Report of: Executive Member for Finance, Planning and Performance
Meeting of: Executive
Date: 27 June 2024

Subject: Budget Monitoring 2023/24 Provisional Outturn and New Leisure Fees and Charges

1. Synopsis

1.1. This report presents the provisional outturn position for the 2023/24 financial year. The net General Fund (GF) position is an in-year budget overspend of +£0.061m.

1.2. The provisional outturn position for the HRA is an in-year surplus of -£12.666m, an improvement of -£10.372m compared to the previous reported position. As the HRA is a ringfenced account, this surplus at the end of the financial year will be transferred to HRA reserves. 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.

1.3. As at the end of Quarter 4 (Q4), total capital expenditure of £183.803m has been incurred against a revised 2023/24 forecast of £189.298m, representing 97% of spend against forecast.

1.4. Individual school balances in Islington have been in steady decline since 2018/19 when they stood at a total of £11.732m. Balances have reduced steadily since then. They totalled £8.313m at the end of 2021/22 and ended 2022/23 with a total balance of £6.291m. It was forecast by schools that their overall balances would more sharply reduce from 2023/24. However, there has been an improvement of £2.3m in their overall provisional outturn position for 2023/24 compared to their Quarter 3 (Q3) forecasts, with total balances now totalling £5.985m. A total of 16 schools had deficit balances at the end of 2022/23. This has increased to 17 schools at the end of 2023/24.

1.5. This report requests approval for the addition of new fees and charges related to the leisure provision. The new Active Zone and Active Play fees and charges are set out in Section 8 of this report.

2. Recommendations

2.1. To note the breakdown of the provisional GF outturn by variance at Appendix 1 and service area at Appendix 2. (Section 4, Table 1, and Appendices 1 & 2)

2.2. To note the provisional outturn 2023/24 GF position. (Section 4 and Table 1)

2.3. To note, and where necessary agree, the virements of budgets between directorates. (Paragraphs 4.59 to 4.63 and Appendix 2)

2.4. To note the Collection Fund outturn position for council tax and National Non-Domestic Rates. (Paragraphs 4.73 to 4.91)

2.5. To note progress on delivering the 2023/24 agreed budget savings. (Appendix 3)

2.6. To agree in relation to Earmarked Reserves:

- The creation of a new Budget Risk Reserve and an Insurance Risk Reserve from the previous Budget Risk and Insurance Reserve.
- The re-naming of the Budget Strategy Reserve to the Corporate Projects and Systems Reserve.
- The transfers to/from reserves, the movements between reserves and the provisional GF and HRA reserves balances.
- Specifically, for the Executive to approve all reserves transfers above £0.5m. (Paragraphs 5.3 and 5.6).
- To delegate authority to the Section 151 Officer to agree any further movements to/from reserves related to finalising the 2023/24 Statement of Accounts (Paragraph 5.3).
- To approve the transfer of £10.000m from earmarked reserves to the provisional outturn position. The residual position is applied to the GF Balance, resulting in a net increase in the GF Balance of -£9.939m. (Paragraph 5.5)
- To agree the in-year implementation costs of up to £3.151m from earmarked reserves for replacing the financial system, as set out in the Procurement Strategy for the Replacement of the Current Financial System agreed by the Executive on 8 February 2024. (Paragraph 5.8)

2.7. To note the HRA provisional outturn. (Section 6 and Appendices 1 & 2)

2.8. To note the capital outturn at Q4 for 2023/24 (Section 7, and Appendix 4) and the revised multi-year capital programme and how it will be financed. (Appendix 5)

2.9. To agree 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 7 and Appendix 4)

2.10. To agree that the fees and charges schedule is amended in respect of new leisure fees and charges relating to the Active Play and Active Zone. (Section 8 and Appendix 6)

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

	Q4 Outturn Over/(Under) Spend £m	Total Q3 Over/(Under) Spend £m	Change since Q3 £m
Adults Social Care	5.183	5.168	0.015
Chief Executive's	0.064	0.058	0.006
Children & Young People	(1.580)	1.623	(3.203)
Community Engagement & Wellbeing	0.240	0.369	(0.129)
Community Wealth Building	1.458	1.449	0.009
Environment & Climate Change	12.790	9.950	2.840
Homes & Neighbourhoods	0.549	0.659	(0.110)
Public Health	0.000	0.000	0.000
Resources	1.225	0.398	0.827
Total: Directorates	**19.930**	**19.674**	**0.256**
Corporate Items	(7.907)	(7.319)	(0.588)
Total: General Fund	**12.023**	**12.355**	**(0.332)**
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	**0.061**	**0.393**	**(0.332)**

3.2. The movement across directorates since the previous reported position is relatively stable. The largest movements relate to:

- Children & Young People underspend of -£1.580m (compared to a previously reported forecast overspend of +£1.623m). This movement reflects the reduction in the number of children in care during the year, and increased grant income above previously forecast levels.
- Environment & Climate Change overspend of +£12.790m (compared to a previously reported forecast overspend of +£9.950m. The movement reflects income losses in the Leisure directorate as explained in Section 4 of this report.

3.3. General contingency of -£5.000m and Inflation, Energy, and Demand contingency of -£6.962m built into the 2023/24 budget have been applied. This is unchanged from the previous reported position and partly offsets the directorate overspend position.

3.4. In recognition of the council's commitment to strengthen its financial resilience, a one-off transfer from GF Earmarked Reserves to the provisional outturn position and through to the GF Balance has been made to increase the GF Balance towards the target level of £40m set out in the 2023/24 and 2024/25 budget reports. This is set out in Section 5 of the report. General contingency of £5m per annum has been utilised to offset directorate overspends for the last two financial years; this would otherwise have been put to the GF Balance if unused at financial year end. This transfer ensures that the target GF Balance of £40m is achievable over the medium term assuming that directorates deliver within existing approved budgets.

4. General Fund

Adult Social Care +£5.183m overspend, an increase of £0.015m since the previous reported position.

4.1. The provisional outturn for the Adult Social Care directorate is a net overspend of +£5.183m, 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.

4.3. There are ongoing discussions with Care UK regarding the reimbursement of costs associated with the temporary suspension of placements.

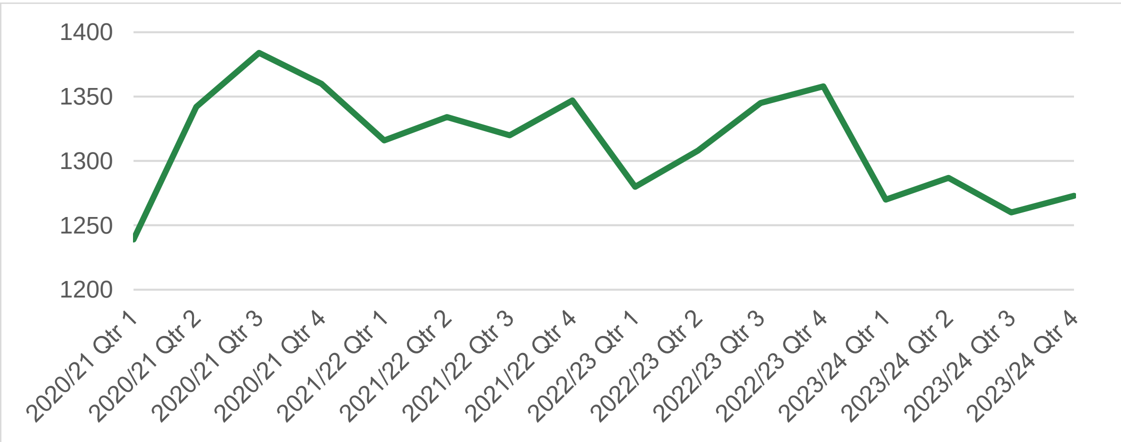
Memory Cognition and Physical Support - Increase in placement cost above demographic growth allocation (+£1.823m, a decrease of £0.131m since the previous reported position).

4.4. The directorate 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. The demographic growth allocated to Memory and Cognition and Physical Support in 2023/24 was £1.480m.

4.5. Management actions to mitigate the pressures include:

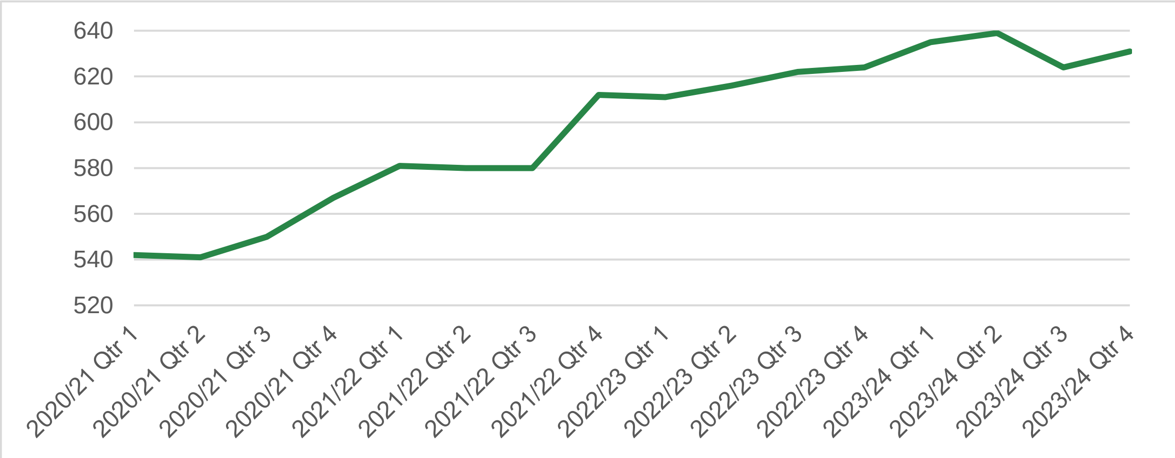
- Using the Integrated Quality Assurance Meeting (IQAM) to focus on promoting independence and maximising enablement. IQAM is a panel process led by senior managers in Adult Social Care to ensure care packages both meet resident needs and deliver value for money.
- Operational Social Work Management 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.



4.6. 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.



4.7. 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 (+£1.986m, an increase of £0.015m since previous reported position).

4.8. 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, full year impact of 2022/23 service users +£0.610m plus additional service users in 2023/24 +£0.491m. Overall pressure of +£1.102m, this is a +£0.091m increase on the previous period.

4.9. 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.

4.10. In addition to an increase in number, there is also an increase in the acuity of needs of existing service users +£0.884m, a decrease of £0.076m on the previous period. The demographic growth allocated to Learning Disabilities in 2023/24 was £1.140m.

Slippage in the delivery of savings (+£1.789m, an increase of £0.100m since the previous reported position).

4.11. There have been delays in savings delivery in Memory Cognition and Physical Support +£1.789m:

- 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 +£0.691m.

- 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 +£0.169m.
- Review of placements savings have slipped by +£1.429m, 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).

4.12. Overall Adult Social Care has delivered savings of £4.440m in 2023/24 (this includes one-off savings) and all the slippage has been carried forward and incorporated into the savings delivery plan for 2024/25.

Additional Grant Income

4.13. 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 budgeted levels.

4.14. Management actions undertaken to reduce the overall departmental pressure were:

- 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.

Chief Executive's Directorate +£0.064m, +£0.006m since the previous reported position

4.15. The provisional outturn for the Chief Executives Directorate is a +£0.064m net overspend position (an increase of +£0.006m since the previous reported position), which is detailed by key variances in Appendix 1.

4.16. The variance reported is due to the cost of an additional Policy Engagement & Complaints officer offset by a slight underspend on supplies and services budgets.

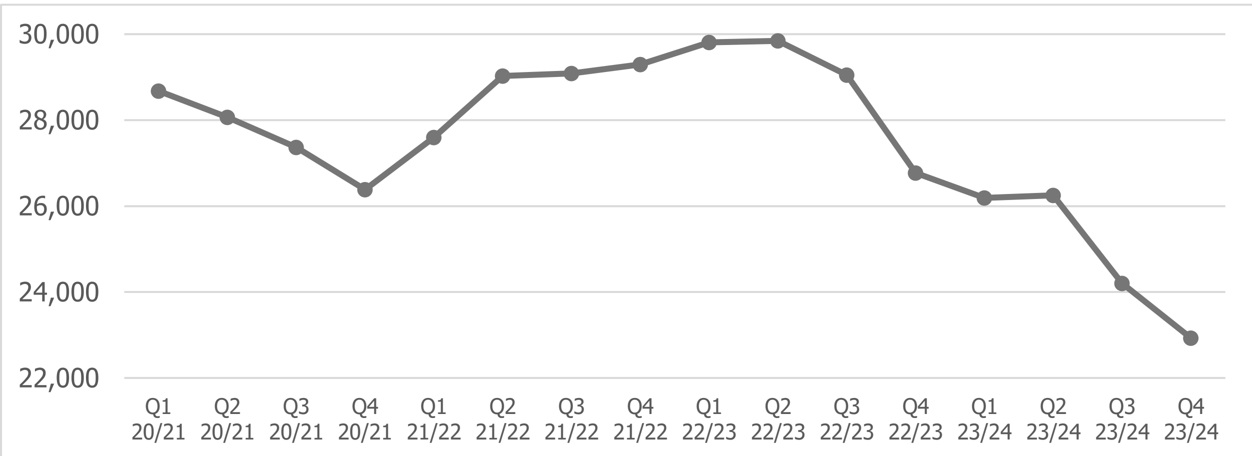
Children & Young People -£1.580m GF underspend (-£3.203m movement since the previous reported position), DSG -£0.685m in-year underspend and Schools £0.305m in-year overspend.

4.17. The provisional outturn for the Children and Young People Directorate is a net underspend of -£1.580m (an improvement of £3.203m since the previous reported position), which is detailed by key variances in Appendix 1.

4.18. Variances to note include:

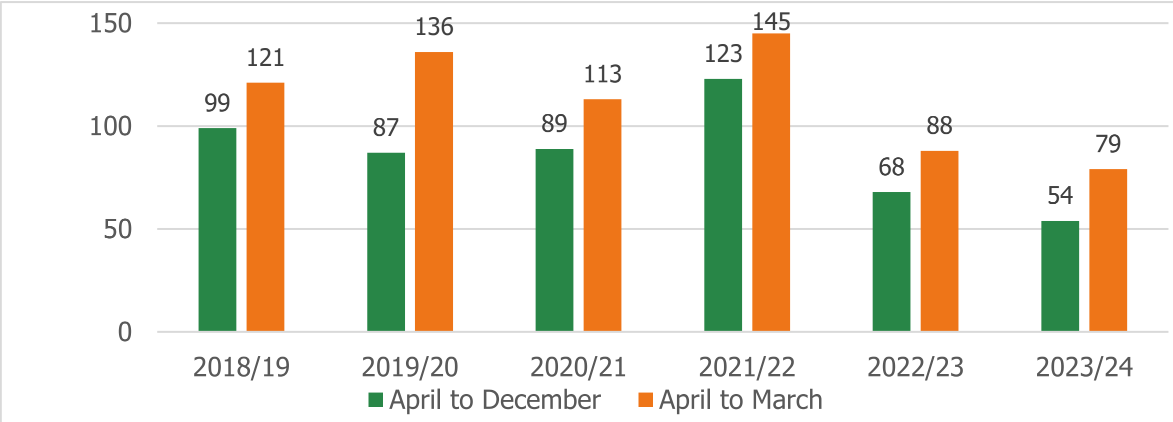
- -£1.831m underspend against the children's social care placements budgets (an improvement of -£0.956m). The movement in the position relates to a forecast increase in case numbers of Children Looked After (CLA) or further fee increases were experienced did not materialise.
- A number of children, in the main adolescents, were being supported in the community, but there were risks that some may need to be brought into care if the wraparound support being provided proved not to be successful in meeting their needs. The number of CLA has reduced to below 300 children during 2023/24, compared to 334 children at the end of 2022/23. More children were supported with their families in the community. The outlook for this budget has continued to improve through 2023/24 to date as the number of CLA coming into care continued to fall. Additionally, the provider fee rates overall were successfully negotiated for lower increases than those previously anticipated and budgeted for.
- It should be noted that in 2023/24, £2.7m was provided to Children & Young People to fund the anticipated increase in CLA demography and non-pay (contract) inflation. Consideration should be given to offsetting this over-funding against the 2024/25 allocation towards the future increase in numbers and inflation. This recognises the excellent work of the service in achieving better outcomes for children at a lower cost, lowering the cost base going into the new year.
- Bed night activity levelled off in Q2 and dipped significantly over the second half of the financial year, 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 is 10% lower compared to 2022/23.

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



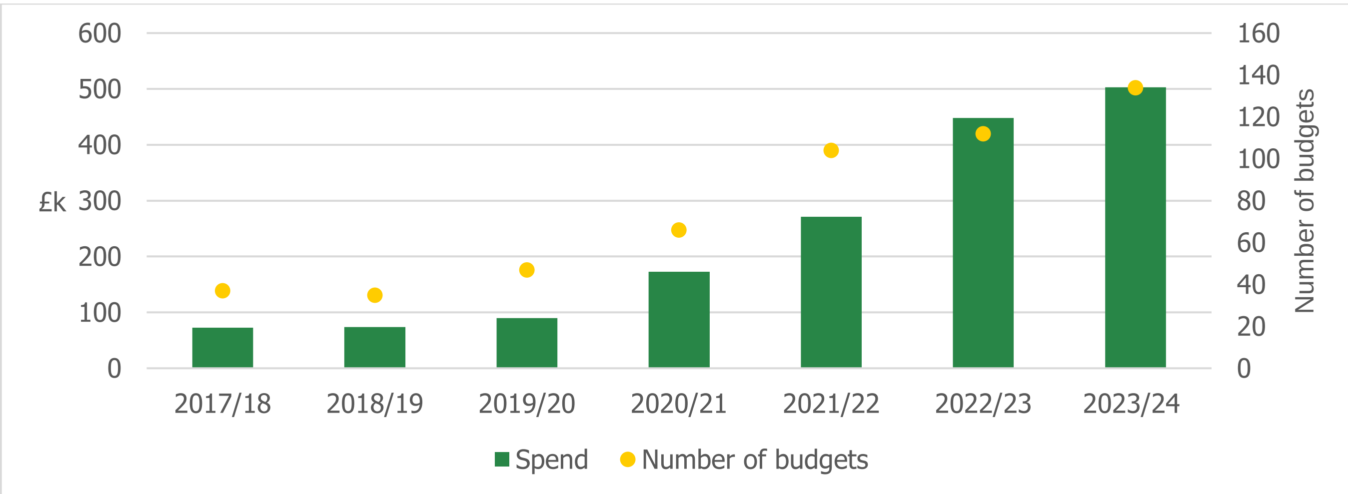
- The number of children becoming looked after has continued to fall since 2021/22. During 2021/22 a total of 145 children excluding Unaccompanied Asylum-Seeking Children (UASC) came into care. This reduced to 88 children in 2022/23 and has since reduced further to 79 children during 2023/24. This is a demand led service area, where fluctuations in the numbers of CLA and expenditure on placements can be experienced from one year to the next, and as such, will remain a high-risk area going forwards.

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



- +£0.934m overspend against the budget for SEND Transport (a reduction of £0.139m from Q3). Activity on buses and taxis remains largely static over the past year, but costs have increased above inflation. There has been continued growth in the number of Personal Travel Budgets (PTBs). This costs less, but the overall growth in numbers of children requiring school transport has resulted in a year-on-year cost pressure. The cost of using PTBs is around a third of the average cost of using taxis or school buses. Inflationary pressures under the new taxi framework contract that commenced from September 2023 are a significant contributor to the overspend, with unit costs increasing by an average of 30%. The 2024/25 SEND Transport budget has been increased to address these inflationary and demographic pressures.

Figure 5 - Demand for personal travel budgets



- -£0.272m underspend against the UASC budgets. The majority of the claims made to the Home Office during 2023/24 have been paid and the grant income has been allocated against relevant costs incurred during the year. The underspend relates to grant claims made in 2022/23, but the grant income was not received until the following financial year. It was considered prudent not to accrue for this income in 2022/23 accounts in case the Home Office disputed the claims.

- +£0.361m overspend on the Disabled Children's Service, mainly due to continuing pressures on Direct Payments and Personal Budgets (an increase of £0.154m from Q3).
- +£0.410m overspend on Schools' Traded Services due to a shortfall in traded income against budgets (an increase of £0.125m since Q3). As schools' budgets continue to come under pressure, it is likely that traded income will continue to be below present budgeted levels. A review of traded services has commenced.
- -£0.558m underspend against Early Years' budgets on service budgets and children's centres (an improvement of £0.471m from Q3). This underspend is mainly due to reduced staffing costs across Bright Start services and the Children's Centres, where there have been staff vacancies throughout the year. This is partly due to difficulties in recruiting across this sector. However, reduced numbers of children attending the nurseries has also meant that less staff have been needed during 2023/24.
- -£0.149m underspend across Safeguarding, Quality Assurance and Workforce Development, mainly due to income received from other boroughs as part of the Children's Social Care Improvement Partners programme.
- -£0.116m underspend across Early Help services, mainly against staffing budgets due to vacancies.
- -£0.112m underspend against Adventure Play services due to a reduction in contract prices over the year.
- -£0.144m underspend against the Youth Justice Services budget (an improvement of £0.082m from Q3). This underspend reflects a reduction in the number of children coming through the Youth Justice services during 2023/24.
- -£0.106m underspend against Youth Services due to successful bids for additional external funding received during 2023/24 and a reduction in the expenditure previously forecast on services. This may continue into 2024/25 but is dependent on youth premises maintenance and running costs, and whether bids for additional external funding going forward are successful.

4.19. The agreed savings were delivered in 2023/24, as detailed in Appendix 3.

Dedicated Schools Grant

4.20. The provisional outturn position for the Dedicated Schools Grant (DSG) is an in-year underspend totalling -£0.685m, (an improvement of -£0.969m from the Q3 forecast position). The improved position reflects the underspend against the schools' growth fund. There was also an improvement of -£0.800m against the High Needs Block compared to the previous reported forecast due to the contingency held for additional expenditure on outer-borough independent school places not being required by the financial year end.

4.21. Variances to note include:

- -£0.047m provisional underspend against the school's block. One school did not meet the threshold requirement for growth funding and therefore, the funds were not required. This balance will be redistributed across all schools in the new financial year.

- +£0.256m overspend against the Early Years Block due to two clawbacks during 2023/24 related to reduced nursery attendance across the borough in prior years.
- -£0.905m underspend against the High Needs Block. This underspend relates to the balance of the in-year High Needs contingency. This in-year underspend will be added to the High Needs Block previous years' carry forward balance to help meet the presently expected future demand pressures against this block.

4.22. The DSG provisional balances now total £5.768m. They were previously forecast to decrease to £4.799m during 2023/24. These balances are earmarked in future years to manage increasing pressures on the High Needs Block and the Early Years Block, including further potential clawbacks on the Early Years' Block. The outlook for the High Needs Block is particularly concerning with the in-year balance currently forecast to reduce to a deficit of £1.1m in 2024/25.This will be dependent on the number of children with SEN, and the complexity of their needs and the expenditure and type of provisions required to meet these needs. The provisional movement in the DSG balances is shown in the below table.

Table 2 - Provisional DSG Balances (£m)

	Schools Block	De-delegated budgets	Central Schools Services	High Needs Block	Early Years Block	Total
Opening balance	**0.512**	**0.156**	**0.264**	**3.284**	**0.867**	**5.083**
In-year DSG variance	0.108	(0.062)	(0.010)	0.905	(0.256)	0.685
Provisional closing balance	**0.620**	**0.094**	**0.254**	**4.189**	**0.611**	**5.768**

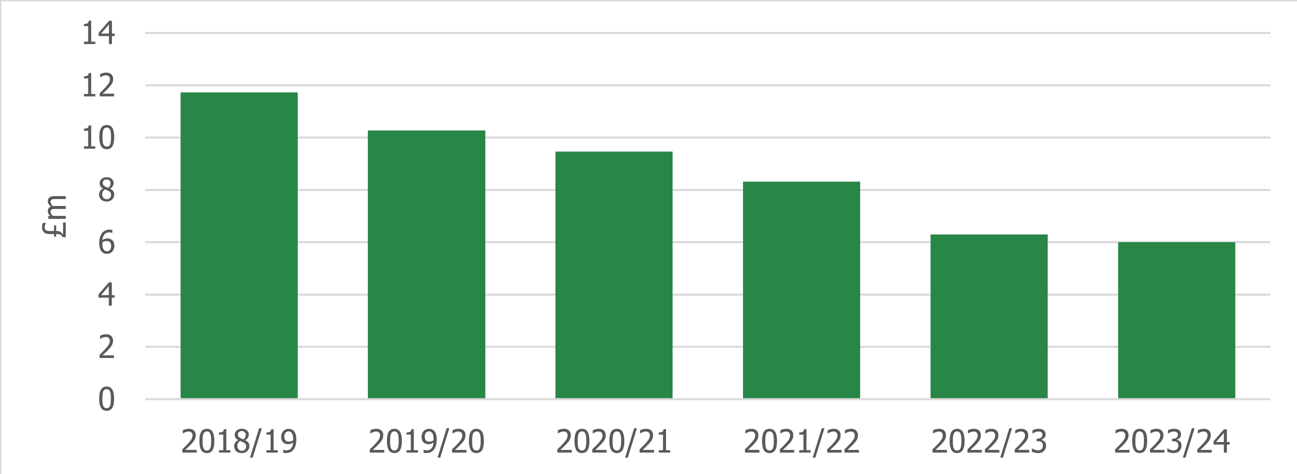
Schools' Balances

4.23. The provisional 2023/24 outturn position for Islington's schools is an in-year deficit of £0.305m, which would result in a total surplus balance of £5.985m. The number of schools in deficit at year end is 17 (33%).

4.24. Individual school balances in Islington have been in decline since 2018/19 when they stood at a total of £11.732m. Balances have reduced steadily since then. They totalled £8.313m at the end of 2021/22 and ended 2022/23 with a total balance of £6.291m. It was forecast by schools that their overall balances would more sharply reduce from 2023/24. However, there has been an improvement of £2.3m in their overall provisional outturn position for 2023/24 compared to their Q3 forecasts, with total balances now totalling £5.985m. Figure 6 shows the annual movement in the total reserves from 2018/19 to date.

4.25. The pressures on schools' balances are a national issue. Inner London boroughs, in particular, have seen significant reductions in their total pupil numbers since 2019/20, leading to increasing numbers of schools forecasting future deficit budgets. This risk is being responded to in Islington through the schools' strategic reorganisation programme.

Figure 6 – Schools' Balances 2018/19-2023/24



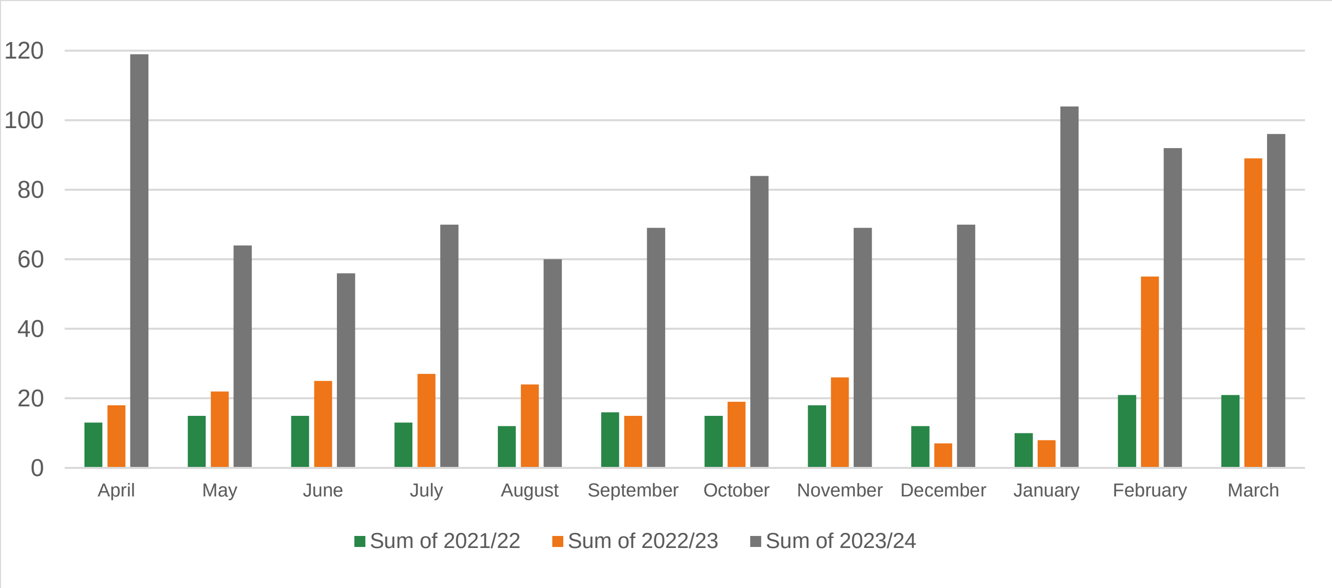
Community Engagement and Wellbeing +£0.241m overspend, -£0.128m since previous reported position.

4.26. The provisional outturn position for the Community Engagement and Wellbeing Directorate is an overspend of +0.241m, which is detailed by key variances in Appendix 1.

4.27. 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.
- (+£0.385m, +0.048m since previous reported position) cost pressure due to overtime and agency staff to deal with 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 Q3 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)



- (-£0.444m, a reduction of £0.176m 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 +£1.458m overspend, +£0.009m since previous reported position

4.28. The provisional outturn position for Community Wealth Building is an overspend of +£1.458m (an increase of +£0.009m from the previous reported position). Key variances are detailed in Appendix 1.

4.29. Corporate Landlord Division: +£1.503m overspend (an increase of +£0.242m from the previous reported position). The main variances are as follows:

- Shortfall in net commercial property income of +£1.316m. Efforts are currently underway within the organisation to address and rectify this historical deficit in the budget.
- The Future Work project's budgeted savings were delayed due to delays in project timelines. Delays in furniture orders and the delayed closure of NBW, resulted in only £0.382m in savings realised this year against a budget of £0.836m. The remaining £0.454m in savings will be delivered next year.

4.30. Planning and Development: +£0.570m overspend (an increase of +£0.458m from the previous reported position). The increase in this pressure is due to delays to the submission of planning applications and a planning performance agreement at three significant planning sites. This was previously reported as a risk. Given the delays, it is expected that these fees will now fall within the next financial year. The government also delayed implementation of planned increases in statutory planning fees impacting income in this financial year. The full year effect of these changes will be felt in 2024/25. There has also been a shortfall in income in relation to building regulations and the Design Review Panels.

4.31. Community Financial Resilience: -£0.482m underspend (an increase of -£0.482m from the previous reported position). The main variance is in relation to an underspend against the housing benefit grant of -£0.533m due to additional grant and external income.

4.32. There is an energy cost pressure in relation to the corporate landlord service of +£1.894m. This is fully offset by the corporate energy provision.

Environment and Climate Change +£12.790m overspend, +£2.840m increase since previous reported position

4.33. The Environment & Climate Change directorate is reporting a +£12.790m overspend position (an increase of £2.840m since Q3), which is detailed by key variances in Appendix 1.

4.34. Within the Environmental and Commercial Operations division, there is a +£13.289m overspend as detailed below. This is a movement of £3.220m from the reported position of +£10.069m overspent at Q3. These changes are detailed below:

- There is an underspend position of -£0.442m (a decrease of -£0.133m since Q3) within the Fleet service due to additional recharges for workshop services.
- The Leisure department is presenting a +£2.470m overspend (an increase of +£2.598m since Q3) due to the £2.469m net rent loss within the leisure estate resulting from the fires and flood at three leisure centres beginning in 2018/19. Processes to recover this income loss from insurers and third parties remain ongoing at the end of the 2023/24 financial year. Any insurance income recovered in future financial years will be used to replenish the impact that this income loss has had on council reserves. The Leisure position also includes general overspends on employee (+£0.018m) and running costs (+£0.038m) which has been offset by a timing difference in relation to the 2022/23 energy cost accrual of -£0.052m. The outturn on Leisure includes a £0.395m allocation from the corporate energy provision to offset the council's share of the 2023/24 energy costs for the leisure estate.
- Greenspace is reporting an overspend of +£0.065m (a decrease of -£0.049m since Q3) mainly due to the non-delivery of the vacancy factor within the ground maintenance service offset by higher levels of parks event income. The position on Greenspace includes a £0.141m allocation from the corporate energy provision to offset additional energy costs of the park huts, toilets, netball/football pitches.
- The Tree Service is reporting a +£0.162m overspend (an increase of +£0.162m since Q3) due to timing differences in relation to 2022/23 invoices and shortfall of income against budget in 2023/24.
- There is an overspend within Street Operational Services of +£1.115m (an increase of +£0.648m since Q3). The movement is due to increased ICT costs, winter maintenance costs (in particular vehicle repair and maintenance costs within the refuse collection service) and a pressure in relation to non-household (trade) waste and chargeable household waste. Other pressures previously reported relate to income pressures from sale/rent of containers and additional staff costs relating to the boxing day bank holiday.

4.35. The parking account is showing a +£9.919m shortfall (a decrease of -£0.006m since Q3) mainly as a result of shortfall across a number of income lines.

- There is a shortfall on permit income of +£5.539m (improvement since Q3, when the pressure was reported at +£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.
- There is a shortfall in paid for parking income of +£2.388m. 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 £2.028m position at Q3 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 +£0.033m mainly as a result of a refund of a duplicate payment that was received in the previous financial year.
- There is an overperformance of -£0.376m 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 an underperformance of +£0.379m. £1.000m was previously assumed to be received as part of the roll-out of high-speed internet connections, however, it was removed at Q3 and is now forecast to be received in the 2024/25 financial year. Suspension income has been subdued in 2023/24 due to the actors' strike decreasing the requirement for suspended parking bays.
- An overspend of +£1.956m across pay and non-pay expenditure. This consists of +£0.476m overspend on employee costs as a result of newly created posts and staff recharges by Access Islington/Parking Projects. +£0.842m overspend on running expenses; mainly printing, franking & postage, bank charges and CCTV camera maintenance costs. +£0.638m overspend following the GMB pay award and PCN debt registration charges.

4.36. There are other key variances as explained below:

- The Business Performance & Improvement division is reporting a -£0.146m underspend (an increase of +£0.021m since the previous reported position) mainly due to a number of vacancies that were previously forecast to be recruited to in-year. This is offset by a shortfall in local land charge income.
- The Climate Change & Transport division is reporting a -£0.209m underspend (a decrease of -£0.419m since the previous reported position) resulting from costs relating to the Bunhill site and a shortfall in the advertising contract income. This is offset by additional recharge income and fee income from external parties within the highways/lighting teams and scaffolding and hoarding licence income within Streetworks.
- There is an underspend of -£0.144m (an increase of +£0.018m since Q3) due to vacant posts within the Senior Management Team of the Environment & Climate Change department offset by additional running costs.

Homes and Neighbourhood £0.549m overspend, £0.108m decrease since previous reported position

4.37. The Homes and Neighbourhood directorate (Housing Needs and Community Safety, Security, and Resilience (CSSR)) is reporting a £0.549m overspend position, which is detailed by key variances in Appendix 1.

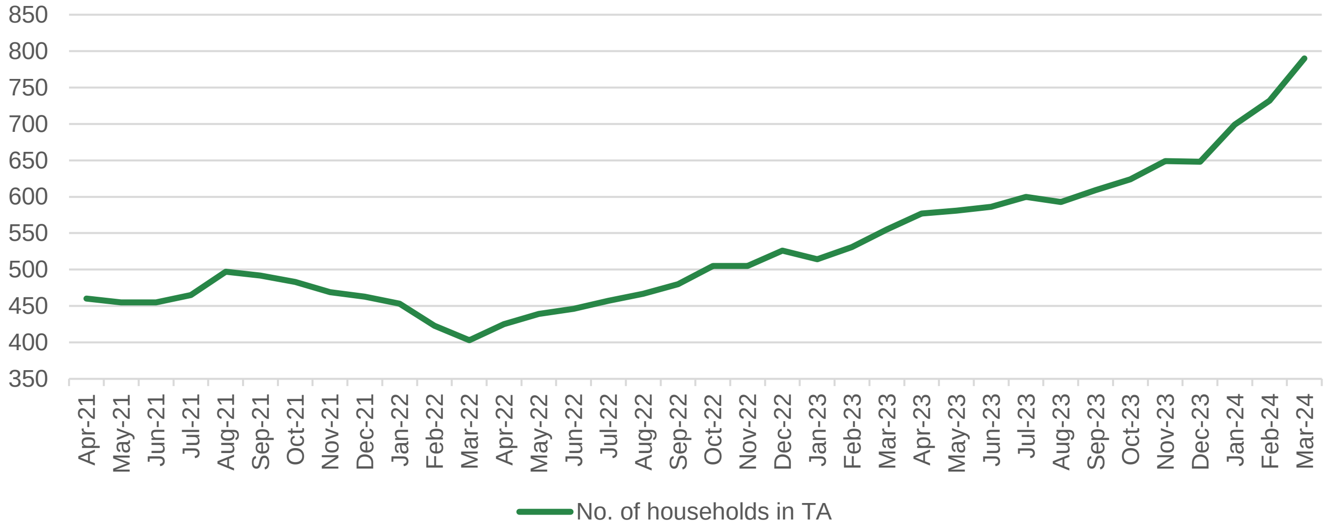
4.38. Within the overspend position there are a number of variances to note:

- Housing Needs: There is an overall overspend of £0.585m (an increase of £0.115m since the previous reported position). Temporary Accommodation (TA) is the primary driver of costs in this area, reporting an overspend of £0.269m. 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 increasing number of homeless cases has also led to a rise in bad debt write-offs (£0.279m overspend).
- CSSR: There is an overall underspend of -£0.104m (a decrease of £0.166m since previous reported position). ASB and Compliance has a +£0.356m overspend driven by both staff overtime costs and a +£0.217m shortfall in income from fixed penalty notices (FPNs) for littering, fly tipping, and commercial waste. Income targets have increased in recent years, yet the team are struggling with staff shortages and legal changes. This is offset by a (£0.453m) underspend in Private Housing and Commercial Services, largely driven by staff vacancies where recruitment is proving difficult and contributions from the Disabled Facilities Grant.
- Civic Services: +£0.068m overspend (A decrease of- £0.059m since previous reported position). 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. TA cases have risen nationally and expected to rise over the next 3 years. Based on Islington’s own forecasts, we calculate a 25% increase in the number of households in TA over the past 12 months. The local and national picture are increasingly difficult for the homeless:

- Nationally the cost-of-living crisis is impacting on residents and private sector rents are rising in Inner London by 13.2pc (based on London rental values Jan 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.

Figure 8 – April 2021 to March 2024 – Number of Households in Temporary Accommodation



- A number of different capital grants have been secured by the council that will lead to an increase in Islington's housing acquisitions programme and the new Stacey Street project releasing up to 100 new properties in 2023/24 and 310 new properties in 2024/25. These properties will be cost neutral to the Housing General Fund (HGF) budget and will help lower TA costs in the long 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 £1.956m 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 +£2.453m overspent.

4.40. Savings – The HGF had a significant amount of savings to be delivered for 2023/24. Sustained rises in TA case numbers mean it was not possible to achieve the £0.374m of savings related to a reduction in TA case numbers, therefore resulting in a pressure. The rise in TA case numbers was the primary cause of the HGF overspend. This position will be monitored closely going forward into 2024/25.

4.41. It is difficult to draw long-term conclusions for 2024/25 and beyond for the department. TA case rises, service restructure costs, income shortfalls, and the increasing cost of rent deposits will all add to the financial challenges in 2024/25. Housing Needs and CSSR are both reliant on grants. If those 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's provisional outturn position for this financial year is break-even. Key variances are detailed in Appendix 1.

4.43. There are number of variances that have impacted on the department and have been included in the current outturn 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 required a contribution from PH Islington to help support the budget deficit. Islington PH has contributed (+£0.150m) and the funding has been transferred to CNWL.
- The department has funded a number of one-off projects (+£0.495m) in the Other Public Health division. This includes one-off commitment to fund staff costs (+£0.183m). This has been met from wider underspends in Public Health.
- The department is showing an underlying underspend position of (-£0.071m); this will be transferred to the Public Health Reserve. This is detailed in Section 5 of this report.
- There are smaller variances detailed in Appendix 1.

Resources +£1.225m overspend, +£0.827m increase since previous reported position

4.44. The Resources directorate provisional outturn is an overspend of +£1.225m, which is a +£0.827m increase since the previous reported position. The increase is primarily due to a shortfall in budgeted Legal Services income from the HRA and an increase in staffing pressures across the service. Key variances are detailed in Appendix 1.

4.45. There is a pressure of +£0.345m due to the delayed delivery of the £0.500m back-office efficiency saving (a reduction of -£0.026m). Plans are in place to implement the projects relating to this saving within the current financial year.

4.46. An overspend of +£0.275m relates to staffing pressures across the Business Support service (an increase of +£0.101m). 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.

4.47. There is a +£0.265m shortfall in budgeted income from the HRA for Legal Services following a review of recharges.

4.48. A -£0.222m underspend against the organisation development training budget. This is offset by staffing pressures in human resources of +£0.209m and costs in relation to the delivery of the Human Resources transformation programme +£0.144m.

4.49. Other smaller variances are detailed at Appendix 1.

Corporate Items -£7.907m underspend, -£0.588m decrease since the previous reported position

4.50. There is an underspend of -£7.907m on central budgets, a -£0.588m improvement since the previous reported position. Key variances are detailed in Appendix 1.

4.51. The largest variances relate to the capital financing budgets. These include:

- Interest Receivable: Due to prevailing higher interest rates, there was additional interest received in 2023/24 of -£2.494m, compared to budget. Additionally, there is an underspend of -£0.414m in relation to interest charges with the HRA and schools.
- Interest Payable: Due to reduced capital expenditure being financed through GF borrowing, there is an underspend of -£3.374m against the interest payable budget of £7.063m.

- Minimum Revenue Provision (MRP): As a result of reprofiling of the capital programme and PFI related saving, there is an underspend of -£1.710m on the MRP for debt repayment.

4.52. 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. There is a forecast overspend of +£0.204m on coroner's court consortium charges due to increase in lease and facilities management costs, and increased number of juries since 2022/23.

4.53. Following the annual actuarial review of insurance liabilities, there is a required top-up to the council's insurance fund of +£2.554m. This maintains the insurance fund at the same like-for-like basis as the previous financial year end, taking into account 2023/24 calls on the insurance fund, estimated claims liabilities to be settled in the future and risk buffer.

4.54. There is also a year-end pressure of +£1.260m due to an increase in the accounts receivable impairment allowance for doubtful debts. The impairment allowance is calculated as a percentage of outstanding debt at 31 March 2024. It has increased because the overall outstanding debt has increased since 1 April 2023.

4.55. 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 resulted in an underspend of -£0.916m on the 2023/24 budgetary provision for the pay award.

4.56. It was announced in the final Local Government Finance Settlement 2024/25 in February 2024 that the government would distribute a £100m surplus from its Business Rate Levy account in 2023/24. For Islington, this represented additional, unbudgeted government grant income of -£0.715m.

4.57. Energy cost pressures of +£1.894m for CWB and +£0.536m for Environment are included in the directorates positions and have been offset by an in-year virement from the corporate budget for energy pressures, as shown in Appendix 2. This has left a -£2.575m underspend related to unused energy budgets, an improvement of -£0.853m compared to the previously reported position. This underspend is partly offset by a pressure resulting from the delivery of cross-cutting savings +£1.423m.

4.58. Other smaller variances include:

- An adverse variance of +£0.559m compared to budget assumptions in relation to the recharge of central support costs.
- Apprenticeship levy pressure +£0.233m.
- Additional, unbudgeted top-up grant of -£0.421m following the 2023 business rates revaluation.
- Audit fees overspend +£0.330m due to increases in audit fees across the sector and a change in auditor for 2023/24.
- Other smaller variances are detailed at Appendix 1.

Inter-directorate Virements and Structural Adjustments

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

4.60. 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.

4.61. A virement for transfers to/from earmarked reserves has been posted. More detail on the transfers to/from reserves can be found in Section 5.

4.62. The technical adjustment virements predominantly relate to IAS 19 employee benefits and other year-end accounting adjustments.

4.63. Other adjustments relate to the allocation of centrally held budgets for demographic growth, pay inflation, energy budgets and cross-cutting savings.

Treasury Management

4.64. On 31 March 2024, the council had net borrowing of £239.345m arising from its revenue and capital income and expenditure.

4.65. The council's Treasury Management Strategy Statement (TMSS) for 2023/24 was approved by full Council on 2 March 2023. The council's policy objective is to be prudent and invest surplus cash balances arising from the day-to-day operations of the council to obtain an optimal return while prioritising liquidity and security of capital.

4.66. Total investment balances have increased from £53.700m on 1 April 2023 to £103.200m on 31 March 2024.

4.67. The Bank of England headline rate as at 31 March 2024 was 5.25%.

4.68. Although average surplus cash for investment has decreased during the year, cash has been invested with higher interest rate due to the increase of the bank rate. In the TMSS it was assumed that new treasury investments during the 2023/24 financial year would be made at an average rate of 3%. The treasury investment balance has ranged between £75m and £150m during the year. The average return on investment was 4.35% with Q4 averaging at 4.86%, and the average level of funds available for investment in 2023/24 was £94.8m. The council's investment return for the year was £4.133m.

4.69. Over the reporting period, all treasury investments activities have been carried out in accordance with the approved limits and the prudential indicators (PI) set out in the council's TMSS.

4.70. At 31 March 2024 the council held £342.540m of loans, which was within the authorised limit of £608.800m set in the TMSS.

4.71. During 2023/24 the council repaid £23.060m of long-term loans and borrowed £100m from PWLB at an average rate of 4.446% to support HRA capital spend.

4.72. Short-term funding of £20m secured from a local authority for cashflow purposes was repaid during the year.

Collection Fund

Background

4.73. 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).

4.74. 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 for the financial year is made annually in January and factored into the budget setting estimates for the subsequent financial year.

Council Tax

4.75. The 2023/24 provisional council tax outturn for the year is a +£1.908m deficit (£1.459m Islington share; £0.449m GLA share) compared to the assumptions at 2023/24 budget setting in January 2023. This comprises a £0.474m 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.

4.76. The in-year deficit of +£0.474m is due to the following variances:

- Higher than budgeted exemptions and single person discounts have contributed to extra costs of +£4.749m 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 an increase in council tax income of -£1.350m and a saving of -£2.925m in the bad debt provision compared to budget due an improvement in cash recovery.

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

Table 3 - 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	(3.811)	(1.147)	**(4.958)**
Prior Year (Surplus)/Deficit Impacting 2023/24	**(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 (Surplus)/Deficit	0.368	0.106	**0.474**
2023/24 (Surplus)/Deficit Impacting Future Financial Years	**1.459**	**0.449**	**1.908**

National Non-Domestic Rates (NNDR)

4.78. The 2023/24 provisional NNDR outturn for the year is reporting a -£40.741m surplus (£12.222m Islington share) compared to the estimated position at 2023/24 budget setting. This comprises a -£28.133m in-year 2023/24 surplus and an additional -£12.608m surplus brought forward from 2022/23.

4.79. The in-year surplus of -£28.133m was generated mainly due to:

- -£15.163m lower than budgeted retail, hospitality and leisure (RHL) discounts.
- -£12.557m reduced bad debts and appeal provisions.
- -£0.413m other variances.

4.80. The additional -£12.608m surplus brought forward from 2022/23 relates to favourable movements in the 2022/23 NNDR position, in the main the business rates appeal estimates) between the January 2023 forecast and the actual 2022/23 outturn.

4.81. The budgetary impact of the council's share of the NNDR (surplus)/deficit and the Section 31 grant budget variance is set out in Table 4 and will be fully offset by a transfer (to)/from the Core Funding reserve that has been earmarked for this purpose.

<u>Table 4 – NNDR Surplus/(Deficit)</u>

	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	(7.482)	(9.227)	(8.231)	**(24.940)**
2023/24 Variance on Section 31 Grant Income	2.162			**2.162**
Prior Year (Surplus)/Deficit Impacting 2023/24	**(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 (Surplus)/Deficit	(8.440)	(10.409)	(9.284)	**(28.133)**
2023/24 (Surplus)/Deficit Impacting Future Financial Years	**(12.222)**	**(15.074)**	**(13.445)**	**(40.741)**

Collection Rate

4.82. The council set an estimated in-year target collection rate for council tax of 95.3%, against which 94.3% (£143.1m) has been collected. This is -1.01% (-£1.494m) lower than the in-year target rate. The collection rate was similar to the previous year, 2022/23, which was 94.4%.

4.83. For business rates the council set an in-year target collection rate of 96.7%, against which 95.3% (£260.6m) has been collected. This is -1.39% (-£3.810m) lower than the annual in-year target rate. The collection rate for business rates in the current financial year improved by 0.7% compared to the 2022/23 collection rate of 94.6%.

Debtors Analysis

4.84. The total council tax debtors balance at the end of Q4 was £38.9m (£29.6m Islington's share), of which £8.5m (£6.5m Islington's share) or 21.9% relates to 2023/24 bills. The remaining £30.4m relates to prior years.

4.85. The total outstanding balance for council tax at the end of the previous financial year, 2022/23, was £38.5m, meaning that the 2023/34 year-end balance was higher by +£0.4m or +1.1%.

4.86. Of the £38.9m current outstanding council tax debt, £6.5m (17%) relate to accounts in receipt of council tax support. This represents 4,777 council tax accounts. The value of arrears in 2022/23 for council tax support customers was £4.7m, representing 4,262 accounts. Compared to last year, arrears have increased by £1.8m or 38%.

4.87. The total NNDR debtors balance at the end of Q4 was £27.5m (£8.3m Islington's share), of which £11.9m (£3.6m Islington's share) or 43.1% is the current year's outstanding balance. The remaining £15.6m relates to prior years.

4.88. The total NNDR debtors balance at the end of the previous financial year, 2022/23, was £28.5m, meaning that the 2023/34 year-end balance was lower by -£0.956m or -3.4%.

4.89. The change in council tax current year debtors between Q3 and Q4 is -£24.4m or -38.5%, of which -£22.3m relates to 2023/24 and -£2.1m to prior years.

4.90. For NNDR, the change in debtors between Q3 and Q4 is -£21.5m or -43.8%, of which -£20.9m relates to 2023/34 and £0.6m to prior years.

4.91. The movement in council tax and NNDR debtors is summarised in Table 5 below.

Table 5 – Collection Fund Debt Movement

	Mar 2023 (2022/23)	Jan 2024 (2023/24)	Mar 2024 (2023/24)	Movement Between Q3 and Q4 2023/24		Movement Between Q3 2022/23 and Q3 2023/24	
	£m	£m	£m	£m	%	£m	%
Current Year Debt (Business Rates)	15.594	32.792	11.856	(20.936)	(63.8%)	(3.738)	(24.0%)
Prior Years Debts (Business Rates)	12.865	16.173	15.647	(0.526)	(3.3%)	2.782	21.6%
Total Outstanding Business Rates Debts	**28.459**	**48.965**	**27.503**	**(21.462)**	**(43.8%)**	**(0.956)**	**(3.4%)**
Current Year Debt (Council Tax)	7.998	30.881	8.543	(22.338)	(72.3%)	0.545	6.8%
Prior Years Debts (Council Tax)	30.509	32.466	30.388	(2.078)	(6.4%)	(0.121)	0.4%
Total Outstanding Council Tax Debts	**38.507**	**63.347**	**38.931**	**(24.416)**	**(38.5%)**	**0.424**	**1.1%**

5. General Fund Earmarked and General Reserves

5.1. A fundamental element of the robustness of the council's annual budget and MTFS is the level of contingency budget, earmarked reserves and the GF balance, as determined by the Section 151 Officer.

5.2. The 2023/24 budget report included an addition to the council's earmarked reserves of £4m to strengthen the council's balance sheet and improve financial resilience.

5.3. The provisional outturn position is net of transfers to/from earmarked reserves. This is summarised in Table 6 with transfers to and from reserves above £0.500m included at paragraph 5.5, for approval by the Executive. The Executive is asked to delegate authority to the Section 151 Officer to agree any further movements to/from reserves related to finalising the 2023/24 Statement of Accounts.

5.4. The movements recommended for agreement enable the GF Balance and Earmarked Reserves level to move further above the absolute minimum level of £80m, established and agreed by Full Council as part of the 2024/25 budget report.

Table 6 – GF Earmarked Reserves and General Balances (£m)

Reserve Name	Opening Balance	Transfer to	Transfer from	Closing Balance
Business Continuity	10.000	0.000	0.000	10.000
Core Funding	9.781	9.714	(3.258)	16.237
Budget Risk	18.041	3.828	(0.210)	21.659
Insurance Risk	0.000	3.350	0.000	3.350
Budget Risk Reserves	**37.822**	**16.892**	**(3.468)**	**51.246**
BSF PFI 1 reserve	4.748	2.201	(3.471)	3.478
Corporate Projects and Systems	18.604	23.876	(24.231)	18.249
Capital Financing	1.806	0.194	(1.999)	0.000
Care Experience	18.527	0.000	(18.527)	0.000
CIL Admin	0.029	0.000	(0.029)	0.000
IAH Restoration Levy	0.047	0.041	0.000	0.088
Levies	3.315	0.000	(3.315)	0.000
Planned Spend Reserves	**47.076**	**26.311**	**(51.572)**	**21.815**
DSG	5.083	1.579	(0.894)	5.768
Joint Cemetery Trading	1.715	0.170	0.000	1.885
Pooled Schools Budgets	1.167	0.445	(0.141)	1.471
Public Health	1.522	0.071	0.000	1.593
Street Market Reserves	0.201	0.000	(0.114)	0.087
Restricted Grants & Contributions	11.458	6.098	0.000	17.556
Ringfenced Reserves	**21.145**	**8.363**	**(1.149)**	**28.360**
Total General Fund Earmarked Reserves	**106.043**	**51.566**	**(56.189)**	**101.421**
General Fund Balance	21.718	9.939	0.000	31.657
Total General Fund Reserves and Balances	**127.761**	**61.505**	**(56.189)**	**133.078**

5.5. Table 6 above assumes the following transfers to, from and between reserves over £0.500m for Executive approval:

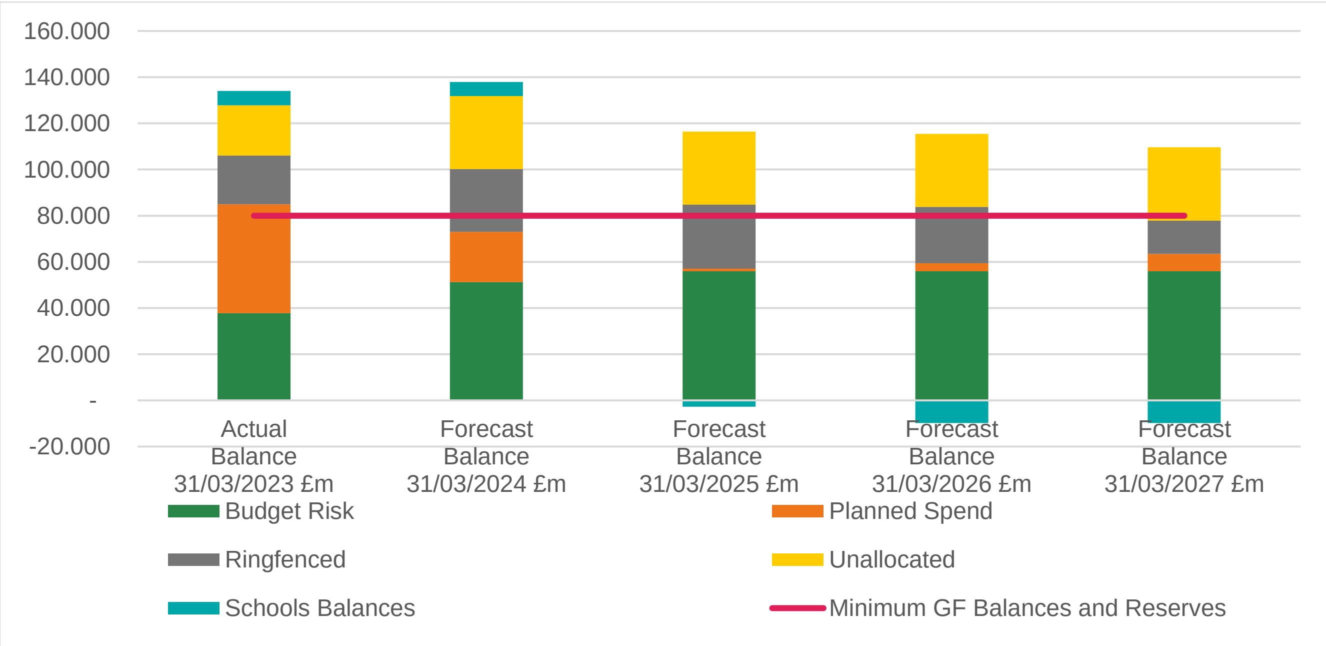
- Transfer +£4.790m to the Restricted Grants & Contributions reserve for a one-off arrangement has been agreed with North Central London Integrated Care Board for them to fund pressures in Adult Social Care placements and discharge funding contribution to a joint transformation fund.
- Drawdown -£2.055m from the Corporate Projects and Systems reserve for the Resident Experience Programme one-off revenue business case funding.
- Drawdown of -£1.292m from the Corporate Projects and Systems reserve to meet one-off revenue costs in relation to the roll out of the FutureWork programme in 2023/24. £1.120m of these costs are staffing related to support the roll out of the project and £0.172m are other scheme costs.

- Drawdowns from the Corporate Projects and Systems reserve to offset spend on transformation projects across services including -£1.465m for the Digital Experience Platform project, -£1.079m for End User Computing (EUC) programme, and -£0.500m for applications upgrades and HR Zellis.
- Transfer +£0.685m DSG surplus to the Dedicated School Grant reserve.
- Transfer +£1.119m of unused Mayor's Universal Free School Meals grant to the Restricted Grants and Contributions reserve.
- Budgeted transfers to the Corporate Projects and Systems reserve of +£4.000m to boost financial resilience and +£1.500m to fund transformational schemes.
- +£6.455m transfer to the Core Funding reserve in respect of prior year surpluses within the Collection Fund for council tax and business rates.
- Transfer of +£3.350m to top up the Insurance Fund reserve for insurance claims to be settled in future years, as advised by actuarial report of insurance liabilities.
- Drawdown of -£1.568m from the Corporate Projects and Systems reserve for one-off redundancy and pension strain costs resulting from agreed savings.
- Drawdown of -£1.285m from the Care Experience reserve in relation to the Support Payment Scheme payments and drawdown of -£1.241m from the Corporate Projects and Systems for scheme running costs.
- Drawdown of -£10.000m from earmarked reserves to the provisional outturn position, resulting in a -£9.939m increase in the GF Balance to boost financial resilience and to increase the GF balance towards the £40m medium-term target.
- +£0.705m transfer of Business Improvement District income to offset the transfer from reserves in 2022/23.
- £17.242m transfer between reserves to clear the balance in Care Experience reserve to Corporate Projects and Systems.
- £3.025m transfer between reserves to clear the balance on the Levies reserve to Budget Risk.
- Drawdown of -£1.857m to meet costs related to the Community Wealth Building and Parks capital programme that cannot be capitalised and will be charged to revenue. The drawdown is made up of £1.460m of scheme costs from the Capital Financing reserve and £0.397m of programme management costs from the Corporate Projects and Systems reserve. Scheme costs that could not be capitalised include feasibility studies, surveys, remedial works and de-minimus spend on capital.
- Drawdown of -£1.270m from the BSF PFI Reserve to meet net in-year costs from the Building Schools for the Future (BSF) Programme. This is in relation to facilities management, day-to-day repairs and maintenance, and life-cycle maintenance costs at secondary schools and academies in the Council's BSF programme.
- Drawdown of -£0.590m from the Corporate Projects and Systems to offset the gap between the net subsidy and overpayments due to timing difference. Housing benefit expenditure that cannot be directly claimed from the Department for Work and Pensions is recovered through overpayments over future financial years.

5.6. Figure 9 shows the forecast for the GF Balance and Earmarked Reserves over the medium term. The 2024/25 Budget Report set a Minimum level of GF Balance and Earmarked Reserves of £80m in total over the forecast period. This is a minimum level and not a target with the stated aim to bolster the level of GF Balance and Earmarked Reserves to well in excess of the minimum over the medium-term forecast.

5.7. The 2024/25 Budget Report forecast that the level of the GF Balance and Earmarked Reserves would fall close to the minimum level of £80m by 31 March 2027. Figure 9 shows an improvement in the overall level of the GF Balance and Earmarked Reserves, as a result of the provisional outturn position. It should be noted that the forecast position assumes that future outturn positions are fully balanced and the estimated budget gap closed in each year over the medium term, with planned additions to earmarked reserves in each financial year maintained.

Figure 9 – General Fund Balance and Earmarked Reserves Forecast



5.8. The Executive are asked to agree the in-year implementation costs of up to £3.151m from earmarked reserves for replacing the financial system, as set out in the Procurement Strategy for the Replacement of the Current Financial System agreed by the Executive on 8 February 2024. Most of the implementation costs will be spent on an in-house team, with some costs relating to external consultancy provided by the software supplier.

6. Housing Revenue Account (HRA)

6.1. The provisional outturn position for the HRA is an in-year surplus of -£12.666m, an improvement of -£10.372m compared to the previous reported position.

6.2. As the HRA is a ringfenced account, this surplus at the end of the financial year will be transferred to HRA reserves.

6.3. A significant proportion of the forecast HRA surplus relates to a £15.159m capital financing adjustment where borrowing was used to fund capital expenditure in 2023/24 delaying the need to use revenue resources to future years. The council has funds available which were borrowed from the Public Works Loan Board (PWLB) with a 60bp (0.6%) discount in the cost of borrowing, available to HRA's until June 2025.

6.4. The underlying position excluding the capital financing adjustment is a £2.976m 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 agreed by Full Council as part of 2024/25 budget setting, the housing sector remains a challenging environment for landlords.

6.5. There are a number of key income variances to note:

- -£2.210m favourable variance from rent and service charge income. Whilst significant in financial terms, this represents 1% of rent and tenant service charge income budgets.
- -£5.970m favourable variance on leaseholder service charges income (a movement of -£4.966m from Q3). This is driven by a significant increase in major works projects reaching billing stage in the final quarter.
- -£1.531m favourable variance on interest income (-£1.531m movement from the previous reported position). This is a result of significantly higher than forecast levels of HRA balances, partly linked to the increased borrowing described in paragraph 6.3 above.
- -£1.209m favourable variance on other income including parking charges (a movement of -£1.060m from previous reported position). The main element of this extra income relates to income for lease extensions.

6.6. There are several factors impacting the areas of front-line service delivery included within Repairs and Maintenance and Supervision and Management. There is a combined overspend of +£17.454m in these areas which has been highlighted during in-year reporting. The +£1.931m movement from the previous reported position due to increased energy charges. The most significant of these year-end variances are explained below:

- +£2.874m pressure (an increase of +£0.161m since the last reported position) arising following the high-profile case of 'Awaab's law'. The Regulator of Social Housing requires councils to put in place systems that can evidence that damp and mould is being dealt with appropriately in council homes. 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. There is a risk that the estimated cost in future years may increase, given the additional cost pressures experienced this year.
- +£4.104m overspend within Repairs and Maintenance (a favourable movement of -£0.022m since Q3). There are several factors driving this pressure including the impact of dealing with Damp and Mould as described above. The main remaining elements include + £1.899m staffing pressures, an overspend on sub-contractor costs +£1.038m, and an +£0.554m overspend in Aids and Adaptations works.

- +£1.800m pressure 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 for 2024/25. This one-off cost covers an IT solution to enable the council to comply with the new requirements.
- Housing disrepair claims have continued to remain at elevated levels. The resultant cost pressure of +£3.521m in 2023/24. Caseload activity has remained broadly consistent through this financial year.
- It has been highlighted during the year that the HRA was facing risks associated with the costs of placing HRA tenants in Temporary Accommodation (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 overall pressure on the HRA was +£1.077m, an increase of £0.233m from the previously reported position.
- The impact of aborted new build schemes, where costs previously capitalised have been charged to revenue, has caused a +£1.323m pressure. The vast majority of these costs are professional fees for surveys, design, architects etc, though the total includes c£0.150m of staffing costs. This represents a +£0.572m increase from the previously reported position.

6.7. There have been a number of movements since the previous reported position as summarised in the table below:

Table 7 – Movement in HRA Budget Variances Q3 to Q4 2023/24

Description	Q4 Variance	Q3 Variance	Mvmt Q3 to Q4
	(£m)	(£m)	(£m)
Dwelling Rents & Tenant Service Charge Income	(2.210)	(3.544)	1.333
Non-Dwelling Rents	(0.723)	(0.106)	(0.617)
Heating Charges	(0.953)	(1.576)	0.623
Leaseholder service charge income	(6.611)	(0.004)	(6.607)
Other Income inc. Parking Charges and interest	(2.761)	(0.149)	(2.612)
Repairs and Maintenance Expenditure	4.104	4.127	(0.022)
Supervision and Management Expenditure	13.324	9.747	1.926
PFI Payments	(0.375)	(0.850)	0.476
Rents, Rates, Taxes and other charges	0.476	0.279	0.198
Capital Financing Costs	(14.516)	(10.569)	(3.947)
Bad Debt Provision	(1.201)	(0.078)	(1.123)
Net Variance Movement Q3 to Q4	**(11.446)***	**(1.074)**	**(10.372)**

*HRA budget includes £1.220m transfer to reserves. Total contribution of £12.666m to HRA Earmarked reserves consists of £1.220m budgeted transfer and £11.446m net variance.

6.8. The HRA business plan requires a minimum of 10% of annual operating expenditure to be maintained in reserves each year. This equates to an average minimum of c£33m per year over the 30-year business planning term. The closing position of HRA reserves in 2023/24 is a total of £78.305m. This includes a carry forward General HRA reserve is £61.609m, with £16.696m in the Major Repairs Reserve (MRR).

- The significant additional general reserve balance above the minimum reserve carried forward into 2024/25 will be utilised in future years. The current balance will help to fund capital expenditure across the business plan; mitigate risks of inflation and interest rates posed by uncertain current and future macro-economic climates, and additional legislative requirements.
- A total of £12.583m was transferred to reserves in-year from general HRA operations, and £15.775m was transferred to the Major Repairs Reserves. The Major Repairs Reserve (MRR) is ring-fenced to fund Major Works investment in existing council homes, and to repay historic debt on amounts borrowed to fund capital spend in prior years.
- In 2023/24, the HRA financed the capital programme with £69.04m borrowing, making use of the 60bp (0.60%) discount on PWLB rates, and just £20.225m from the MRR. From 2026/27, the HRA Business Plan assumes significantly higher levels of MRR and revenue contributions to fund the capital programme.

Table 8 – Housing Revenue Account Reserves 2023/24

HRA Balances	Opening Balance	Transfer to Reserve	Transfer from Reserve	Closing Balance
HRA Earmarked Reserves	31.504	13.144	(0.479)	44.169
HRA General Reserve	17.521	-	(0.056)	17.466
Major Repairs Reserve	0.921	36.000	(20.225)	16.696
	49.946	**48,640**	**(20.281)**	**78.305**

7. Capital Programme

7.1. As at the end of Q4, total capital expenditure of £183.803m has been incurred against a 2023/24 forecast of £189.298m, representing 97% of spend against forecast. Expenditure has increased by £92.305m since Q3.

7.2. Table 9 below summarises by directorate the budget, outturn, and budget management actions being taken at Q4. 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 in the Q3 2023/24 Budget Monitoring Report.

Table 9 – 2023/24 Capital Programme (£m)

Directorate	Revised Budget at Q3 2024 £m	Outturn £m	Variance to Revised Budget £m	Requested Reprofiling £m	Requested Adjustments £m	Proposed Budget following Agreement £m
CWB	15.954	16.593	0.639	(1.546)	1.710	16.593
Environment	29.715	25.398	(4.317)	(4.680)	0.839	25.398
Housing GF	5.651	5.335	(0.316)	(0.316)	-	5.335
GF Prior Year Reversals	-	(0.676)	(0.676)	-	-	-
General Fund Total	**51.320**	**46.650**	**(4.669)**	**(6.542)**	**2.549**	**47.326**
Housing HRA	137.978	137.943	(0.035)	(2.670)	2.635	137.943
HRA Prior Year Reversals	-	(0.790)	(0.790)	-	-	-
HRA Total	**137.978**	**137.153**	**(0.825)**	**(2.670)**	**2.635**	**137.943**
Total Capital Programme	**189.298**	**185.803**	**(5.494)**	**(9.212)**	**5.184**	**185.269**

Community Wealth Building (CWB)

7.3. The capital outturn for the Community Wealth Building directorate is £16.593m compared to the revised budget at Q3 of £15.954m. This gives a variance of +£0.639m.

7.4. At Q4 the directorate is requesting the approval to reprofile schemes totalling (£1.546m) into 2024/25.

7.5. The directorate is also requesting the approval for the following budget adjustment, of additions or reductions, at Q4:

- Addition of FutureWork Phase 2 +£1.710m: A review of the accounting treatment of items in the scheme identified expenditure that can be capitalised. This will reduce the amount spent from revenue budgets.

7.6. The Corporate Director of CWB has approved budgetary virements within his authorisation limits as per the Financial Regulations. The details of these are within Appendix 5. £0.475m has been authorised to be transferred from the Environment capital programme to the CWB capital programme to reflect the schemes in which a grant from Transport for London were actually spent.

7.7. If all requested budget reprofiling and adjustments are agreed, there will be no variances within the CWB capital programme.

Environment and Climate Change

7.8. The capital outturn for the Environment directorate is £25.398m compared to the revised budget at Q3 of £29.715m. This gives a variance of (£4.317m).

7.9. At Q4 the directorate is requesting the approval to reprofile schemes totalling (£4.680m) into 2024/25.

7.10. The (£4.680m) Q4 reprofiling includes:

- Energy – Decarbonisation Schemes (£1.167m): Archway Leisure Centre and King Henry's Walk decarbonisation equipment will be delivered and reported in the 2024/25 financial year as there was a longer lead time than expected, and the WRC project has completed for less than expected due to a high provision for contingency being necessary. Further works are planned for optimising the electricity usage at the WRC in 2024/25.
- Vehicle Replacement (£1.093m): There have been delays in receiving sweepers and food waste vehicles, and upcycling & repowering four existing vehicles which are expected to be carried out in 2024/25.

7.11. The directorate is also requesting the approval for the following budget adjustments, of additions or reductions, at Q4:

- Additional budget for the Cycleways Network Delivery Programme +£0.060m: Additional Transport for London grants were used on capital expenditure than expected when the grant was initially profiled.
- Addition of Tree Planting +£0.779m: A review of the accounting treatment of items in the scheme identified expenditure that can be capitalised. This will reduce the amount spent from revenue budgets.

7.12. The Corporate Director of CWB has approved budgetary virements within his authorisation limits as per the Financial Regulations. The details of these are within Appendix 5. As detailed above, £0.475m has been authorised to be transferred from the Environment capital programme to the CWB capital programme to reflect the schemes in which a grant from Transport for London were actually spent.

7.13. If all requested budget reprofiling and adjustments are agreed, there will be no variances within the Environment capital programme.

Housing General Fund

7.14. The capital outturn for the Housing General Fund is £5.335m compared to a revised budget at Q3 of £5.651m. This gives a variance of (£0.316m).

7.15. At Q4 the directorate is requesting the approval to reprofile schemes totalling (£4.680m) into 2024/25.

7.16. If all requested budget reprofiling is agreed, there will be no variances within the Housing General Fund capital programme.

General Fund Prior Year Reversals

7.17. There has been (£0.676m) of prior year reversals of capital costs relating to schemes that have been aborted within the General Fund. These costs will show as a reduction in capital spend and will be transferred to revenue in line with accounting guidelines.

Housing Revenue Account (HRA)

7.18. The capital outturn for the HRA is £137.153m compared to a revised budget at Q3 of £137.978m. This gives a variance of (£0.825m).

7.19. At Q4 the directorate is requesting the approval to reprofile schemes totalling (£2.670m) into 2024/25.

- HRA Major Works & Improvement Programme +£4.336m from 2024/25. After the reprofiling and additional budget requested above, the programme will have spent to budget of £58.772m. The primary reasons for this reprofiling are:

  +£6.607m of net accelerated spend on the Cyclical Improvement Programme (CIP), replacement of individual boilers and fire safety works on street properties. CIP schemes on the Andover Estate, Highbury New Park and Popham & Essex Road have seen works progressing more quickly than anticipated at Q3. Last year saw an increased pressure against the capitalisation budget in respect of the volume of replacement of boilers in individual properties. This year has seen this trend continue. Whilst there is a finite (albeit high) number of properties that could require a replacement boiler, there is an annual budget included for this purpose. Hence, increased volumes now, will result in future savings as more properties benefit from a new boiler. Works on fire safety for street properties have also been brought forward, following the completion of a programme of fire risk assessments across the street property estate.

- Offsetting this, is (£2.271m) of slippage on fire safety works on tall blocks, lifts and communal heating. These works have been delayed beyond the planned delivery due to delays in planning applications and internal governance processes. It is expected that the planned works will be completed in the next financial year.

- (£3.348m) slippage relating to several schemes on site in the current programme. This slippage is primarily on Telfer House (£1.041m), Windsor Street (£0.761m) and Andover Estate (£0.666m).

- The slippage on Telfer House is due to agreeing a lower value of works spend with the contractor; a delay in paying fees associated with the sale of private sales units; and a compensation payment in respect of a Right of Light. These issues are expected to be resolved in 2024/25.

- +£2.072m accelerated spend also related to number of schemes in the current programme, predominantly Park View Estate (£1.020m) and Elthorne Estate (£0.510m). In both instances, work had been delayed during the year, but has now resumed and progressed more quickly than previously anticipated.

- (£1.094m) slippage relating to three pipeline schemes (Finsbury Leisure Centre, Vorley Road and Bemerton Estate South). The need to redesign schemes following changes in planning requirements has caused delays in progress.

- HRA Property Acquisitions slippage of (£4.081m) to 2024/25. There is an approved property acquisition programme to purchase 310 properties, funded using DLUHC and GLA grants, and council borrowing. It was originally expected that there would be 120 property acquisitions during this financial year, with 110 eventually achieved. It has been confirmed with DLUHC that the grant funding can be extended until March 2026, allowing the full programme to be achieved by March 2026.

7.20. The directorate is also requesting the approval for the following budget adjustments, of additions or reductions, at Q4:

- The addition of +£1.066m for nomination rights for 33 social rent units at the City of London's Primary Academy Institute (COLPAI) scheme on the boundary of the borough. This is part of a £7.000m agreement between LBI and COL for the purchase of these rights in perpetuity, to be funded from Islington council's Right-to-Buy 1-4-1 receipts.
- Additional budget of +£0.923m for the New Build pipeline programme where revenue budget has been included in future financial years, due to uncertainty over the profile of spend and the nature of the works. During this year, this value has been confirmed as capital expenditure.
- Additional budget of +£0.418m for small infrastructure projects across HRA Estates which are funded by S106 receipts, with more projects being delivered than anticipated.
- Additional budget of +£0.228m for the capitalisation of appropriate works on void properties and high value repairs, where there has been greater demand than previously anticipated.

7.21. The Corporate Director of CWB has approved budgetary virements within his authorisation limits as per the Financial Regulations. The details of these are within Appendix 5.

7.22. Finally, there has been a saving on borrowing compared to the budgeted amount for Major Works and Improvements, where grant funding has been received in relation to the Social Housing Decarbonisation Fund (£1.400m) and the Green Heating Network Fund (£0.106m). This funding has been used instead of the budgeted borrowing for the works carried out on the associated schemes.

7.23. There has been (£0.790m) of prior year reversals of capital costs relating to schemes that have been aborted within the HRA. These costs will show as a reduction in capital spend and will be transferred to revenue in line with accounting guidelines.

8. Sales, Fees and Charges – Leisure

8.1. Fees and Charges for the GLL Leisure contract were set for 2024/25 as part of the budget setting process, when the budget was approved by Full Council in February 2024. However, a new product has been developed since then at the Sobell Leisure Centre further to the outcome of a public consultation. Consequently, a new set of Fees and Charges require approval for the Active Play and Active Zone to be rolled out upon opening in phases throughout 2024.

8.2. The Sobell Leisure Centre was subject to a Thames Water flood in August 2022. A new Active Play and Active Zone will be delivered during the summer and autumn of this year, replacing the previous ice rink and trampoline park. The new service has been further consulted on with specific stakeholders and the proposed fee setting timetable had not been developed until the detailed design had been approved. The design has now been developed further to the stakeholder consultation and orders have been placed with the enabling works underway and the fit-out being scheduled thereafter.

8.3. The new Active Play and Active Zone will deliver increased usage for the centre with significant increases projected to ensure that uptake from families and young people use the centre, some of whom wouldn't necessarily use a leisure centre but due to the appeal of the new product offer this will embrace wider community involvement.

8.4. The proposed pricing schedule is detailed in Appendix 6. The pricing structure allows for concessionary usage and there will be specific targeting of community groups, schools, youth clubs and adventure playgrounds etc, to experience the new service using a similar model to the opening of the trampoline park where a commitment was made that every child in Islington would have used the centre in the first year of operation.

8.5. The business plan impact will help support the Council's commitment to GLL through the Covid period and enable the Sobell Leisure Centre to resume its role as a strategic venue for sport and physical activity as the sporting facilities will come back on-line at the same time with some new activities and services being developed so that community sports is also increased.

8.6. It is expected that the Active Play and Active Zone will attract increased usage for the centre, with annual visitor numbers projected at 270,000 users, and this projection is considered prudent. The proposed price schedule has been benchmarked with similar facilities, so is considered competitive, and are comparable to the previous trampoline park whilst accounting for inflation.

9. Implications

Financial Implications

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

Legal Implications

9.2. 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).

9.3. 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

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

Equality Impact Assessment

9.5. 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.

9.6. 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.

9.7. A full EQIA has been carried previously on the decision to create the new Active and Play Zones at the Sobell. This has been updated to cover the pricing structure for these new facilities. A summary is below:

- GLL have carried out a full competitor analysis to ensure the widest product and lowest price types in the current market are applied to those new activity.
- There are no specific concessionary prices for the Active Zone, but the programming will allow for all groups to access off peak prices, to ensure it is accessible and affordable.
- There is a range of family discounts which will provide a 10% discount to family groups. There is no link to memberships in the new prices which means no one has to take out a membership to access the same prices and programming, hence making activities more accessible to all.
- There will be discounted pricing for inclusive sessions targeting SEND and disabled users. GLL will also run free sessions in partnership with Bright Lives Services to offer free sessions to families and children in need.
- For the Play Area, there are range of pricing options for this zone based on age and concessionary pricing for inclusive sessions which will target SEND and disabled users.
- While any charges will present a barrier to individuals from all groups with protected characteristics, by keeping the pricing as low as possible and by offering opportunities for discounted or free sessions for a range of SEND/disabled users as well as families receiving support from the council, we believe the impact overall to be mitigated.

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 Programme 2023/24
- **Appendix 5** – Multi-Year Capital Programme
- **Appendix 6 –** Active Zone Fees and Charges

Background papers: None

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

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