

Report of: Executive Member for Finance, Planning and Performance
Meeting of: Executive
Date: 14 March 2024

Subject: Budget Monitoring 2023/24 Quarter 3

1. Synopsis

- 1.1. This report presents the provisional outturn position for the 2023/24 financial year Quarter 3 (Q3) which covers the four-month period to the end of January 2024 (month 10 of the financial year). 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 **+£0.393m** following the application of corporate provisions and contingencies.
- 1.2. The forecast for the HRA is an in-year surplus of +£1.074m, an improvement of £7.913m compared to Q2. This improvement is as a result of a decision to delay the use of revenue balances in favour of taking out borrowing and benefiting from the discounted rate available for housing projects. 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 Q3, total capital expenditure of £91.498m has been incurred against a revised 2023/24 forecast of £189.297m, representing 48% of spend against forecast.
- 1.4. Individual school balances in Islington have been in decline since 2018/19. Balances have reduced steadily since then and are budgeted by schools to decline sharply during 2023/24 to a total surplus of £3.430m. Balances were forecast earlier in 2023/24 to reduce further over the next two years to an overall deficit balance of £5m in 2024/25 and £15m in 2025/26. However, updated forecasts for Q3 from schools indicate an improvement to these figures (£3.570m in £2024/25 and £13.1m by the end of 2025/26).

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 4, Table 1, and Appendix 1 and 2)**
- 2.2. To note the forecast 2023/24 GF position. **(Section 4 and Table 1)**
- 2.3. To note, and where necessary agree, the virements of budgets between directorates. **(Paragraphs 4.55 to 4.58 and Appendix 2)**
- 2.4. To note the Collection Fund forecast for council tax and National Non-Domestic Rates. **(Paragraphs 4.59 to 4.76)**
- 2.5. To note progress on delivering the 2023/24 agreed budget savings. **(Appendix 3)**
- 2.6. To note the HRA forecast. **(Section 5 and Appendix 1 and 2)**
- 2.7. To note the capital expenditure forecast at Q3 for 2023/24 **(Section 6, and Appendix 4)** and revised multi-year capital programme and how it will be financed. **(Appendix 5)**

- 2.8. To approve capital reprofiling with future financial years and budget adjustments, and to note that there is a risk of further reprofiling over the remainder of the financial year. **(Section 6 and Appendix 4)**

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 Q3 Over/(Under) Spend £m	Total Q2 Over/(Under) Spend £m	Change since Q2 £m
Adults Social Services	5.168	4.911	0.257
Chief Executive's	0.058	-	0.058
Children & Young People	1.623	2.480	(0.857)
Community Engagement & Wellbeing	0.369	0.741	(0.372)
Community Wealth Building	1.449	1.255	0.194
Environment & Climate Change	9.950	9.084	0.866
Homes & Neighbourhoods	0.659	0.083	0.576
Public Health	-	-	-
Resources	0.398	0.604	(0.206)
Total: Directorates	19.674	19.158	0.516
Corporate Items	(7.319)	(1.429)	(5.890)
Total: General Fund	12.355	17.729	(5.374)
Less: Inflation, Energy, and Demand Contingencies	(6.962)	(6.962)	(0.000)
Less: General Corporate Contingency	(5.000)	(5.000)	0.000
Net: General Fund	0.393	5.767	(5.374)

- 3.2. Further management actions are required to deliver a downward movement in the significant gross directorate overspend position by the end of the financial year. A positive movement in the gross directorate overspend position by year-end would result in a lower than anticipated drawdown of contingency balances and a potential replenishment of the council's precarious earmarked reserves position. However, if the net overspend either materialises or widens at the end of the financial year, it will need to be balanced from earmarked reserves. Drawing on earmarked reserves significantly restricts 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 +£5.168m overspend, an increase of £0.257m since previous reported position.

- 4.1. The Q3 forecast for Adult Social Services is a net overspend of +£5.168m, which is detailed by key variances in **Appendix 1**.

Unavailability of Care Home Beds (+£2.554m, no change 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.

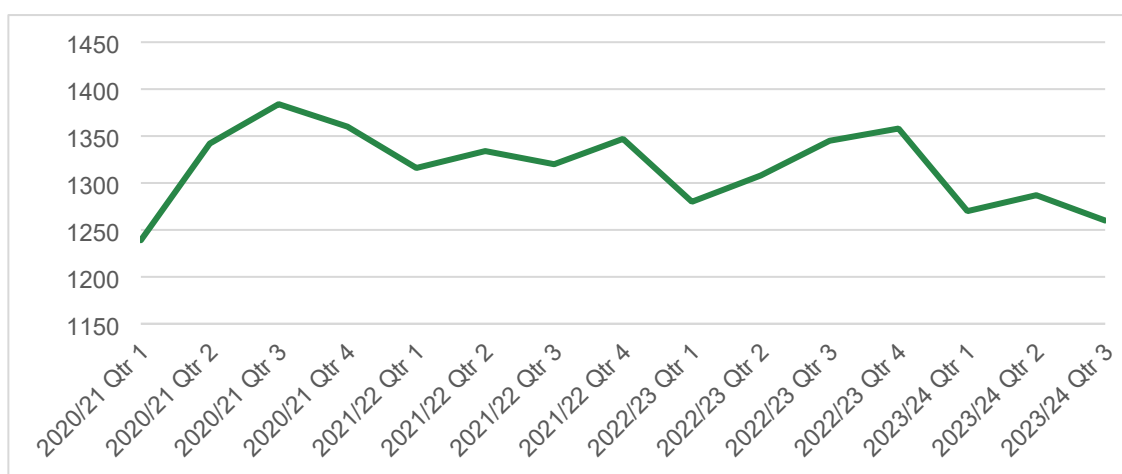
Memory Cognition and Physical Support - Increase in placement cost above demographic growth allocation (+£1.954m, a decrease of +£0.024m since the previous reported position)

4.3. 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.

4.4. Management actions to mitigate the pressures include:

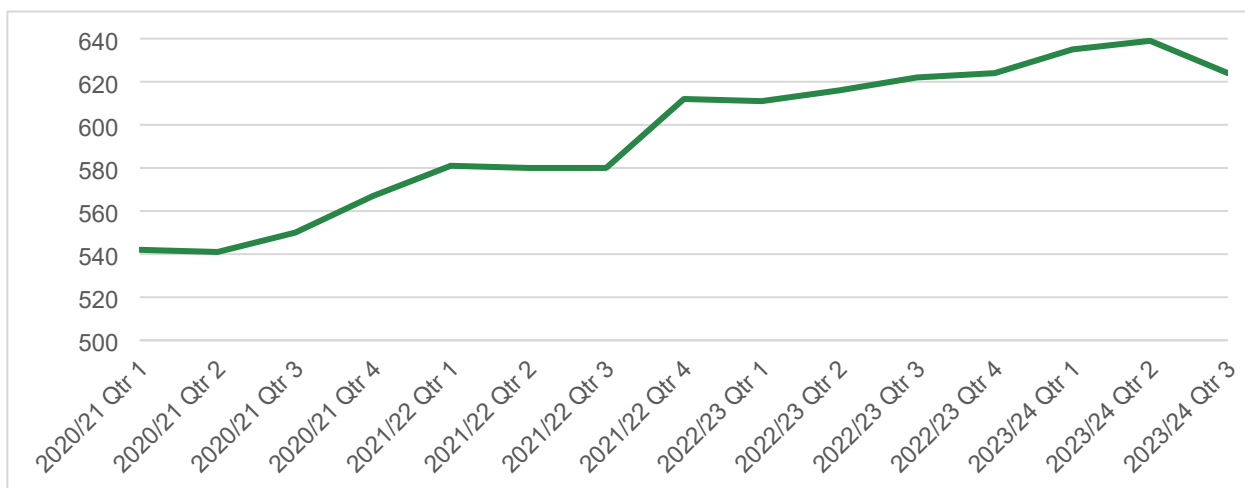
- Using the Integrated Quality Assurance Meeting (IQAM) to focus on promoting independence and maximising enablement.
- Operational Social Work Management are working with the Finance team and Data Intelligence to capture further information on the pressures to be able to focus targeted work on areas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

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



4.5. This graph shows that whilst demand for homecare is less than it was in 2021/22, demand is still above early pandemic levels (Q1 2020/21).

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



4.6. 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 (+£1.971m, an increase of +£0.543m since previous reported position).

This pressure is due to the:

4.7. 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, full year impact of 2022/23 service users +£0.610m plus additional service users in 2023/24 +£0.400m. Overall pressure of +£1.011m, this is a +£0.400m increase on the previous period.

Due to the following issues, there was a delay in forecasting this cost:

- The size of the care package to be put in place,
- eligibility for Adult Social Care services,
- clarity about the funding arrangements for these service users.

A programme group has been set up across Adults and Children’s Services to better understand and manage the progression to adulthood.

4.8. In addition to an increase in number, there is also an increase in the acuity of needs of existing service users +£0.960m.

Slippage in the delivery of savings (+£1.689m, a decrease of -£0.377m since previous reported position).

4.9. Delays in savings delivery in Memory Cognition and Physical Support +£1.675m:

- Impact of the reablement service on the demand for ongoing care services not being as pronounced as expected so far, has led to a pressure of +£0.608m.
- 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 +£0.057m

- Review of placements savings have slipped by +£1.510m, as more people have required additional care and support. It is believed that these savings will instead gain traction in 2024/25 however this position will be monitored
- Offset by a one-off increase in the Direct Payment surplus draw down (-£0.500m).

Additional Grant Income

- 4.10. The service will use the Market Sustainability and Workforce Fund (MSIF) and one-off discharge funding from the North Central London Integrated Care Board (NCL ICB to offset related projected expenditure incurred above budget.
- 4.11. Management actions to reduce the overall departmental pressure 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 Continuing Health Care (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 manage the progression to adulthood.
- 4.12. The position assumes the further savings are achieved going forward.

Chief Executive's Directorate +£0.058m, +£0.058m since previous reported position

- 4.13. The Chief Executives Directorate is forecasting a +£0.058m net overspend position (an increase of +£0.058m since Q2), which is detailed by key variances in **Appendix 1**.
- 4.14. The variance forecast is due to the cost of a supernumerary Policy Engagement & Complaints officer offset by a slight underspend on supplies & services budgets.

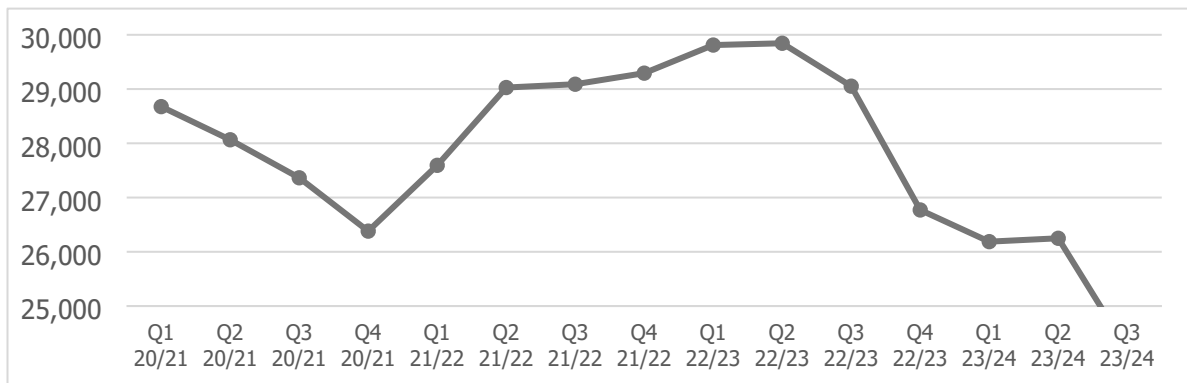
Children and Young People +£1.623m, Schools +£0.284m

- 4.15. The forecast for Children and Young People is a net overspend of +£1.623m (an improvement of £0.857m since Q2), which is detailed by key variances in **Appendix 1**.
- 4.16. Variances to note include:
- -£0.875m underspend against the children's social care placements budget (an improvement of -£0.674m) after the application of demographic growth of £1.050m. The number of Looked After Children (LAC) has reduced to 294 children as at December 2023, compared to 334 children at the end of 2022/23. More children are being supported with their families in the community, however, there are risks that placements may be required for some of these children should their situations deteriorate. This is being closely monitored. The outlook for this budget has continued to improve through 2023/24 to date. The forecast takes into account that the service is presently on track to deliver £2.652m 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, the sufficiency of

placements, especially for children with more complex needs. Fee levels have been managed within the placements budget during 2023/24 to date, but further increases are expected in 2024/25.

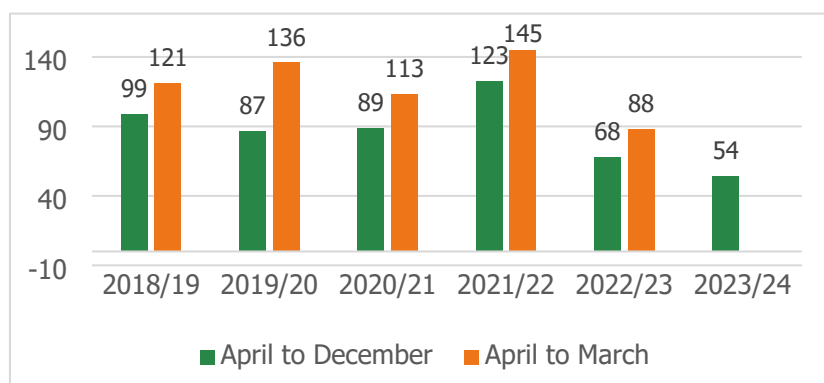
- Bed night activity levelled off in Q2 and dipped significantly in Q3, as can be seen from **Figure 3**. This trend followed reductions over the previous four quarters. Similarly, the numbers of children becoming looked after during 2023/24 to date is 20% lower over the same time period when compared to the previous financial year.

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



- The number of children becoming looked after has continued to fall since 2021/22. During the first nine months of 2021/22 a total of 123 children excluding Unaccompanied Asylum-Seeking Children (UASC) came into care. This reduced to 68 children over the same period in 2022/23 and has since reduced further to 54 children coming into care during 2023/24 up to 31st December 2023.

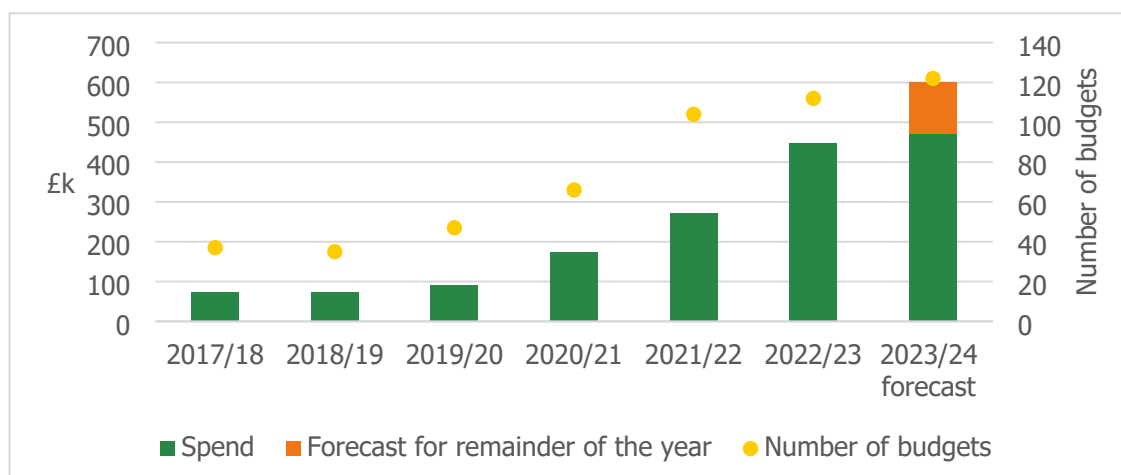
Figure 4 – Numbers of children becoming looked after (non-UASC)



- +£1.073m forecast overspend against the budget for SEND transport (an increase of £0.100m from Q2). Activity on buses and taxis remains largely static, but costs have increased above inflation. There has been 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 / buses, 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 commenced from September is a significant contributor to the overspend, with unit costs increasing by an average of 30%.

Figure 5 - Demand for personal travel budgets



- +£0.257m forecast demand cost pressure in relation to short breaks and personal budgets (a reduction of £0.036m from Q2).
- +£0.420m forecast temporary accommodation pressure in the leaving care service whilst we await care leavers to be allocated permanent accommodation. This is being partially offset by Section 106 income.
- +£0.285m structural shortfall in the budget for the school support service and a shortfall in traded income (an increase of £0.062m since Q2).
- +£0.263m cost pressure on premises costs from bringing the Platform Youth Hub back in house (an increase of £0.036m from Q2).

4.17. The forecast overspend for Children’s Services takes into account the delivery of savings within 2023/24. Overall, all savings are on track for delivery.

4.18. Risks to note include:

- Significant market pressures are being experienced in relation to children’s social care placements. Each additional 1% increase in costs above those already factored into the forecast adds an average £0.110m of costs to the placements pressure. For residential placements this is significantly more, especially given the present lack of sufficiency for more specialist placements.
- 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

4.19. The forecast for the Dedicated Schools Grant (DSG) is an in-year overspend of £0.284m, (a reduction of -£0.207m from Q2).

4.20. 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%.

4.21. DSG balances are forecast to decrease by £0.284m during 2023/24 to £4.799m (a decrease of £0.207m from Q2). 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. This will be dependent on future Government funding increases and the number of children with SEN, and the complexity of their needs. Islington presently has a low number of children in independent special schools compared to other London boroughs. However, these education establishments are expensive in comparison to the alternative options, so any shift towards more children going to independent special schools in the future will cause additional pressures on the High Needs Block.

Table 2 - Forecast DSG Balances

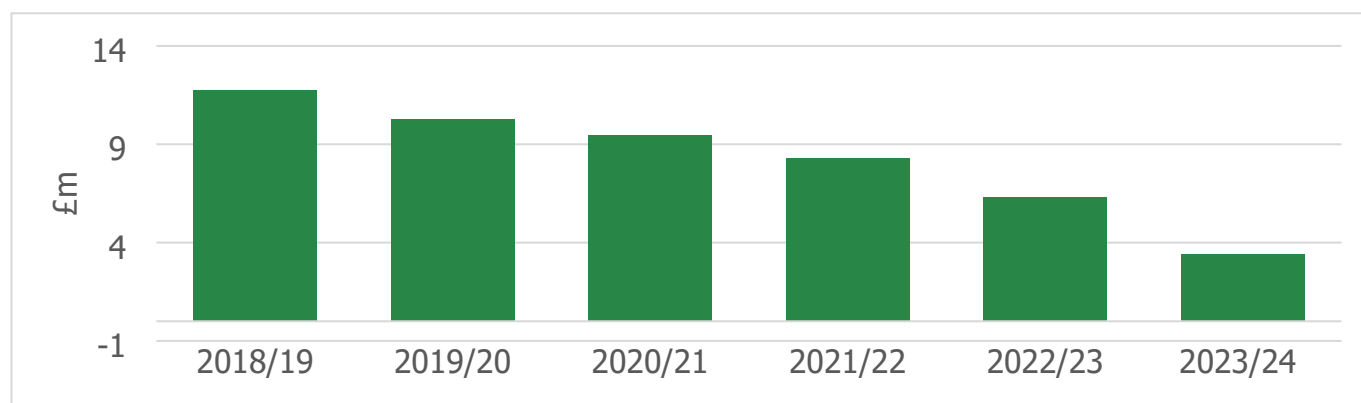
	Schools Block	De-delegated budgets	Central Schools Services	High Needs Block	Early Years Block	Total
	£m	£m	£m	£m	£m	£m
Opening balance	0.512	0.156	0.264	3.284	0.867	5.083
In-year DSG variance	(0.512)	(0.156)	(0.059)	0.443	0.000	(0.284)
Forecast closing balance	0.000	0.000	0.205	3.727	0.867	4.799

4.22. Schools initially forecast to reduce their balances during 2023/24 by £4.811m to an overall surplus position of £1.480m. Q3 budget returns from schools indicate an improvement in the position, with balances forecast to total a surplus of £3.430m at the end of the year. The number of schools now forecast to be in deficit at the end of the year is 17 (33%) an increase of 2 from the start of the year. A further analysis of balances, when compared to the Education and Skills Funding Agency (ESFA) guidance of suggested balances held by schools; 8% for nursery, primary and special schools and 5% for secondary schools, indicates 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.

4.23. 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 were 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. However, there has been an improvement in the position being forecast by schools' at Q3 for 2024/25 and 2025/26 to an overall deficit balance of £3.570m and £13.1m respectively. A further improvement in the medium-term schools' balances forecast may be seen at Q4. The decline in school balances is a national issue, however, Inner London boroughs in particular have seen significant reductions in their total pupil numbers, leading to increasing numbers of schools forecasting future deficit budgets. This risk is being responded to in Islington through the schools' reorganisation work.

Figure 6 – Schools Balances Forecast (£m)



4.24. 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 (EHC) 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 staff pay increases in schools.

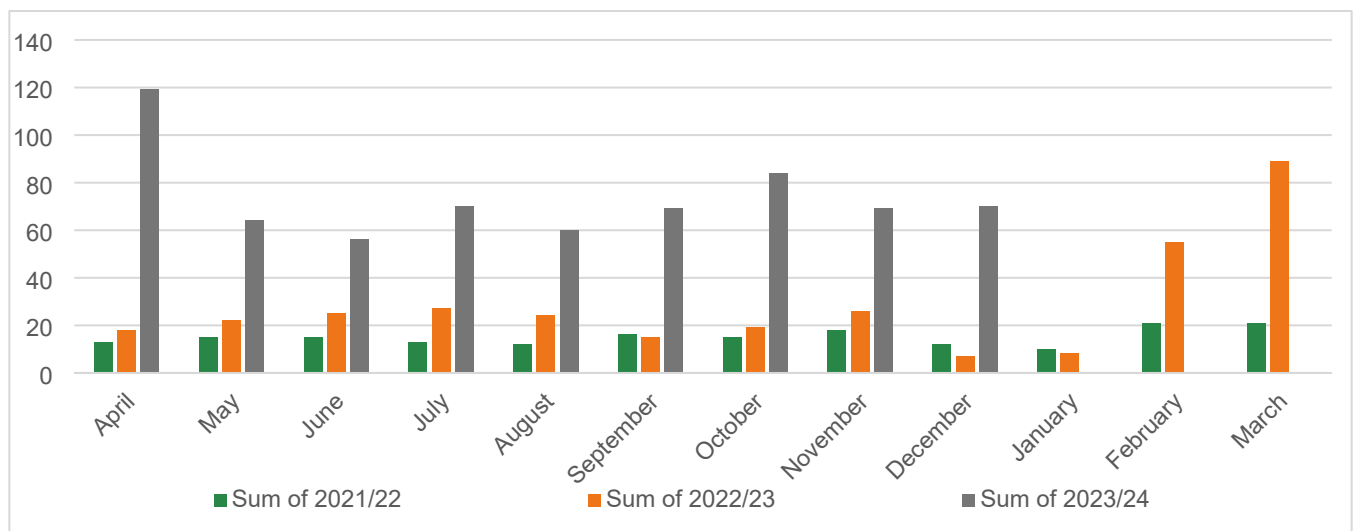
Community Engagement and Wellbeing +£0.369m overspend, -£0.373m since previous reported position

4.25. The Community Engagement and Wellbeing Directorate is forecasted to overspend by +0.369m, which is detailed by key variances in **Appendix 1**.

4.26. Key variances within the department are as follows:

- (+£0.300m, unchanged since previous reported position) unachieved saving due to the proposed alignment of Resident Experience and Libraries management structures being abandoned.
- (+£0.337m, +0.059m since previous reported position) cost pressure due to overtime and agency staff to deal with Chief Executive complaints effectively and efficiently, avoiding Ombudsman action and potentially 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 Q2 due to temporary staff contract extensions because of the backlog.

Figure 7 – Number of complaints cases dealt with by the Chief Executive Team (Stage 2)



- -£0.268m, (a reduction of £0.373m since previous reported position) staffing underspends due to management action to contain net departmental overspends, recruitment delays, and other net efficiencies across Community Engagement and Wellbeing. This is detailed further in **Appendix 1**. The position has improved since the previous reported position due to staffing efficiencies from the large number of vacancies across the Transformation and Policy & Equalities teams.

Community Wealth Building +£1.449m overspend, +£0.194m since previous reported position

4.27. The revenue position for Community Wealth Building is an overspend of +£1.449m (an increase of £0.194m from Q2). Key variances are detailed in Appendix 1.

4.28. Corporate Landlord Division: +£1.261m (an increase of +£0.079m from Q2)

- 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 February 2024, resulting in only £0.075m in savings being realised this year. The remaining £0.761m in savings will be deferred to next year (an increase of £0.078m from Q2).

- 4.29. There is a forecast energy cost pressure in relation the corporate landlord of £2.683m (an increase of £0.113m since Q2) that will be met from the corporate energy provision at outturn.
- 4.30. There are £1.2m of costs related to the CWB capital programme that cannot be capitalised and will be charged to revenue. These are made up of £0.740m of scheme costs and £0.460m of programme management costs. It is assumed that these costs will be offset by a drawdown from the Capital Financing Earmarked Reserve at outturn.
- 4.31. Risks and Opportunities:
- Staffing cost pressure in Inclusive Economy and Jobs Division - There is a potential risk of overspending in staffing costs, resulting in a shortfall of +£0.234m. This risk stems from the historic over-establishment to deliver key missions and strategic policy commitments. 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.
 - The new homes and corporate landlord restructure will not be completed in time to recover a structural budget shortfall of £0.323m in this financial year however it is expected that this will be met from underspends elsewhere in the division. The restructure remains on target to be implemented by 1 April and it is anticipated that vacancy deletion will help accelerate savings delivery.
 - There is a forecast overspend due to inflationary and demand cost pressures (providing essential support during the ongoing cost of living crisis) against the Resident Support Scheme budget of £0.250m, however this is expected to be met from staffing underspends within the Community and Financial Resilience budget.
 - There is a risk that not all of the anticipated planning and development income will materialise in this financial year. This represents a timing risk.

Environment and Climate Change +£9.950m overspend, +£0.866m increase since previous reported position

- 4.32. The Environment & Climate Change directorate is reporting a +£9.950m overspend position (an increase of £0.866m since Q2), which is detailed by key variances in **Appendix 1**.
- 4.33. Within the Environmental and Commercial Operations division, there is a +£10.069m overspend as detailed below. This is a movement of £0.938m from the reported position of +£9.131m overspent at Q2. These changes are detailed below:
- There has been a movement of +£0.832m on the parking account mainly as a result of adjustments to the suspension income forecast relating to the delayed programme of high-speed broadband network that previously report as a risk. This risk has materialised and the programme of works is now expected to take place in the 2024/25 financial year.

- There is a forecast underspend position of -£0.309m within the Fleet department due to additional recharges for workshop services.
- Regarding Greenspace and Leisure, there is a projected underspend of -£0.014m 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 forecast on leisure assumes a £0.6m allocation from the corporate energy provision to cover the council's share of the energy risk for the leisure estate.

4.34. The parking account is projecting a +£9.925m shortfall mainly as a result of shortfall across a number of income lines.

- There is a shortfall on permit income of +£5.721m 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 £5.569m at Q2.
- There is a shortfall in paid for parking income of +£2.028m. 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 £1.828m position at Q2 with lower level of transactions indicating an increased move to more sustainable travel options.
- Road Closure & Miscellaneous income – there is a shortfall in income of +£0.272m mainly as a result of a refund of a duplicate payment that was received in the previous financial year.
- There is a forecast overperformance of -£0.426m due to higher levels of Penalty Charge Notices (PCN) issues. 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 underperformance of +£0.483m. £1.000m was previously assumed to be received as part of the roll-out of high-speed internet connections, however, is now forecast to be received in the 2024/25 financial year. This represents the main reason for the movement in the forecast from the Q2 position. Suspension income has been subdued in 2023/24 due to the actors' strike decreasing the requirement for suspended parking bays.
- Based upon prior year levels of expenditure, it is forecast that there will be an overspend of around +£1.847m across pay and non-pay expenditure. 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.

4.35. There are other key variances as explained below:

- -£0.166m underspend due to a number of vacancies that were previously forecast to be recruited to in-year within the Business Performance Improvement department. These have now been identified to deliver a saving within this area for 2024/25.

- There is a forecast underspend of -£0.162m due to vacant posts within the Senior Management Team of the Environment & Climate Change department due to the interim corporate reporting arrangements.
 - Climate Change & Transport – +£0.210m overspend - The Climate Change & Transport division is reporting a +£0.210m overspend position. This is mainly due to the advertising income contract shortfall previously identified as a risk.
 - There is a projected overspend within Street Operational Services of +£0.467m mainly relating to income pressures from sale/rent of containers, additional IT spend, additional staff costs relating to boxing day bank holiday and a shortfall in commercial waste income being forecast.
- 4.36. £0.8m of tree planting spend is forecast and will be funded from reserves. There is also an additional pressure of £0.2m relating to the maintenance of trees on highways. The annual tree planting commitment and additional maintenance pressure have been fully built into the 2024/25 revenue budget.

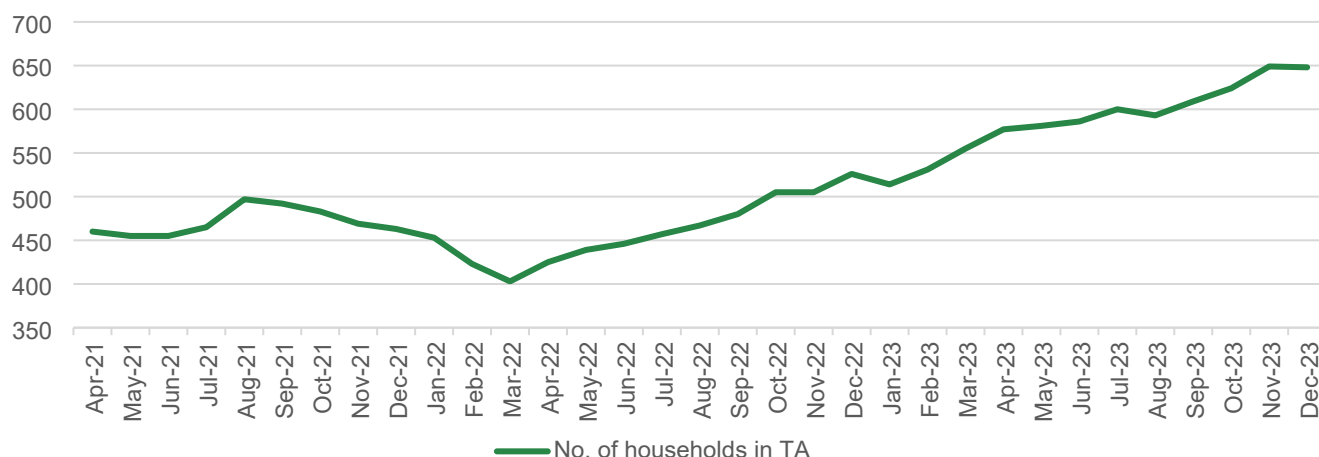
Homes and Neighbourhood £0.659m overspend, £0.461m increase since previous reported position

- 4.37. The Homes and Neighbourhood directorate (Housing Needs and Community Safety, Security, and Resilience (CSSR)) is reporting a £0.659m overspend position.
- 4.38. Within the overspend position there are a number of variances to note:
- Housing Needs: currently showing an overall overspend of £0.470m. Nightly Booked Temporary Accommodation (TA) is the primary driver of costs in this area, reporting an overspend of £0.581m, a movement of +£0.754m since Q2. 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.
 - CSSR: Currently showing an overall overspend of £0.062m. 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 ASB and 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. Pressures have been offset by one-off income in Private Housing related to enforcement of new legislation.
 - Civic Services +£0.127m overspend – mainly due to additional staff overtime/sessional fees within Registrars, and additional storage costs within the mortuary service.
 - This is offset by smaller variances detailed in **Appendix 1**.
- 4.39. 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:

Figure 8 – April 2021 to December 2023 – Number of Households in Temporary Accommodation

- Nationally the cost-of-living crisis is beginning to impact on residents, private sector rents are rising in Inner London by 13.2pc (based on inner-London rental values January 2023 to December 2023).
- The number of private rented sector properties available for use as TA in London to rent has fallen in London by 41% on the June 2017 average.
- 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 2023/24 and 310 new properties in 24/25. 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.
- 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 £1.733m 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 +£2.392m overspent.

4.40. 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.

4.41. 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: Break-even position

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

4.43. 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 is to contribute (+£0.150m) and arrangements to transfer this funding to the provider are underway.
- The department is funding a number of one-off projects (+£0.488m) in the Other Public Health division. This includes one-off commitment to fund staff costs (+£0.183m). This will be met from wider underspends in Public Health and would require a drawdown of (+£0.030m) from Public Health reserves.
- This is offset by smaller variances detailed in **Appendix 1**.

4.44. 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. Financial discussions are underway with the provider for the continued delivery of these services to the end of the contract. Planning for the recommissioning of these services for new contracts 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 recent Agenda for Change pay awards with PH NHS partners from 2024/25 onwards. It is more likely that Islington PH will need to meet financial gaps which may arise in the absence of continued funding for pay awards being passed through the NHS.
- Savings – Public Health have a significant amount of recurring savings with £0.500m to be delivered in 2023/24. At this stage it is expected that all savings will be delivered.
- The Public Health grant allocation for 2024/25 is £29,827,329. This has increased by (+£775,075) from the current year. The additional sum of money will be allocated primarily to meet staffing and contract costs increases.

Resources +£0.398m overspend, -£0.206m decrease since previous reported position

4.45. The Resources directorate is currently forecasting an overspend of +£0.398m, which is a -£0.206m decrease since the previous reported position. The decrease is primarily due to vacancies arising across the finance teams, reducing costs by -£0.202m.

- 4.46. +£0.371m 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.
- 4.47. +£0.174m relates to staffing pressures across the Business Support service. A review of the service has been completed 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 -£7.319m underspend, -£5.890m decrease since the previous reported position

- 4.48. There is a forecast underspend of -£7.319m on central budgets, a -£5.890m improvement since the previous reported position.
- 4.49. In November 2023, the Local Government Pay Award was agreed at a £2,352 flat rate increase on NJC pay scales (up to SCP 50) and 3.88% above SCP 50. This has resulted in an underspend of -£0.916m on the 2023/24 budgetary provision for the pay award.
- 4.50. It was announced in the final Local Government Finance Settlement 2024/25 in February 2024 that the government will distribute a £100m surplus from its Business Rate Levy account in 2023/24. This is expected to provide the council with additional government grant income of -£0.715m.
- 4.51. As a result of reprofiling of the capital programme, there is a forecast underspend of -£0.448m on the Minimum Revenue Provision for debt repayment, and a forecast underspend of -£3.259m on General Fund interest payable. Interest rates remain at multi-decade highs leading to increased interest costs to the council for any new borrowing.
- 4.52. Due to prevailing higher interest rates, interest receivable is forecast to total £3.400m in 2023/24, £1.650m higher than the budgeted £1.750m. Offsetting this, there is a forecast overspend of +£0.691m in relation to internal interest charges with the HRA.
- 4.53. There is an underspend in the corporate levies budget relating to the London Pension Fund Authority levy (-£0.646m) and payments to Transport for London for the cost of concessionary fares (-£0.357m). These are unchanged from Q2.
- 4.54. There is a small underspend of -£0.020m in other central budgets predominantly due to unused energy budgetary provision being offset by pressures arising from the implementation of cross-cutting savings.

Inter-directorate Virements and Structural Adjustments

- 4.55. Inter-directorate virements and structural adjustments are detailed in **Appendix 2**.
- 4.56. 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.
- 4.57. The technical adjustment virement relates to the reversal of historical depreciation budgets (net nil across the council). Depreciation charges and budgets will be allocated at year-end.
- 4.58. Other adjustments posted in-year relate to the delivery of agreed cross-cutting savings, allocating the centrally held Demography and Pay Award budgets and one-off growth.

Collection Fund Update

Background

- 4.59. 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).
- 4.60. 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

- 4.61. The latest 2023/24 council tax forecast, which is subject to change between now and the end of the financial year, is a £2.885m deficit (£2.195m Islington share; £0.690m GLA share) compared to assumptions at 2023/24 budget setting (as at January 2023). This comprises a £1.451m 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.
- 4.62. The forecast in-year deficit of £1.451m is due to the following variances:
- Higher than budgeted, exemptions and single person discounts have contributed to extra costs of £3.881m 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 £2.430m improvement in the bad debt assumption compared to budget.
- 4.63. 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 2022/23 In Year Forecast (Surplus)/Deficit	(3.811)	(1.147)	(4.958)
Forecast (Surplus)/Deficit in 2023/24 Budget: Transfer (to)/from Core Funding Reserve	(3.333)	(1.017)	(4.350)

Additional Prior Year (Surplus)/Deficit between 2022/23 Forecast (as at January 2023) and Actual 2022/23 Outturn Position	1.091	0.343	1.434
2023/24 In-Year Forecast (Surplus)/Deficit	1.104	0.347	1.451
Forecast 2024/25 Transfer (to)/from Core Funding Reserve	2.195	0.690	2.885

NNDR

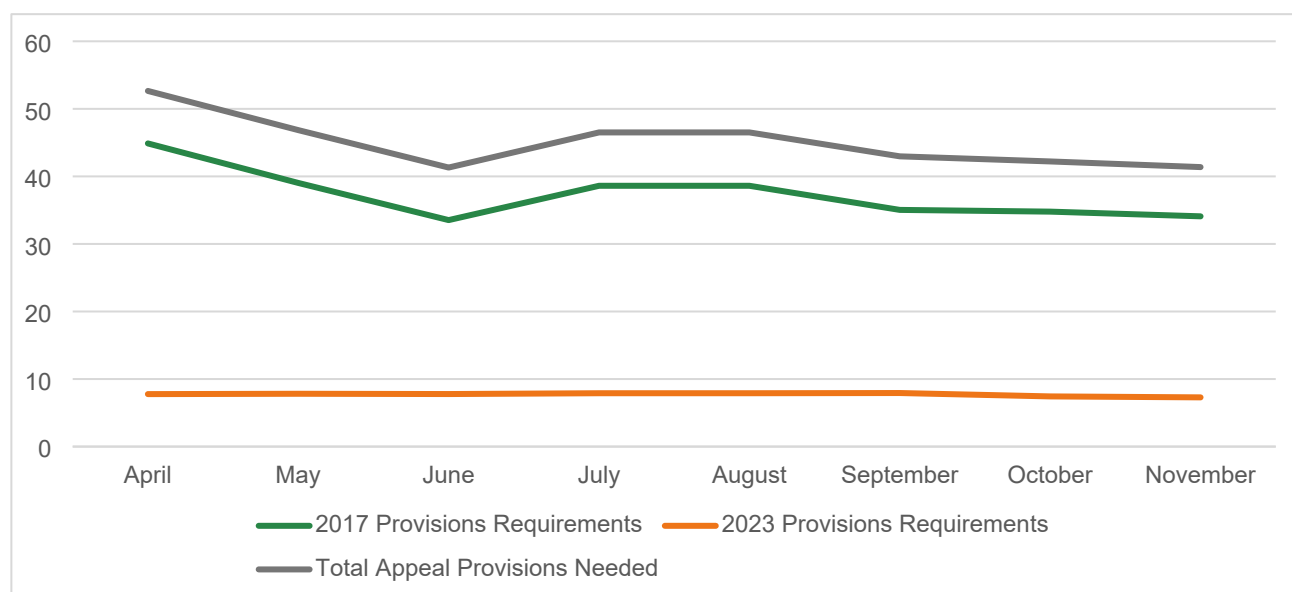
- 4.64. The latest 2023/24 NNDR forecast, which is subject to change between now and the end of the financial year, is £24.657m surplus (£7.397m Islington share) compared to assumptions at 2023/24 budget setting. This comprises a £12.049m in-year 2023/24 surplus and an additional £12.608m surplus brought 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.
- 4.65. Partially offsetting this, there is a forecast adverse budget variance of £2.162m in 2023/24 in relation to reduced Section 31 grant compensation due to the council for the impact of government business rate reliefs.
- 4.66. 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 2022/23 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	(3.615)	(4.458)	(3.976)	(12.049)
Forecast 2024/25 Transfer (to)/from Core Funding Reserve	(7.397)	(9.123)	(8.137)	(24.657)

4.67. 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 9** 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 9 – Monthly Fluctuations in Appeal Provision (£m)



Current Collection Rate

- 4.68. The council has set an estimated in-year target collection rate for council tax of 95.3%, against which 79.6% (£120.8m) has been collected. This is -0.64% (-£0.96m) lower than the monthly in-year target rate.
- 4.69. For business rates the council has set an in-year target collection rate of 96.7%, against which 85.2% (£234.9m) has been collected. This is +1.8% (+£5.1m) higher than the monthly in-year target rate.

Debt Analysis

- 4.70. The total council tax outstanding balance as at the end of Q3 is £63.4m (£48.2m Islington's share), of which £30.9m (£23.5m Islington's share) or 48.7% is the current outstanding balance. The remaining £32.5m relates to prior years. The total outstanding balance for council tax as at the end of Q3 for the previous financial year 2022/23 was £61.9m, meaning the current outstanding balance is +£1.5m or +2.3% greater.
- 4.71. Out of the overall £63.4m current outstanding council tax debts, £7.5m (12%) relates to accounts who are in receipt of council tax support. This represents 11,869 council tax accounts.
- 4.72. The total NNDR balance outstanding as at the end of Q3 is £49.0m (£14.7m Islington's share), of which £32.8m (£9.8m Islington's share) or 67.0% is the current year's outstanding balance. The remaining £16.2m relates to prior years. The overall NNDR balance at Q3 in 2022/23 was £58.7m compared to the current balance of £49.0m, showing a reduction of -£9.7m or -16.6%.
- 4.73. The reduction in council tax current year arrears between Q2 and Q3 is £47.9m, and a £1.7m movement is for prior years' arrears, making the overall reduction in arrears £49.6m or 43.9%.
- 4.74. For business rates, the overall change in arrears between Q3 and Q2, is 63.7% or equivalent to £85.7m reduction in financial term, of which £80.6m is for the current year arrears and £5.1m is for prior years. The movement in both debts is summarised in **Table 5** below.

Table 5 – Collection Fund Debts Movement

	Jan 2023 (2022/23)	Sept 2023 (2023/24)	Jan 2024 (2023/24)	Movement Between Q2 and Q3 2023/24		Movement Between Q3 2022/23 and Q3 2023/24	
	£m	£m	£m	£m	%	£m	%
Current Year Debt (Business Rates)	42.792	113.369	32.792	(80.577)	(71.1%)	(10.000)	(23.4%)
Prior Years Debts (Business Rates)	15.891	21.364	16.173	(5.191)	(24.3%)	0.282	1.8%
Total Outstanding Business Rates Debts	58.683	134.733	48.965	(85.768)	(63.7%)	(9.718)	(16.6%)
Current Year Debt (Council Tax)	29.909	78.791	30.881	(47.910)	(60.8%)	0.972	3.2%
Prior Years Debts (Council Tax)	32.022	34.186	32.466	(1.720)	(5.0%)	0.444	1.4%
Total Outstanding Council Tax Debts	61.931	112.977	63.347	(49.630)	(43.9%)	1.416	2.3%

Energy Price Analysis – Q3

4.75. 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

4.76. Energy pressures totalling +£3.283m (+£2.683m in Community Wealth Building and +£0.600m in Environment & Climate Change) 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 surplus of £1.074m, an improvement of £7.913m compared to Q2.

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. The below table sets out the movement in the variance from Q2.

Table 7 – Movement in HRA Budget Variances Q2 to Q3 2023/24

Description	Q3 Variance (£m)	Q2 Variance (£m)	Mvmt Q2 to Q3 (£m)
Establishment of damp, condensation, and mould taskforce	2.713	2.363	0.350
New burdens in relation to New Building Safety Regulations	1.800	1.620	0.180
Rising number of housing disrepair claims	4.234	3.687	0.547
Temporary accommodation (TA) costs for HRA tenants	0.715	0.000	0.715
General repairs and maintenance	3.998	0.274	3.724
Leaseholder service charge income	1.845	0.000	1.845
Pay Award Pressure	0.909	0.000	0.909
Dwelling rents and service charges	(2.472)	(1.105)	(1.367)
Other variances	(1.251)	0.000	(1.251)
Delayed use of revenue to fund capital expenditure (RCCO)	(13.565)	0.000	(13.565)
Variance Movement Q2 to Q3	(1.074)	6.839	(7.913)

5.3. A significant proportion of the forecast HRA surplus relates to a £13.565m capital financing adjustment. The council has funds available which were borrowed from the Public Works Loan Board (PWLb) with a 60bp (0.6%) concession in the cost of borrowing, available to HRA's until June 2025. This borrowing will be used this year to fund capital expenditure, delaying the need to use revenue resources.

5.4. The underlying position excluding the capital financing adjustment is a £12.491m deficit. This primarily relates to known pressures that emerged after the 2023/24 budgets were set. Whilst the ongoing impact of these pressures have been reflected in the HRA business plan update for 2024/25 budget setting, the housing sector remains a challenging environment for landlords.

5.5. Key variances to note:

- -£2.472m favourable variance from rent and service charge income. Whilst significant in financial terms, this represents 1% of rent and tenant service charge income budgets.
- +£2.713m (an increase of +£0.4m 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 experiencing this year.

- +£3.998m pressure anticipated within Repairs and Maintenance. There are several factors driving this, the main elements being: £2.454m staffing pressures, with the service operating over establishment and with a high turnover of staff, there is a reliance on expensive agency workers. Continuing the trend flagged in Q2, sub-contractor costs are also increasing, particularly in roofing/scaffolding works. Latest indications suggest a year end pressure of £1.279m. This period has seen an increase in transport costs, we are currently projecting an overspend of c£0.600m in this area, although the team are working with Environment Services on challenging some of these charges. Partially offsetting some of these areas of overspend is an increased capitalisation of costs, particularly around void repair.
- +£1.8m 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. This one-off cost covers an IT solution to enable the council to comply with the new stringent requirements.
- Housing disrepair claims have continued to remain at elevated levels and as a result is expected to create a cost pressure of +£4.234m in 2023-24, a c£0.550m increase from Q2. The caseload activity has remained broadly consistent with that highlighted at Q2. Case numbers are unlikely to come down in the foreseeable future. To manage the increased caseloads temporary additional resources have been deployed creating a budget pressure of £0.650m. The number of cases awarded against the council has increased significantly compared to last financial year. This is driving an increased pressure, with damages and compensation payments expected to reach £3.515m above budget. It is worth noting that although the volume of cases awarded against the council has increased since Q2, a reduction in caseload per legal officer has helped drive the average payment award per case downwards.
- At Q2 it was highlighted that the HRA was facing risks associated with the costs of placing HRA tenants in TA. The main driver for this is an increased reliance on expensive hotel provision. The demand for TA is primarily driven by repair cases, as such, no additional housing benefit can be claimed to meet the accommodation costs. The projected accommodation costs at Q3 are £1.524m, with storage costs of £0.141m, the overall pressure on the HRA is £0.715m.
- In the Q2 report it was highlighted that the pay award had not been agreed. This has subsequently been agreed and is included within Q3 projections. The overall pressure across the HRA is £0.909m as shown in the table below:

Table 8 – Impact of 2023-24 Pay Award on the HRA

Pay Award Impact	(£m)
Forecast Staffing Backpay Award	2.382
Forecast Agency Backpay Award	0.300
Budget 2023-24 Pay Award assumption @ 3%	(1.773)
Underlying pressure	0.909

- As noted above, the significant overspends are offset by the £13.565m reduction in revenue contributions to capital expenditure.

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

Risks and opportunities within the department

5.7. Risks:

- Damp and mould, and legal disrepair cases continue to rise. Additional budget has been applied in future years through the budget setting process, but there is a risk that this will be insufficient.
- Interest rates and inflation begin to rise again. Both macro-economic factors have stabilised over the last few months. The PWLB borrowing rate has also shown signs of reducing. The council's treasury department will be providing a quarterly update on interest rates for viability modelling going forward. The current rate applied in council modelling is 6%, and any reduction could have a favourable impact on new build schemes.
- Uncontrollable levels of agency staff and external contractors (above establishment)

5.8. Mitigations/Opportunities going forward.

- 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.
- Regular repairs reporting to highlight pressures/trends, with mitigation plans in plans to manage services more efficiently.
- Lobbying central government for a fairer rent settlement and greater flexibility on the use of Right to Buy 1-4-1 receipts.

6. Capital Programme

- 6.1. As at the end of Quarter 3, total capital expenditure of £91.498m has been incurred against a 2023/24 forecast of £189.297m, representing 48.3% of spend against forecast. Expenditure has increased by £43.198m since Q2.
- 6.2. **Table 9** below summarises by directorate the budget, spend, forecast and budget management actions being taken at Q3. These are detailed at scheme level at **Appendix 4** and a revised multi-year capital programme with financing can be found at **Appendix 5**. The revised opening budgets reported correlate to those included for 2023/24 in the 2024/25 Budget Report to Full Council on 29 February 2024. There have been no capital virements in Q3.

Table 9 – 2023/24 Capital Programme

Directorate	Revised Budget at Budget Council 2024 £m	Actuals to Date £m	Forecast Outturn £m	Variance to Revised Budget £m	Requested Reprofiting £m	Requested Adjustments £m	Proposed Budget following Agreement £m
CWB	26.131	8.838	15.954	(10.177)	(10.157)	(0.020)	15.954
Environment	33.867	10.926	29.715	(4.153)	(4.153)	-	29.715
Housing GF	7.942	2.661	5.651	(2.291)	(2.291)	-	5.651
General Fund Total	67.940	22.425	51.319	(16.621)	(16.601)	(0.020)	51.319
HRA Total	167.574	69.073	137.978	(29.596)	(29.596)	-	137.978
Total Capital Programme	235.514	91.498	189.297	(46.217)	(46.197)	(0.020)	189.297

Community Wealth Building (CWB)

6.3. The capital forecast for the Community Wealth Building directorate is £15.954m compared to the revised budget at Full Council of £26.131m, this gives a variance of -£10.177m. £8.838m of capital expenditure had been incurred, representing 55.4% of the capital forecast. The directorate is forecast to be on budget for 2023/24 if the following budget changes are agreed.

6.4. At Q3 the directorate is requesting a net reprofiling of £10.157m into 2024/25. Notable schemes with budget reprofiling:

- New River College SEND/Elthorne -£1.469m slippage to 2024/25: there have been significant delays during the initial stages for the project.
- School Condition Programme -£0.800m slippage to 2024/25: spend remaining in the current financial year mainly relates to works at Copenhagen/Vittoria school roofing and playground works, as well as Rotherfield and Robert Blair School boiler upgrades.
- Toffee Park and Radnor Street Gardens +£0.177m acceleration from 2024/25: activity in 2023/24 has been higher than previously profiled.
- Finsbury Leisure Centre Redevelopment -£0.241m slippage to 2024/25: Stage 3 has commenced based on the approved programme. The forecast has been updated in line with the most recent cash flow forecast. An Executive decision will be required to move the programme to stage 4 based on viability assessments which will take place in March and April 2024. Following this a planning submission will be made in July 2024.
- Future Work Phase 2 -£1.848m slippage to 2024/25: A large proportion of the capital work is scheduled to start in June 2024 at the Laycock Centre. Renovation of the first floor Laycock Wing at 222 Upper Street has been temporarily put on hold. Further purchases expected in 2023/24, as well as significant capital works at the St Albans site, 222 Upper Street and the Town Hall.
- Greenspaces Bingfield Park +£0.127m acceleration from 2024/25: activity in 2023/24 has been higher than previously profiled.

- Greenspaces Highbury Bandstand/Highbury Fields +£0.051m from 2024/25: activity in 2023/24 has been higher than previously profiled.
- Isledon Road Gardens -£0.394m slippage to 2024/25: work is underway to appoint a contractor with work expected to begin on site in early 2024/25.
- 29-33 Old Street -£0.400m slippage to 2024/25: There have been delays due to the requirement of determining a new location for the parking services team. Internal architects have begun initial design work for example building layouts.

6.5. Budget adjustments, of additions or reductions, at Q3 are:

- Tufnell Park School Expansion -£0.020m reduction: the project has now completed with budget remaining.

6.6. At Q3, after management actions there are forecast variances on the following schemes:

- Adventure Playgrounds - Cornwallis Adventure Playground +£0.090m overspend forecast due to additional costs
- Adventure Playgrounds - Martin Luther King +£0.078m overspend forecast due to additional costs
- Compliance and Modernisation -£0.168m underspend forecast
- A virement will be requested to move budget from the Compliance and Modernisation budget to the two adventure playground budgets.

Environment and Climate Change

6.7. The capital forecast for the Environment directorate is £29.715m compared to the revised budget at Full Council of £33.867m, giving a variance of -£4.153m. £10.926m of capital expenditure had been incurred to Q3, representing 36.8% of the capital forecast. The directorate is forecast to be on budget for 2023/24 if the following budget changes are agreed.

6.8. At Q3 the directorate is requesting a net reprofiling of £4.153m into 2024/25. Notable schemes with budget reprofiling:

- Clerkenwell Green -£0.240m slippage to 2024/25: Phase 2 construction has started on site with Sessions House planned to complete in 2024/25.
- Corporate CCTV Upgrade -£0.644m slippage to 2024/25: Inflationary and supply chain issues have caused delays to the procurement of the wireless equipment, and the relocation of servers from Old Street to 222 Upper Street has caused further delays. The wireless system is now 95% complete enabling the project to move towards upgrading and deploying HD cameras. Cameras have been already purchased to avoid inflation increasing the cost and are ready to install across the borough.
- Energy Decarbonisation Schemes -£0.510m slippage to 2024/25: Decarbonisation work at the Waste Recycling Centre is expected to complete in 2023/24. Other decarbonisation projects are in the early stages and will see further expenditure in 2024/25.

- St Johns Street Public Realm Improvements -£0.934m slippage to 2024/25: The project is paused to revise the delivery plan. Consultation on this scheme is also delayed until the end of the pre-election period.
- Traffic and Parking – Electric Vehicle Charging Points +£0.055m acceleration from 2024/25: activity in 2023/24 has been higher than previously profiled.

6.9. At Q3 the directorate has no budget adjustments or forecast variances on schemes to report.

Housing Capital Programme

- 6.10. The capital forecast for the Housing General Fund is £5.651m compared to a revised budget at Full Council of £7.942m, this gives a variance of -£2.291m. £2.661m of capital expenditure has been incurred to Q3, representing 43.7% of the capital forecast. The directorate is forecast to be on budget for 2023/24 if the budget changes below are agreed.
- 6.11. The capital forecast for the HRA is £137.978m compared to a revised budget at Full Council of £167.574m, this gives a variance of -£29.596m. £69.073m of capital expenditure has been incurred to Q3, representing 50.1% of the capital forecast. The directorate is forecast to be on budget for 2023/24 if the budget changes below are agreed.
- 6.12. At Q3, the directorate is requesting a net reprofiling of £4.153m into 2024/25. Notable schemes with budget reprofiling:
- 6.13. HRA Thriving Neighbourhoods -£0.734m to 2024/25: some of the funds that were allocated for this year have not yet been allocated for specific pieces of work, although they will be used in future years.
- 6.14. HRA Major Works & Improvement Programme +£5.116m from 2024/25: After the reprofiling the programme is forecast to budget of £53.790m. The primary reasons for this reprofiling are:
- +£7.141m of accelerated spend on the Cyclical Improvement Programme, and the capitalisation of staff time, void maintenance and high value repairs. Schemes on the Andover Estate and Highbury New Park have been able to progress more quickly than anticipated at budget setting, increasing the capitalisation of staff time. Last year saw an increased pressure against the capitalisation budget in respect of voids and high value repairs. Where it is deemed more economical to replace the kitchen and bathroom whilst a property is empty, then works are undertaken at that point. A further increase is anticipated this year and an increase in the budgets for the 2024/25 financial year has been included within the budget setting process.
 - -£2.025m of slippage primarily on the programme of small infrastructure projects funded by S106 contributions and on resident safety where delays have arisen due to the planning process and Section 20 consultations.
 - The previously reported slippage in relation to a £10.000m budget included for compliancy work in relation to fire safety regulations in respect of tall blocks has now been resolved as part of the 2024/25 budget setting process. As part of that exercise, the £100m budget allocated for improvements required due to changing regulations has been redistributed over other areas of spend within the programme, under which any works arising will be carried out.

6.15. The Housing capital programme New Build schemes are split across the HRA and General Fund. These are reported on separately in **Appendix 4 and 5** however discussed as one here as the status of each scheme is the same regardless of fund.

- The General Fund New Build programme is requesting to reprofile -£2.291m to 2024/25. The revised budget at Q3 would then be £5.641m which matches the forecast for General Fund New Build.
- The HRA New Build programme is requesting a net reprofile of -£8.412m to 2024/25. The revised budget at Q3 would then be £35.044m which matches the forecast for HRA New Build.
- After the budget reprofiling there are a number of forecast variances on the HRA New Build schemes. These net to nil and are due to updated information on the breakdown of scheme costs being different to the breakdown used in budget setting. A virement will be requested to move budgets between schemes so that each scheme is forecast to be on budget.

6.16. The primary reasons for the reprofiling across the New Build Programme are:

- -£9.421m slippage relating to a number of schemes in the current programme that are on site (primarily Beaumont Rise, Parkview Estate, Telfer House and Elthorne Estate) that have encountered delays arising in respect of contractual issues, design changes required and party wall issues. This net position includes transferring some budgets to cover residual costs on schemes offset by anticipated savings in future years following the revised budgets set as part of the 2024/25 budget setting process.
- -£1.289m slippage relating to three pipeline schemes (Finsbury Leisure Centre, Vorley Road and Bemerton Estate South), which has arisen from the need to redesign schemes following changes in planning rules which have caused delays in progressing these schemes. This net position includes transferring some budget to cover the cost of a CIL payment in relation to the Hathersage and Besant scheme which has fallen due since the PCSA contract on the site had started, and some additional fees that are expected to be incurred in taking pipeline schemes forward.
- The revised budgets that have been set for 2024/25 onwards will resolve the previously reported overspends on Beaumont Rise and Andover Estate, which are now expected to spend in line with their revised budgets over the lifetime of the project, with no changes to the forecast in this reporting period.

6.17. HRA Property Acquisitions -£25.565m to 2024/25: There is now an approved property acquisition programme to purchase 310 properties, funded partly by HRA borrowing and partly by grants to be received from DLUHC and GLA. There have been a number of acquisitions already made, but the full number anticipated in the current year at the point the budget was set are unlikely to be achieved. The reprofiling of -£25.565m will enable these acquisitions to be taken forward in the next financial year instead.

7. Implications

Financial Implications

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

Legal Implications

- 7.2. 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).
- 7.3. 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

- 7.4. This report does not have any direct environmental implications.

Equality Impact Assessment

- 7.5. 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.
- 7.6. 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** – Savings Delivery Tracker
- **Appendix 4** – Capital Forecast 2023/24
- **Appendix 5** – Multi-Year Capital Programme

Background papers: None

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

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