), of which £78.8m (£59.9m Islington's share) or 69.7% is the current outstanding balance. The remaining £34.2m relates to prior years.

4.82. Out of the overall £112.9m current outstanding council tax debts, £9.1m (8%) relates to accounts who are in receipt of council tax support. This represents 10,987 council tax accounts.

4.83. The total NNDR balance outstanding as at the end of Q2 is £134.7m (£40.4m Islington's share), of which £113.4m (£34.0m Islington's share) or 84.1% is the current year's outstanding balance. The remaining £21.3m relates to prior years.

4.84. The reduction in council tax current year arrears between Q1 and Q2 is £33.8m, and a £1.1m movement is for prior years arrears, making the overall reduction in arrears £34.9m or 23.6%.

4.85. For business rates, the overall reduction in arrears between Q2 and Q1, is 33.7% or equivalent to £68.5m, of which £65.2m is for the current year arrears and £3.3m is for prior years. The movement in both debts is summarised in **Table 5** below.

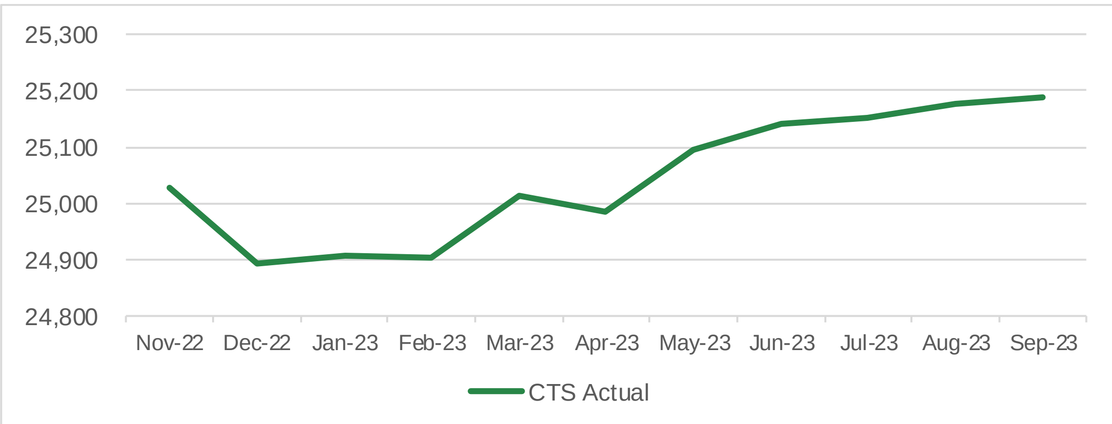
**Table 5 – Collection Fund Arrears Movements**

| | Business Rates | | | | Council Tax | | | |
|---|---|---|---|---|---|---|---|---|
| | **Jun-23** | **Sep-23** | **Change** | **Change** | **Jun-23** | **Sep-23** | **Change** | **Change** |
| | **£m** | **£m** | **£m** | **%** | **£m** | **£m** | **£m** | **%** |
| Current Year Arrears | 178.6 | 113.4 | (65.2) | **(36.5%)** | 112.6 | 78.8 | (33.8) | **(30.0%)** |
| Prior Years Arrears | 24.6 | 21.3 | (3.3) | **(13.4%)** | 35.3 | 34.2 | (1.1) | **(3.1%)** |
| **Total Outstanding Arrears** | **203.2** | **134.7** | **(68.5)** | **(33.7%)** | **147.9** | **113.0** | **(34.9)** | **(23.6%)** |

**Council Tax Support Caseload**

4.86. Council Tax Support (CTS) scheme caseloads stood at 25,188 (representing £33.9m in financial terms), of which 18,135 cases (£23.6m) related to working-age recipients and 7,053 cases (£10.3m) to pension-age recipients.

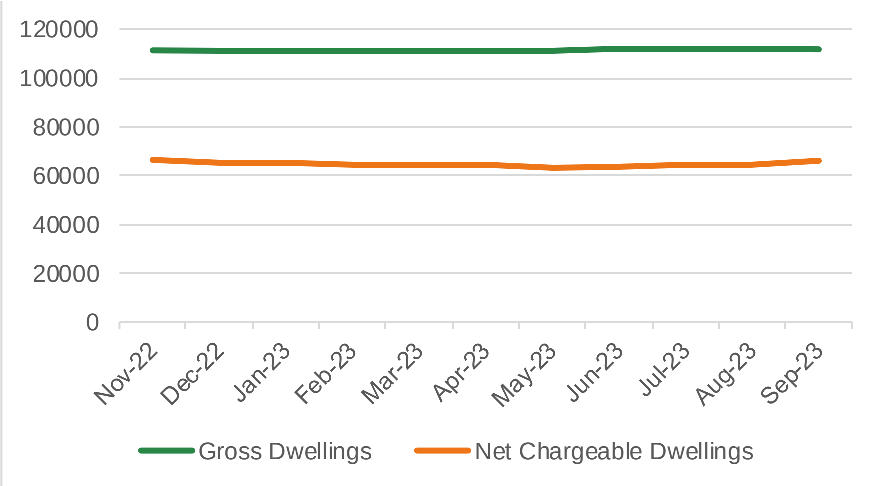
**Figure 11 – Total Council Tax Support Caseload Over Time**




**Tax Base Analysis**

4.87. As at end of September the total gross dwellings in the borough have increased by 440 properties, representing a 0.4% increase compared to November 2022. The net chargeable dwellings after taking into account exemptions and discounts also show similar growth. This does not include potential adjustments/reductions due to the CTS scheme. The chart below illustrates changes in gross and net chargeable dwellings.

**Figure 12-Changes in Chargeable Dwellings (band D equivalent)**




**Energy Price Analysis – Q2**

4.88. There has been a significant and sustained drop in market prices over recent months, and it is expected that this trend will continue in the longer term. **Table 6** shows the estimated annual costs of gas and electricity for the GF, Leisure Centres (GLL), HRA, Schools and Streetlighting.

**Table 6 - Electricity and Gas Estimates for 2023/24**

| | Gas (£m) | Electric (£m) | Total (£m) |
|---|---|---|---|
| HRA | 6.748 | 5.659 | **12.408** |
| GLL | 0.728 | 1.274 | **2.002** |
| Schools | 1.460 | 2.450 | **3.910** |
| Council | 1.260 | 2.666 | **3.926** |
| Streetlighting | - | 1.492 | **1.492** |
| **Total** | **10.196** | **13.541** | **23.737** |

4.89. Energy pressures totalling +£3.170m are reported in directorate forecasts and will be funded from the corporate energy provision which was created as part of the 2023/24 budget setting process.

# 5. Housing Revenue Account (HRA)

5.1. The forecast for the HRA is an in-year deficit of +£6.839m, a decrease of £0.043m since previous reported position.

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

5.3. A significant proportion of the forecast deficit relates to known emerging pressures arising after the 2023/24 budgets were set. The forecast deficit will be met from HRA reserves in 2023/24 and all ongoing pressures identified will be reflected in the forthcoming HRA business saw plan update in time for 2024/25 budget setting. Depending on the outcome when the business plan is updated, it may become necessary to put in place a savings plan to ensure a sustainable 30-year HRA Business plan is maintained.

5.4. Key variances to note:

- -£1.105m favourable variance from rent and service charge income, representing 0.54% of rent and tenant service charge income budgets.
- +£2.363m (an increase of +£0.347m since the last reported position) pressure arising following the high-profile case of 'Awaab's law'. The Regulators of Social Housing require councils to put in place systems to evidence damp and mould in our homes are being dealt with appropriately. In response, the council has established a damp, condensation and mould taskforce increasing its resource capacity to deal with and manage damp and mould cases more effectively. It is unclear what the financial impact of damp and mould will be in the medium to long term. However, it is currently anticipated that investment in this area will be necessary in the short term and was estimated to cost £1.710m and £1.020m in 2024-25 and 2025-26 respectively. That said, there is a risk that the estimated cost in future years may increase given the additional cost pressures experienced this year.
- +£0.274m pressure anticipated within Repairs and Maintenance, primarily due to rising costs and increased use of repairs sub-contractors.
- +£1.620m pressure anticipated to meet the new burdens from the Fire Safety Act 2021, Fire Safety (England) Regulation 2022 and the Building Safety Act 2022, the council will be establishing a Housing Safety and Compliance Team which is expected to be in place from the next financial year. An IT solution to enable the council to comply with the new stringent requirements has been commissioned at a one-off cost of £1.759m (£1.620m in 2023-24 and £0.139m in 2024-25).
- Housing disrepair claims have continued to remain at elevated levels and as a result is expected to create a cost pressure of +£3.687m in 2023-24. The department are receiving on average 35 cases per month and with the public spotlight currently on damp and mould, case numbers are unlikely to come down in the foreseeable future. To manage the increased caseloads experienced by the department, temporary additional resources have been deployed creating a budget pressure of £0.961m. The number of cases awarded against the council has increased significantly to 151 cases in the first six months of the year compared to 53 cases during the same period last year. Should this continue, damages and compensation payments are expected to reach £2.726m.
- An initial assessment of staff time spent on capital projects indicate the capitalisable salary costs are expected to come in lower than anticipated in the 2023/24 budget (+£0.693m). This will be offset in full by reducing the revenue contributions to capital expenditure thus a net nil impact on the HRA position.

5.5. HRA reserves are reported at **Section 7**.

5.6. Risks and opportunities within the department

- 2023/24 Pay Award - National Employers have tabled a flat rate national pay offer of £1,925 (£2,352 for Inner London Local Authorities) on all NJC pay points up to 43 and a 3.88% increase on all NJC pay points above (excluding chief officer grades) with effect from 1 April 2023. Although the pay offer has been rejected by Union members, a reasonable assumption is the current offer would represent the minimum level of increase which is estimated to cost £4.088m compared to £1.776m (3%)

allowed in the 2023-24 HRA budgets giving rise to a pay award cost pressure of at least £2.312m. It's possible the final pay award could be higher than the current offer. A further 1% increase would result in an additional cost pressure of approx. £0.600m. Any growth arising as a result would need to be met from HRA reserves and reflected in the 2024-25 base budget position.

- HRA tenants in Temporary Accommodation (TA) - The cost for placing HRA tenants into TA is borne by the HRA. The current data indicates a significantly increase in the use of hotels which is a costly option compared to private rented housing. The usage is primarily driven by repair cases, as such, no additional housing benefit can be claimed to meet the costs of TA. There is a risk that if usage continues at the same levels, cost for the year could reach £1.700m compared to a current budget provision of £0.950m.
- Energy cost - The council has secured its required electricity and gas supplies for 2023/24 in full and the budgets have been set to reflect this. Securing energy prices will provide some certainty on electricity and gas expenditure for the year provided consumption levels remain in line with expectation.

## 6. Capital Programme

6.1. As at the end of Q2, total capital expenditure of £48.300m has been incurred against a 2023/24 forecast of £196.532m, representing 25% of spend against forecast. This is summarised between the non-housing and housing capital programme in the table below and detailed in **Appendix 5**.

6.2. As part of the 2023/24 Budget Report, a central reprofiling adjustment was made to the budget to consider the macro impact of the delivery risks and broadly reflecting prior performance. As such, expenditure in Year 1 was assumed to slip by 35% in total. This adjustment was made to the bottom line of the capital programme and not a scheme-by-scheme basis.

**Table 7 – 2023/24 Capital Programme**

| Directorate | Original Budget £m | M12 2022/23 Slippage £m | In-year Budget Changes £m | Revised Budget (£m) | Actuals to Date (£m) | Forecast Outturn (£m) | Forecast Variance (£m) | Slippage Requested (£m) |
|---|---|---|---|---|---|---|---|---|
| **Total Non-Housing** | 59.370 | 6.473 | 0.688 | **66.531** | 13.255 | 46.080 | **(20.451)** | 21.106 |
| **Total Housing** | 150.551 | 7.704 | 46.950 | **205.205** | 35.045 | 150.452 | **(54.753)** | 39.172 |
| **Total Programme** | **209.921** | **14.177** | **47.638** | **271.736** | **48.300** | **196.532** | **(75.204)** | **60.278** |

6.3. The slippage requested to future years will be included in the 2024/25 Budget Report and detailed capital appendices.

**Community Wealth Building**

6.4. The CWB capital forecast is expenditure of £24.626m compared to the revised budget of £41.498m. £5.422m of capital expenditure had been incurred, representing 20.6% of the capital forecast.

6.5. Budget reprofiling to future years identified in Q1 and Q2 relates mainly to the following schemes:

- Finsbury Leisure Centre Redevelopment - -£4.885m updated in line with the most recent cash flow forecast from Perfect Circle. Planning submission will be in February 2024 when another viability assessment will take, place and an executive decision to sanction fee spend moving into stage 4.
- High Needs Provision Allocation – -£3.345m funds are being held for two significant projects at New River College and Samuel Rhodes School. £0.536m additional funding has been agreed from the High Needs Allocation towards the project at NRC Elthorne.
- New River College SEND/Elthorne - -£1.358m the procurement strategy is currently being developed and works are expected to begin in Autumn/Spring.
- Compliance & Modernisation - -£1.062m slippage reported against the budget of £4.062m allocated to Compliance & Modernisation. This is to align with the latest works schedule. Several significant projects, such as ventilation and electrical works in different council buildings, are currently in the tender stage. This budget is consistently utilised to address critical compliance-related tasks and is therefore never entirely allocated to specific projects.
- Toffee Park & Radnor St Gardens - -£1.200m the main works programme has been reset following a first consultation exercise. Works are due to begin in Q3 of 2024.
- Barnard Park Renewal - -£0.998m programme for the main works has been reset to align with the accelerated pitch works programme, required by the football foundation to comply with grant conditions.

6.6. Overspends and funding changes identified relate to the following schemes:

- Cornwallis Adventure Playground: -£0.070m overspend is forecast due to additional security and cameras required to secure the adventure playground during construction. There are also additional costs resulting from delays due to the arson attack and several brake-ins.
- Following the expansion of the adventure playground, an additional £400k may be required if the Council's loss adjuster is not willing to fund the full rebuild of the AP playground equipment following the arson attack. This is currently under discussion.
- Future Work Phase 2: £0.688m additional funding was awarded to Future Works by the Executive on 20 April 2023.
- The Zone Youth Club: £0.030m additional S106 funding was awarded to the Zone Youth Club Refurbishment project by the Borough Investment Panel meeting on 20 June 2023
- Isledon Road Gardens: £0.074m S106 funding updated to include the full remaining allocation.

**Environment and Climate Change**

6.7. The Environment capital forecast is expenditure of £21.454m compared to the budget of £24.344m. £7.833m of capital expenditure had been incurred to Q2, representing 36.5% of the capital forecast.

6.8. Budget reprofiling to future years identified relates mainly to the following schemes:

- Energy Schemes: -£2.050m various projects have experienced a delayed procurement process and/or have been delayed due to issues with Bunhill 2.
- Flats Above Shops Food Waste Service: -£0.500m currently on hold pending confirmation of DEFRA funding.
- People-friendly Streets borough-wide roll out Camera enforcement: -£0.505m the camera sites are still under investigation and the cameras need to be calibrated for each specific site.
- The remaining variance mainly relates to the Bunhill 2 scheme. There is an ongoing dispute with the main contractor, which has meant the council has held back the retention payments. The service is looking at options to finance from underspends within other energy budgets.

**Housing Capital Programme**

6.9. The Housing (HRA & GF) capital forecast totals £150.451m compared to the revised 2023/24 capital budget of £205.205m (which includes additional budget of £46.950m in respect of a property acquisition programme as agreed at Executive on 20 July and £7.704m of net slippage rolled forward from 2022/23 primarily in respect of the new build prog.). This leads to a total variance of -£54.754m. **The property acquisition programme agreed at Executive on 20 July 2023 requires Council approval in accordance with the Council's Financial Regulations, as the approval is for an addition to the capital programme in excess of £1m. The property acquisition programme will be considered at Council on 14 December 2023.**

6.10. £35.035m of capital expenditure had been incurred, representing 23% of the forecast capital expenditure. This is detailed at **Appendix 5**.

6.11. The major works & improvement programme forecast is £48.674m as compared to a revised budget of £65.511m resulting in a variance of -£16.837m. The primary reasons for this variance are:

- -£10.000m slippage in relation to a £10.000m budget included for compliancy work in relation to fire safety regulations in respect of tall blocks. This budget was included in 2023/24 and forms part of a larger £100m budget spanning future years, in anticipation of improvements required due to the changing regulations. Survey work has now been undertaken and the Housing Team believes that any work required can be managed within the ongoing Cyclical Improvement Programme, so will not now spend this year's allocation, and will reallocate future years funds within the programme.
- -£10.800m slippage on the ongoing major works programme, particularly on the Cyclical Improvement Programme. The forecast has changed from the previous report (-£1.900m) predominantly due to delays in achieving planning and works approvals

with some works being rephased into future financial years. The total forecast expenditure of £31.9m for the year is approximately in line with last year's equivalent outturn of £30.1m

- +£5.300m forecast overspend in respect of ad hoc boiler replacements and voids capitalisation of kitchen & bathroom replacements and high value repairs.
- A programme of large-scale individual boiler replacements has been replaced by a strategy of replacing boilers at the end of their lifecycle (+£2.3m). During 2022/23, the number of installations was 1,437 and in 2021/22 it was 1,189. So far in 2023/24 there have been 1,038 installations, with a total of 1,877 anticipated for the year.
- Last year also saw an increased pressure against the capitalisation budget in respect of voids kitchens and bathrooms & high value repairs, where it is deemed more economical to replace the kitchen and bathroom whilst the property is empty then the works are undertaken. A similar increase is anticipated this year. These overspends will be absorbed within the overall major works budget in 2023/24 however an increase in the budgets for the 2024/25 financial year is proposed within the current budget setting process, subject to affordability within the context of the 30-year Business Plan.

6.12. The New Build programme forecast is £51.252m as compared to a revised budget of £88.668m resulting in a variance of -£37.417m. The primary reasons for this variance are:

- -£18.200m underspend relating to a few schemes that were aborted at the end of 2022-23 to free up resources to invest in more financially viable schemes. In 2023-24 budget provision totalling £18.200m has been released for re-investment in new schemes where most costs will be incurred in future years.
- -£18.400m slippage relating to 3 schemes that are on site (Harvist, Elthorne & Parkview) that have encountered delays arising in respect of contractual issues, diversion issues and party wall issues and 1 scheme, Elmore & Lindsey delays in obtaining planning approval.
- +£8.000m forecast gross overspend in 2023/24 (overspend net of RTB 141 receipts £4.3m) primarily in respect of Beaumont Rise (£3.6m) and Andover (£4.6m) arising from anticipated changes in the scope of works required due to design changes and contractor loss and expense claims arising from delays caused by scheme re-design. Of this anticipated overspend most of the Beaumont Rise overspend relates to contractor loss and expense claims of which £1.5m has already been settled, in terms of Andover the total anticipated overspend spanning 2023/24 & 2024/25 is £5.8m of which around £3.7m relates to indicative contractor loss and expense claims & £3.1m to scope of works changes the majority of which are anticipated to arise in 2023/24.
- The whole project gross expenditure budget for these 2 schemes agreed during the 2023/24 budget setting process is £49.3m. The 2 schemes have a combined whole project forecast overspend of £8.5m for the reasons mentioned above. In addition, there are overspends forecast on the whole project budgets for some other schemes currently in progress, notably Elthorne Estate (£2.1m) and Park View Estate (£1.7m) also in relation to contractor loss & expense claims and scope of works changes. In addition, there are two schemes not yet on site where growth against the budget agreed for 2023/24 is forecast - 173 Highbury Quadrant (£1.4m) and Elmore &

Lindsey (£2.7m). As these schemes are not yet on site, these pressures are not linked to claims from contractors, but are associated with changes in the scope of works from that expected at 2023/24 budget setting. Overall, there is a programme-wide growth pressure of £16.5m, though £2.2m of this growth will attract additional OMS and RTB financing, so the net pressure on HRA resources is £14.3m

- Whilst this overspend can be accommodated within the overall new build programme 2023/24 budget it does give rise to a net pressure in relation to the 3-year new build current programme of £9.9m (after taking into account additional receipts), this pressure has been included in the latest updated HRA 30-year Business Plan which is currently under review.
- -£8.800m underspend on the pipeline programme for future schemes that may arise. A budget of £14.8m has been included for the development of new schemes. At this stage, there are currently 3 schemes (Vorley Road, Bemerton Estate South and Finsbury Leisure Centre) which are well developed, but other schemes are unlikely to progress too far this year.

**S106/CIL**

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

6.14. In Islington, 50% of the CIL (known as Strategic CIL) collected from developments is used as funding for the Council's Capital Programme.

6.15. For the remaining CIL (15% of which is known as Local CIL, and 35% is known as Strategic-Local CIL) Ward Councillors (in consultation with officers, constituents, ward partnerships etc) are asked to make recommendations to the Borough Investment Panel regarding its allocation.

6.16. Local CIL may be allocated to the provision, replacement, operation or maintenance of infrastructure and anything else that addresses the demand that developments place on an area. Strategic-Local CIL may be allocated for the provision, replacement, operation or maintenance of infrastructure.

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

6.18. **Table 8** sets out current budget position for S106 and CIL including current year income and spend forecast.

**Table 8 – S106 and CIL**

| Fund | Brought Forward from Prior Years (£m) | Received in 2023/24 (£m) | Total Balance (£m) | 2023/24 Forecast Expenditure (£m) | Forecast Carry Forward to 2024/25 (£m) |
|---|---|---|---|---|---|
| **S106** | 25.946 | 1.352 | **27.298** | (5.117) | **22.181** |
| **CIL** | 13.651 | 4.503 | **18.154** | (1.911) | **16.243** |
| **Total** | **39.597** | **5.855** | **45.452** | **(7.028)** | **38.424** |

6.19. The current combined S106 and CIL Balance is £45.45m. This consists of £33.85m that has been allocated to various projects and programmes and £11.6m that is unallocated.

6.20. Of the £33.85m allocated, £10m of CIL has been allocated to the Thriving Neighbourhoods programme.

6.21. Several S106/CIL funded capital projects are at planning stage with the majority of spend expected in future years. There is a forecast capital spend of £3.8m in the current financial year. There is also £8m of S106/CIL funding allocated to revenue programmes and projects including staff costs.

6.22. Ward councillors are asked to recommend how a proportion of CIL and older S106 contributions (secured before introduction of CIL) are allocated. There is currently £6.1m unallocated CIL and S106 'ward' funding. Of this, St. Peter's & Canalside (£0.9m) and Tufnell Park (£1.1m) and Arsenal (1.1m) have the largest amounts of unallocated funds.

# 7. Usable Reserves

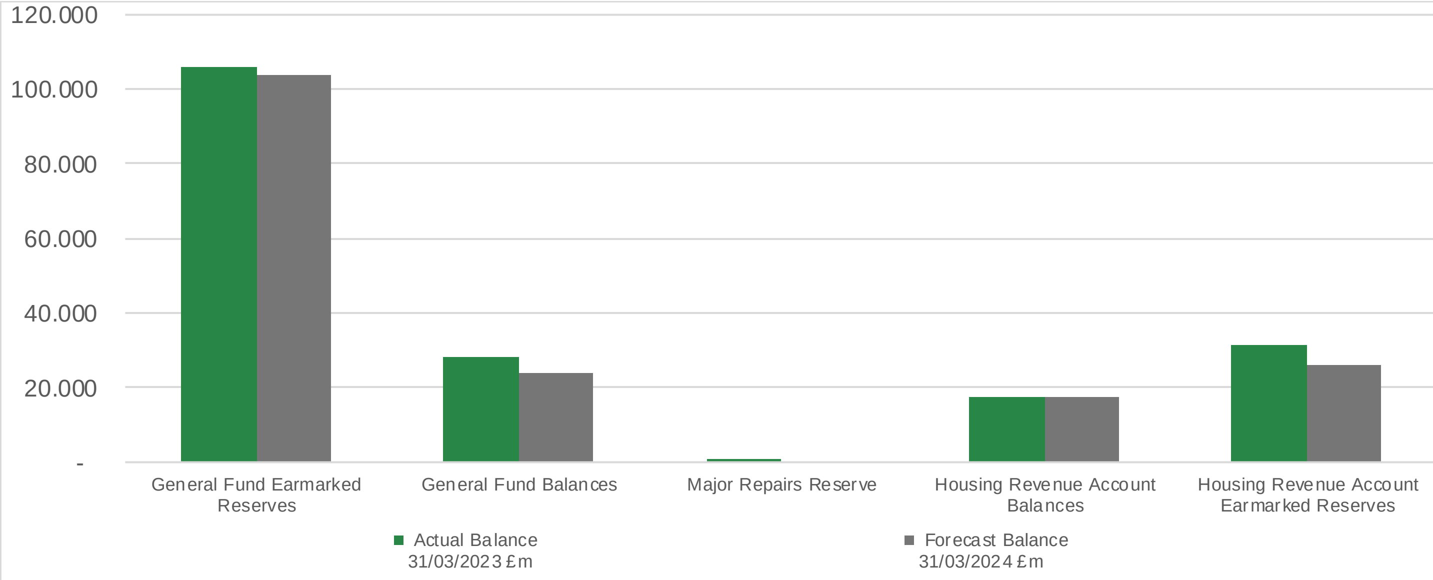
7.1. Maintaining sufficient reserves for future budgetary pressures and risks is a key component of a council's overall financial resilience. Declining levels of reserves can be one of the first signs of financial failure.

7.2. Types of Usable Reserves

- **Earmarked Reserves** – Balances held for specific purposes to meet known or predicted one-off expenditure pressures and risks. These can be General Fund or Housing Revenue Account related.
- **General Balances** - A contingency balance used to support the council's cash flow and for unforeseen and unbudgeted expenditure pressures. It also includes reserves held by local authority-maintained schools, over which the council has no control.
- **Major Repairs Reserve** - This is ring-fenced for maintenance of the housing stock and committed as part of the 30-year HRA business plan.
- **Capital Reserves** – Consisting of capital receipts from the sale of assets and capital grants and contributions that have not yet been spent (timing differences between receipt of funding and related expenditure). These can only be used to fund capital expenditure and are fully committed as part of the funding of the approved capital programme.

7.3. **Table 9** below shows the actual balance of reserves at 31/03/2023 and the forecast balance of reserves at 31/03/2024. The forecast balances include known transfers to and drawdowns which are detailed in **Appendix 3 (General Fund only)**. Forecasts for the Capital Receipts Reserve and Capital Grants Unapplied will be included at Q3.

**Table 9 – Forecast Balance of General Fund and HRA Reserves**




**HRA Reserves**

7.4. Whilst HRA reserves are, in the long term, designated to fund the major works capital programme, in the short term, the reserves are available to temporarily delay borrowing this reduce capital financing costs.

7.5. The 2023/24 budgeted revenue contributions towards capital expenditure (RCCO) were £15.215m and is now expected to reduce by £0.693m to £14.522m following an anticipated reduction in capitalisable salary expenditure. It is likely that the RCCO contribution of £14.522m will not be required in 2023/24 and will instead be swapped with borrowing in order to take advantage of the HRA 40 basis point reduction in the PWLB interest rates, that runs from June 23 to June 24. This does not represent an increase in overall borrowing as we delayed anticipated borrowing in 2022/23 for the reasons described.

7.6. The 2023/24 budget anticipated a transfer from revenue to HRA reserves of £1.220m, however, to fund the forecast deficit of £6.839m, it is now anticipated that transfer to revenue from HRA reserves of £5.619m will be required.

# 8. Implications

**Financial Implications**

8.1. These are included in the main body of the report.

**Legal Implications**

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

8.3. The Financial Regulations in relation to Capital Schemes and Overspends give the Chief Finance Officer authority to agree slippage of up to £1m and overspends as long as the total approved over-spends in any one financial year does not increase the overall budget for the Capital Programme by more than 0.1% and subject to the resources being available. If these limits are exceeded, the matter must be reported to the Executive who can vary the budgets up to £1m. Any excess over a £1m must be approved by full Council.

**Environmental Implications**

8.4. This report does not have any direct environmental implications.

**Equality Impact Assessment**

8.5. 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.

8.6. An equality impact assessment (EQIA) was carried out for the 2023/24 Budget Report agreed by Full Council. This report notes the financial performance to date but does not have direct policy implications, therefore a separate EQIA is not required for this report.

**Appendices:**

- **Appendix 1** – General Fund and HRA Revenue Monitoring by Variance
- **Appendix 2** – 2023/24 Revenue by Service Area
- **Appendix 3** – Usable Reserve Allocations
- **Appendix 4** – Savings Delivery Tracker
- **Appendix 5** – Capital Forecast 2023/24

Background papers: None

| **Signed by:** | | |
|---|---|---|
| | Corporate Director of Resources | Date |

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