Report of: Executive Member for Finance and Performance

Meeting of: Council

Meeting Date: 27 February 2025

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Council Priority: All

Wards: All

Budget Proposals 2025/26 and Medium-Term Financial Strategy

1. Recommendations

Council is asked to agree the following recommendations, as endorsed by The Executive:

The General Fund Medium-Term Financial Strategy (Section 3)

1.1. To agree the proposed Medium-Term Financial Strategy (MTFS) and 2025/26 budget, including the underlying MTFS principles, latest in-year monitoring position and the budget assumptions. (Paragraphs 3.5-3.12, Table 1, and Appendix A)

1.2. To agree the proposed 2025/26 net budgets by directorate (Paragraph 3.13, Table 3 and Appendix A)

1.3. To agree the 2025/26 savings and note that individual savings may be subject to individual consultation before they can be implemented. (Paragraph 3.39, Table 8, and Appendix B)

1.4. To note the Dedicated Schools Grant (DSG) settlement for 2025/26 and related funding assumptions following the Final Local Government Finance Settlement on the 3 February 2025 ('the settlement'). (Paragraphs 3.49-3.77)

1.5. To note that the fees and charges policy and the General Fund (GF) fees and charges from 1 January 2025 are as agreed by Executive on 28 November 2024. (Paragraph 3.80)

1.6. To note the fee increases for parking permits, and suspensions, commercial waste, cemeteries and fixed penalty notices, as agreed by Executive on 12 February 2025. (Paragraphs 3.81 and Appendix K)

1.7. To agree that the Section 151 Officer is delegated responsibility for any technical adjustments required for the 2025/26 budget (in line with the council's Financial Regulations).

1.8. To agree that centrally held demographic growth is allocated to service budgets in-year 2025/26, only once a more evidenced assessment is available and has been approved by the Section 151 Officer.

General Fund Contingency and Reserves (Section 4)

1.9. To agree the proposed Minimum GF Balance and Earmarked reserves level at 25% of Core Spending Power, and to agree the movements to/from earmarked reserves assumed as part of the 2025/26 revenue budget. (Paragraphs 4.4-4.16, Table 13 and Appendix C)

1.10. To note the Balance Sheet Analysis to support the MTFS. (Paragraphs 4.21-4.23 and Appendix F1)

1.11. To note the assessment of compliance against the CIPFA Financial Management (FM) Code and that this will be re-visited at least annually as part of the budget process, with any actions or recommendations implemented on an ongoing basis. (Paragraphs 4.18-4.20 and Appendix F2)

The Housing Revenue Account Budget and MTFS (Section 5)

1.12. To agree the balanced 2025/26 Housing Revenue Account (HRA) and note the latest estimates over the 3-year MTFS period. (Table 14, and Appendix D1)

1.13. To agree the 2025/26 savings and note that individual savings may be subject to individual consultation before they can be implemented. (Table 15, and Appendix D3)

1.14. To agree the HRA 30-year business plan. (Paragraph 5.2 and Appendix D4)

Capital Investment and Treasury and Investment Management (Section 6)

1.15. To agree the proposed 2025/26 to 2029/30 capital programme and indicative capital programme for 2030/31 to 2034/35. (Paragraphs 6.1-6.8, Tables 20-21, Appendix E1 and Appendix E2)

1.16. To agree the funding of the 2025/26 to 2034/35 capital programme and to delegate authority to the Section 151 Officer, where necessary, to apply capital resources to fund the capital programme in the most cost-effective way for the council. (Paragraphs 6.10-6.11 and Table 22)

1.17. To note that inclusion of a scheme in the capital programme does not in itself necessarily grant permission to commit expenditure against the approved capital budget. This remains subject to any additional approval requirements of the council's constitution, financial regulations and procurement rules.

1.18. To agree the Capital Strategy, Investment Strategy, Treasury Management Strategy and Minimum Revenue Provision (MRP) Policy Statement. (Appendices E3, E4, E5 and E6)

Council Tax and Retained National Non-Domestic Rates (Section 8)

1.19. To agree the calculations required for the determination of the 2025/26 council tax requirement and the level of council tax as detailed in Section 8 and summarised below:

- The 2025/26 council tax requirement of £125,803,940 (Paragraph 8.6 and Table 28)
- The relevant basic amount of Islington Band D council tax of £1,521.72, a 4.99% increase compared to 2024/25 (comprising 2% specifically for expenditure on adult social care and 2.99% for all expenditure), and that this is not 'excessive' in accordance with the council tax referendum principles for 2025/26. (Table 29)
- The basic amount of Islington Band D council tax for dwellings to which no special item relates (i.e. outside of the Lloyd Square Garden Committee area) of £1,521.44. (Table 30)

- The amount of 2025/26 council tax (excluding the GLA precept) for each valuation band over each of the council's areas. (Tables 31 and 32)
- The total amount of 2025/26 council tax (including the GLA precept) for each valuation band over each of the council's areas. (Tables 34 and 35)

1.20. To note the council's estimated retained national non-domestic rates (NNDR) funding in 2025/26, as per the 2025/26 NNDR1 return. (Paragraph 8.8 and Table 36)

1.21. To note the council's forecast NNDR position for 2024/25 (Paragraph 8.10 and Table 37)

Matters to Consider in Setting the Budget (Section 9)

1.22. To have regard to the Section 151 Officer's report on the robustness of the estimates included in the budget and the adequacy of the proposed financial reserves when making decisions about the budget and the level of council tax, as required under Section 25(2) of the Local Government Act 2003. (Paragraphs 9.1-9.9)

1.23. To note the Monitoring Officer comments. (Paragraphs 9.10-9.15)

1.24. To note the Environmental Implications and Contribution to Achieving a Net Zero Carbon Islington by 2030. (Paragraphs 9.16-9.33)

1.25. To note the Equality Impact Assessment (EQIA) and to take full account of it in approving the overall budget and related proposals. (Paragraphs 9.34-9.36 and Appendix G)

1.26. To note that the council invited residents and NNDR payers (or representatives of NNDR payers) in Islington to comment on the draft 2025/26 budget proposals in this report, as required under Section 65 of the Local Government Finance Act 1992 and to note the summary of responses received. (Paragraphs 9.37-9.42)

1.27. To agree the Retail Relief Scheme for 2025/26. (Appendix H and paragraph 9.43)

1.28. To agree the Pay Policy Statement for 2025/26. (Appendix I and paragraph 9.44)

2. Report Summary

1.29. The report content is summarised below:

- Section 3 summarises the assumptions within the GF MTFS and sets out the 2025/26 net revenue budget, fees, and charges.
- Section 4 sets out the reserves and balance sheet strategy, reserves analysis including key risks and mitigations, and the CIPFA FM Code assessment.
- Section 5 covers the HRA and includes HRA savings, rents, service charges, and other fees and charges.
- Section 6 summarises the 2025/26 to 2029/30 capital programme and funding, and the latest indicative programme up until 2034/35. It includes the Capital Strategy, Treasury Management Strategy, Minimum Revenue Provision (MRP) Policy Statement, and Investment Strategy for agreement.
- Section 7 provides an overview of work the council is doing in respect of climate action and the Greener, Healthier Islington mission.
- Section 8 includes detailed, statutory council tax calculations and any matters relating to retained NNDR.

- Section 9 details the matters to formally consider in setting the final budget, namely the comments of the Section 151 Officer and the Monitoring Officer, a cumulative EQIA of the budget proposals and budget consultation requirements.

1.30. The Mayor of London published the draft GLA revenue budget, capital spending plan and provisional council tax precept for 2025/26 on 5 December 2024 for consultation. The draft consolidated budget was announced on 15 January 2025. The final budget was published on 25 February 2025.

1.31. The council invited comments from residents and NNDR payers (and representatives) in Islington on the draft 2025/26 budget proposals set out in this report. The consultation period ran from 8 January 2025 (upon the publication of this report and related communication to NNDR payers and representatives of NNDR payers) to 29 January 2025. Comments received are for consideration by Full Council.

3. The General Fund Medium-Term Financial Strategy

The Budget and Islington Together 2030 Plan

1.32. In the 2030 Plan, Islington Together, the ambition was set out to create a more equal Islington where everyone is able to thrive. The council has set five missions to create a more equal future for Islington by 2030. These are:

- Child-friendly Islington
- Empowering People
- A Safe Place to Call Home
- Community Wealth Building
- Greener, Healthier Islington

1.33. To deliver on the five missions, we are committed to put communities at the heart of everything we do. This includes how we manage and spend our finances. The council's funding will drive the five missions, with new investment already in place to ensure we achieve our objectives. Budgets will be set with a strong focus on mission delivery.

1.34. Islington is a unique borough with specific demographic requirements, including:

- Islington is the third most densely populated local authority area in London, with 14,589 people per square km in 2021. This is almost triple the London average and more than 34 times the national average.
- There has been a population increase of approximately 20% since 2011.

1.35. In the context of the above, providing genuine power for residents and local businesses to influence decisions and deliver on key issues impacting their lives can fundamentally change and transform the relationship between the borough and residents. It is an essential component to enable us to realise our ambition of a more equal Islington. The council can put residents at the heart of our work in lots of different ways, including by changing the way we do things. For example, Let’s Talk Islington aims to work with communities to fundamentally change the way we work to tackle inequality over the next decade.

MTFS Principles

1.36. The proposed 2025/26 budget is supported by the following key principles.

- Compliance with the CIPFA FM Code.
- Setting a balanced budget for the year ahead and working up robust estimates and funding scenarios over a 5-year period, as well as longer-term horizon scanning.
- Fully budgeting for ongoing budget pressures and not applying one-off funding to bridge ongoing funding gaps. If one-off funding is used in exceptional circumstances, to ensure that any residual, ongoing budget gap is resolved using ongoing savings over the medium term and that one-off funds are restored.
- Reflecting the ongoing revenue cost of the capital programme (both the cost of interest and prudently setting aside enough to repay debt principal) in the revenue budget whilst also considering the potential for interest rate volatility.
- Not assuming additional funding from central government until it is confirmed and developing exit plans for specific funding streams that are due to come to an end.
- Increasing the level of council tax in line with the government's expectations in local government finance settlements to avoid an ongoing shortfall in baseline council tax income.
- Budgeting for sufficient contingency provision for in-year budget risks and using available one-off funding to strengthen financial resilience in reserves for hardening budget risks over the medium term.
- Maintaining an adequate balance in the Core Funding Reserve to mitigate against a potential fall in retained NNDR funding to the government safety net level.

2024/25 Monitoring Position

1.37. At Quarter 2 2024/25 (to the end of September 2024), the GF position reported to the 28 November 2024 Executive was a net overspend of +£4.329m. The overall GF position is summarised as follows:

- A GF overspend at directorate level of +£14.042m with the largest pressures in the Community Wealth Building and Homes & Neighbourhoods directorates. This includes a significant pressure relation to Temporary Accommodation of +£5.356m.
- This is offset by a forecast underspend in corporate budgets of -£5.660m primarily in relation to delayed borrowing costs for the capital programme and increased investment income due to higher interest rates.
- Application of the Inflation, Energy and Demand Contingency budget of -£3.596m, which was included in the 2024/25 budget to mitigate against pressures/risks unquantifiable at the time of setting the budget.
- Application of -£0.457m corporate budget allocation for the revenue impact of capital projects reflected in directorate forecasts. Funding was provided in the 2024/25 Budget Report for unbudgeted revenue costs associated with the delivery of the capital programme (e.g. some staffing costs that cannot be capitalised under accounting rules). These costs are reported as overspends in the Environment and Climate Change and Community Wealth Building positions and are offset by the application of the corporate budget set aside for this purpose.

- This leaves an overall forecast overspend of +£4.329m, before application of the general contingency budget.

1.38. A significant proportion of the 2024/25 GF directorate overspend has been factored into the GF budget in 2025/26. Persistent in-year overspends are very damaging to the council's ongoing financial health.

1.39. Taking forward the strategic implications of the in-year budget monitoring position into the medium-term budget planning process is a crucial aspect of the overall budget monitoring process. This can take the form of:

- Ensuring that ongoing budget implications of in-year gross and net expenditure are fully reflected in base budgets, informing future budget processes.
- Reviewing existing base savings proposals for deliverability in-year and over the medium term and assessing overall savings requirements for future budget processes as far in advance of the next budget setting cycle as possible.
- Implementation of management actions to adequately resolve pressures.
- Working up new savings proposals in the context of financial and performance monitoring data analysed within the in-year budget monitoring process.
- Reviewing contingency and reserves positions in light of any unplanned drawdowns in year.

Summary of MTFS 2025/26 to 2029/30

1.40. The MTFS budget gap has been monitored and reported to the Executive quarterly.

1.41. The latest estimated budget position for 2025/26 and over the medium term is summarised in Table 1 and detailed at Appendix A. There is an estimated gross budget gap of ~£27.6m in 2025/26 to be balanced by the proposals in this report. This leaves a net budget gap over the MTFS period of ~£59.0m.

Table 1 – Summary Medium-Term Budget Gap 2025/26 to 2029/30

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m
Pay Inflation (including National Insurance Changes)	12.989	5.000	5.000	5.000	5.000	**32.989**
Pension Contribution Adjustments	-	(4.364)	-	-	-	**(4.364)**
Non-Pay Inflation	15.143	12.524	9.975	10.396	9.100	**57.138**
Demographic Growth	7.887	9.459	7.207	6.001	7.065	**37.619**
Directorate Base Budget Growth	1.891	0.033	-	-	-	**1.924**
Corporate Budget Growth including Levies & Capital Financing	4.130	6.356	5.049	4.347	3.439	**23.321**
Corporate Contingency Changes	0.146	3.000	3.000	3.000	3.000	**12.146**
Government Grant Funding	(14.560)	3.362	-	-	-	**(11.198)**
Gross Budget Gap	**27.625**	**35.370**	**30.231**	**28.744**	**27.604**	**149.575**
Previously Agreed Savings	(4.396)	(1.604)	-	-	-	**(6.000)**
New Savings Proposals	(9.785)	(9.348)	(16.451)	(1.708)	(0.333)	**(37.625)**
Directorate Management Actions	(1.835)	(1.349)	(0.290)	(0.415)	(0.050)	**(3.939)**
Directorate Funding Substitutions	(2.146)	(1.265)	-	-	-	**(3.411)**
NNDR Income	(1.879)	-	-	-	-	**(1.879)**

Assumed Tax Base Growth	(1.607)	(0.629)	(0.664)	(0.700)	(0.739)	**(4.339)**
Net Budget Gap (Before C-Tax)	**5.977**	**21.175**	**12.827**	**25.921**	**26.483**	**92.382**
Council Tax Increase (2.99%)	(3.582)	(3.780)	(3.988)	(4.208)	(3.696)	**(19.254)**
ASC Precept Increase (2%)	(2.396)	(2.528)	(2.668)	(2.815)	(3.714)	**(14.121)**
Net Budget Gap	**-**	**14.867**	**6.171**	**18.898**	**19.072**	**59.008**

1.42. The changes to the medium-term budget gap assumptions since the 16 January 2025 Executive Draft Budget report are summarised in Table 2 below.

Table 2 – Changes to the Medium-Term Budget Gap since the Draft Budget Report

	2025/26 £m	**2026/27 £m**	**2027/28 £m**	**2028/29 £m**	**2029/30 £m**	**Total £m**
Net Budget Gap Draft Budget Report	**-**	**14.867**	**6.171**	**18.898**	**19.072**	**59.008**
Additional Growth	0.299	-	-	-	-	**0.299**
Adjustment to National Insurance Pressure Based on Final Calculation	(0.021)	-	-	-	-	**(0.021)**
Additional Business Rates Income as a result of NNDR1	(1.104)	-	-	-	-	**(1.104)**
Final Settlement - Removal of Funding Substitution for Children's Social Care Prevention Grant	1.652	-	-	-	-	**1.652**
Final Settlement - Additional Funding for Employer National Insurance Contribution	(0.439)	-	-	-	-	**(0.439)**
Corporate Contingency - Final Budget Report	(0.387)	-	-	-	-	**(0.387)**
Net Budget Gap Final Budget Report	**-**	**14.867**	**6.171**	**18.897**	**19.073**	**59.008**

1.43. The changes in the gap can be explained by the following, and are covered in more detail throughout this report:

- Additional growth for Access Islington Hubs Transformation Programme - Northern Access Islington Hub Lease Costs and Accessible Community Transport (ACT) Driver pay regrading is required. These are detailed in Table 6.
- The council's NNDR1 return (detailed business rates estimate) for 2025/26 has now been submitted following the 31 January 2025 statutory submission deadline. Additional income of (£1.104m) has been included in this budget
- The draft Budget Report assumed (£1.652m) for the new Children's Social Care Prevention grant. The conditions for the grant were published in the Final Local Government Finance Settlement and the grant in ringfenced for direct investment in additional activity for children and families through the implementation of Family Help and Child Protection reforms. The previously assumed funding substitution has been removed as a result of these conditions.
- The draft Budget Report made the prudent assumption that the council will receive (£2.921m) funding for the changes in Employer National Insurance Contributions. The final allocation for 2025/26, announced in the Final Local Government Finance Settlement, is (£3.360m).

Summary Net Revenue Budget 2025/26

1.44. Table 3 summarises the 2025/26 net revenue budget by directorate (cash-limited budgets that directorates are responsible for staying within).

1.45. A breakdown of the movement between the 2024/25 and 2025/26 budget is shown in Appendix A. Movement in the table below is broken down by:

- Inter-Directorate Changes – This represents virements and structural adjustments between council directorates (e.g. due to restructures that transfer responsibilities between directorates). These changes net off to nil across the council.
- Growth – This represents any agreed growth in respect of non-pay inflation, demographic growth or base budget growth to support service commitments.
- Other Base Budget Adjustments – This represents management actions such as contract efficiencies, and changes to grant allocations or forecast income.
- Savings – The total of savings proposed as part of the 2025/26 budget process.

Table 3 – Net Revenue Budget by Directorate 2025/26

	2024/25 Net Budget £m	Inter-Dept. Changes £m	Growth £m	Other Adjs. £m	Savings £m	2025/26 Net Budget £m
Chief Executive's Directorate	**0.052**	0.006	0.004	-	-	**0.063**
Children & Young People	**81.854**	0.281	1.720	0.374	(1.412)	**82.816**
Communities, Strategy & Change	**13.860**	0.421	0.480	(0.020)	(0.903)	**13.838**
Community Wealth Building	**17.655**	0.657	0.573	(0.075)	(1.275)	**17.535**
Environment & Climate Change	**(10.042)**	(1.148)	1.132	(0.311)	(0.999)	**(11.369)**
Health & Social Care (Including Public Health net nil position as wholly grant funded	**57.067**	0.487	7.078	1.003	(2.766)	**62.869**
Homes & Neighbourhoods	**13.081**	1.097	7.588	0.610	(0.132)	**22.244**
Resources	**33.007**	3.136	2.047	(0.500)	(1.294)	**36.396**
Central Costs	**53.172**	(4.149)	21.405	(10.734)	(5.400)	**54.295**
Net Cost of Services	**259.705**	**0.789**	**42.026**	**(9.652)**	**(14.181)**	**278.686**
Corporate Contingencies	**8.596**	-	-	0.146	-	**8.742**
Transfer to/(from) Earmarked Reserves	**7.652**	-	-	0.575	-	**8.227**
Non-Specific Grants	**(1.292)**	(0.789)	-	(7.075)	-	**(9.155)**
Net Budget Requirement	**274.661**	**-**	**42.026**	**(16.006)**	**(14.181)**	**286.499**
Settlement Funding Assessment	**(123.501)**	-	-	(1.802)	-	**(125.303)**
Other Business Rates Retention Scheme Income	**(28.100)**	-	-	(1.879)	-	**(29.979)**
Collection Fund (Surplus)/Deficit (Draft)	**(4.839)**	-	-	(0.575)	-	**(5.414)**

Council Tax Requirement	**118.221**	**0.000**	**42.026**	**(20.262)**	**(14.181)**	**125.804**

1.46. The variables within this budget position, key revenue pressures and mitigations are set out below.

Pay Budget Assumptions

1.47. The 2025/26 budget assumes 2.5% pay inflation and the remaining medium-term budget gap assumes 2% pay inflation per annum. Due to the compounding effect of the annual pay award and recent changes announced to employer NICs, as a general calculation, every 1% increase in pay budgets broadly costs £2.5m for the council's GF.

1.48. The local government pay award for 2024/25 has now been agreed. Council officers on pay points up to and including pay points 50 (£62,457) will receive an annual increase of £1,575, and those on pay points 51 (£63,582) and above will receive an annual increase of 2.5%. The pay award for chief officer grades had already been agreed at 2.5%. The Budget Report includes £2.442m of pay 'catch-up' (compared to the original budget) required for the 2024/25 pay award.

1.49. It was announced in the Chancellor's Autumn Budget that from April 2025 there will be a 1.2% increase in employer NICs and a reduction in the threshold from £9,100 to £5,000 (the level per-employee at which employers will begin to pay NICs). It is estimated that this will result in additional direct GF costs of £4.297m. The government has announced in the final settlement the additional funding to help offset the cost to local government of the changes to employer NICs. The allocation for Islington is £3.360m, which falls well short of the direct GF costs that the council will incur and the indirect costs arising in adult social care and the wider supply chain.

Pensions Contributions Adjustments

1.50. The triennial pension fund valuation as at 31 March 2025 will impact the council's budget for the three years from 2026/27 to 2028/29. As we approach the 31 March 2025 valuation date, the latest working assumption is that there will be no prior year deficit on the fund and therefore a saving of the currently budgeted annual deficit payment of £4.674m. It is also forecast that the future service employer contribution rate could increase from 18.3% to 18.5%, an increase of approximately £0.4m per annum. These assumptions have been reflected in this MTFS update and will be kept under close review in future updates.

Demography (Demand) Growth and Non-Pay Inflation

1.51. Demographic growth refers to the budgetary impact of increased demand and complexity of demand for council services. Demographic growth estimates have been updated and are summarised in Table 4. Non-pay (mainly contract) inflation estimates have also been updated and are summarised in Table 5. The forecasts are explained in detail below including risks and planned mitigations.

Table 4 - Demographic Growth MTFS Forecasts

Directorate	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m
Children & Young People – Children Looked After Placements Short Break, and Send Transport	0.558	0.654	0.540	0.540	0.600	**2.892**
Children & Young People – Historical demographic growth no longer required in the base budget.	(1.050)	-	-	-	-	**(1.050)**
Health & Social Care - Adult Social Care – Mental Health, Learning Disabilities, Memory, Cognition and Physical Support Service Users.	4.624	5.726	5.270	5.461	6.465	**27.546**
Homes & Neighbourhoods – Temporary Accommodation	3.755	3.079	1.397	-	-	**8.231**
TOTAL	**7.887**	**9.459**	**7.207**	**6.001**	**7.065**	**37.619**

Table 5 – Non-Pay Inflation MTFS Forecasts

Directorate	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m
Children & Young People – Children Looked After Placements, Children's Centres and SEN Transport	0.630	0.630	0.630	0.740	0.740	**3.370**
Environment & Climate Change – Parking Staffing Contracts	0.500	0.500	0.500	0.500	0.500	**2.500**
Health & Social Care - Adult Social Care – Care UK Contract, London Living Wage/National Living Wage Contracts	6.500	5.538	6.049	6.593	7.170	**31.850**
Homes & Neighbourhoods – Temporary Accommodation and No Recourse to Public Funds (NRPF)	6.609	5.360	2.515	2.563	0.690	**17.737**
Resources – Digital Contracts and Revenues Postage and Direct Debit Costs	0.193	0.496	0.281	-	-	**0.970**
Energy Costs	0.711	-	-	-	-	**0.711**
TOTAL	**15.143**	**12.524**	**9.975**	**10.396**	**9.100**	**57.138**

1.52. The largest requirement for demographic growth and non-pay inflation is within Health and Social Care. The number of residents requiring adult social care has risen over the past number of years. The Adult Social Care demographic growth forecasts are based on average growth projections, average cost increases above inflation and any assumed management actions that can be taken to reduce the growth. The rise in demand is driven by:

- An ageing population with people living longer with multiple complex needs.
- Increased prevalence of learning disabilities or physical or mental illness among working-age adults.
- Significant backlogs and longer waits in the NHS have exacerbated demand.

1.53. Regarding non-pay inflation, the council contracts providers to provide Adult Social Care provision across the borough in both residential and community-based settings. The following factors have contributed to a large increase in the estimated increase in contract costs since the previous MTFS update:

- Employer NICs changes in the Autumn Budget - it is estimated that this will lead to a £2.120m increase in Adult Social Care contracts in 2025/26.
- Wage Increases - On 23 October 2024, the London Living Wage was set at £13.84 per hour (a 5.32% increase compared to 3.94% previously assumed). The government has set the National Living Wage for 2025/26 at £12.21 per hour (a 6.73% increase compared to 4.62% previously assumed).
- General Inflation - The Consumer Price Index (CPI) for 2025/26 is forecast to be above the Bank of England target of 2%.

1.54. There has been a rapid escalation in temporary accommodation costs which show no sign of easing. This is an exponentially increasing problem for local authorities all around the UK and Islington is no exception. The number of homeless households in London is now at a record high. In 2024/25, there has been a 58% increase in demand for nightly booked temporary accommodation in Islington. This is due to:

- Cost-of-living crisis is the biggest driver of homelessness - Rents are rising rapidly resulting in tenants unable to afford accommodation.
- Landlords selling up mean Islington struggles with a rise in evictions and rent rises and results in a reduced ability of the service to discharge their responsibilities.
- Legal changes, or indeed lack of, have seen demand rise from domestic abuse (rising due to cost-of-living crisis) and the continued presence of no-fault evictions (which have risen by 28% in the last 12 months).

1.55. A forecast budget growth requirement for future years based on previous data has been factored into the demographic and non-pay growth forecasts in this report. However, it is now considered likely that this will be insufficient.

1.56. There is a risk that there will be further growth required above estimates. Costs are particularly sensitive to the compounding effect of changes in case numbers, rents, length of stay in temporary accommodation, and the use of expensive hotels. A 10% increase in case numbers and costs per night would see the overspend in 2024/25 rise by 66%.

1.57. The demographic and non-pay inflation pressures, risks and possible mitigations are set out in more detail below:

- There has been a very large rise in the number of cases and increasing number of people presenting as homeless. In recognition of the demographic growth, the MTFS forecast assumes that there will be a 58% increase in 2025/26 and 16.3% in 2026/27. This is subject to further review and there is a risk that this will be higher. It is presently difficult to forecast the ceiling of demand for temporary accommodation. However, there is the potential opportunity for additional government funding or an increase to the Local Housing Allowance to support the national pressures, but this is currently unknown.
- Rising nightly costs exacerbate the overall cost of homelessness and there is a requirement for non-pay inflation growth over the medium-term. The reduction in the

number of private landlords and the demand for properties has seen rents continue to rise at a rate well above inflation. The revised forecast assumes a 15% increase in costs in 2024/25 and 2025/26, which reflects Islington rent increases and external analysis. The Office for National Statistics has put average rents at 12.8% higher in the last 12 months from September 2024. It is expected that rents will continue to be high until 2026/27 and will then rise in-line with Rent forecasts for London by Statista + 2% per year.

- There are no assumptions for indirect temporary accommodation costs such as bad debt and rent deposit schemes. This considers the core costs of temporary accommodation only. They include quantifiable savings such as new properties purchased for temporary accommodation (Property Acquisition Programme PAPs) and increases in the social housing allocations policy.
- Three primary mitigations for the cost pressures are being reviewed – moving individuals more than 90 minutes away, implementing the 'one offer rule', expanding the Property Acquisition Programme, and amending the allocations policy.

1.58. The Council's energy costs are currently under review – it is currently estimated that there will be a pressure of £1.897m for council building gas and electricity costs in 2025/26. Furthermore, under the current GLL Leisure arrangement, the council bears some of the leisure provision's energy cost. Current forecasts suggest this could be a £0.650m pressure in 2025/26. A centrally held provision has been factored into the budget and will be allocated to directorate budgets if an evidenced risk materialises in-year 2025/26.

<u>Inflation – Medium-Term Analysis</u>

1.59. The non-pay inflation risks discussed above are subject to change in the national inflation rate. In recent years, the council has faced challenges with very high inflation (peaking at 11% in 2022) and the impact of the cost-of-living crisis for residents. CPI for November 2024 was 2.6%, a slight increase compared to recent months (2.3% in October and 1.7% in September), with core inflation increasing faster than the CPI headline rate. Inflation is expected to rise to around 2.75% over the next year before stabilising at around the 2% Bank of England target by 2027.

1.60. The fluctuation in inflation poses several risks for the council. A national rise in prices increases the cost of providing council services. Inflation can result in increased fees for social care, increased construction costs, a rise in energy bills and create an upward pressure for future pay demands. Additionally, if council funding does not increase with inflation, the real value of government grants and businesses rates will reduce, adding further strain on council's resources. Furthermore, increases in the cost-of-living without real term increases in wages can drive more demand for council services. Nationally, the increases in demand for social care and temporary accommodation have both significantly outpaced inflation.

<u>Other Directorate Base Budget Growth</u>

1.61. The MTFS provides growth in 2025/26 for the following other base budget pressures in directorates. This growth will be kept under review throughout the budget setting and budget monitoring processes.

Table 6 – Directorate Base Budget Growth 2025/26

	Description	£m
Communities, Strategy & Change	Growth within the Communications and Campaign team relating to the platforms required for consultations and internal and external bulletins.	0.060
	Access Islington Hubs Transformation Programme - Northern Access Islington Hub Lease Costs	0.091
Environment and Climate Change	Highways tree surgery – One-off growth was provided in 2024/25 for backlog maintenance. This adjustment reverses the one-off growth out of the Environment and Climate Change in 2025/26.	(0.410)
	Accessible Community Transport (ACT) Drivers – ongoing growth provided as a result of a number of posts being re-graded.	0.208
Health & Social Care	Additional staffing costs attached to the delivery of the agreed Demand Led Strategy to provide for an additional post to manage the Shared Lives Project and to facilitate sourcing accommodation for care leavers.	0.055
Homes & Neighbourhoods	Staffing that is legally required for Prevent Duty - Growth required due to removal of grant funding	0.144
	Mortuaries Service - Increase the current Mortuary Services budget to align with the newly proposed Mortuary Service Level Agreement (SLA) charges set by the Whittington Hospital, who currently provide these services.	0.223
	Removal of 2024/25 Agreed Temporary Accommodation Saving. Due to the vast increase of costs and subsequent pressures reported in temporary accommodation, this saving is to be removed from the base budget on an ongoing basis.	0.407
Resources	Previously assumed Housing Benefit Overpayment Income that can no longer be assumed from 2025/26 due to the ongoing migration to Universal Credit.	0.939
	Support the Career Pathways and Apprentices Strategy - To become an Exemplar Employer, additional resource was required and agreed in the 2024/25 Budget Report. Further growth is needed in 2025/26 to replace a one-off grant which supported the strategy until March 2025.	0.174
TOTAL		**1.891**

Corporate Budget Adjustments and Contingency

Levies

1.62. Levies forecasts have been updated in Table 7 to reflect the latest forecasts from levying bodies. Where there is an absence of forecast from the levying body, the MTFS assumes an increase of 2% per levy per annum in line with the Bank of England target inflation rate.

Table 7 – Estimated Corporate Levies 2025/26

Levy	Budget 2024/25 £m	Forecast 2025/26 £m	Increase £m	Increase %
Freedom Pass	10.475	11.572	1.097	10.5%
Environment Agency (Thames Region)	0.198	0.202	0.004	2.0%
Inner North London Coroner's Court	0.520	0.546	0.026	5.0%
Lee Valley Regional Park Authority	0.212	0.216	0.004	2.0%
London Boroughs Grants Scheme	0.164	0.165	0.001	0.6%
London Pensions Fund Authority	0.493	0.494	0.001	0.3%
North London Waste Authority Levy	8.288	9.730	1.442	17.4%
Traffic and Control Liaison Committee	0.243	0.248	0.005	2.0%
TOTAL	**20.594**	**23.175**	**2.581**	**12.5%**

1.63. The increase in the Freedom Pass levy is due to forecast demand returning to pre-pandemic levels. Freedom Pass journeys have increased in recent years but remain lower than pre-pandemic levels (2019/20). The levy for 2024/25 is based on Freedom Pass journeys being 77% of pre-pandemic levels. The baseline forecast from London Councils is that demand will be 84% of pre-pandemic levels in 2025/26.

1.64. The most significant change is regarding the North London Waste Authority levy. The latest forecast is £9.730m for 2025/26, £1.442m higher than the 2024/25 levy. The increase is driven by a full year of operating costs, interest charges and Minimum Revenue Provision relating to the new Reuse and Recycling Centre being brought into use in 2024/25.

1.65. The London Boroughs Grants Committee contributes towards the funding of many London-wide organisations providing a wide range of services. These services are accessible by Islington residents and contribute towards the council's priorities including tackling homelessness, dealing with violence against women and girls and support people with no recourse to public funds. The London Councils Grant Committee report was considered by the London Councils Leaders' Committee on 10 December 2024. The report proposed an overall level of expenditure in 2025/26 of £6.711 million, requiring borough contributions of £6.711m, an increase of £0.043m since 2024/25. Two-thirds of boroughs need to agree the grants budget by the third Friday in January (in this case 17 January 2025). Islington's contribution in 2025/26 will be £165,485 compared to £165,740 in 2024/25, a reduction of £255.

1.66. In 2018, the previous government published the Resources and Waste Strategy – focussing on increased resource efficiency, a more circular economy, and increasing recycling rates. The new government has committed to the implementation of these policies collectively known as the Collection and Packaging Reforms comprising the following reforms, which will have significant financial and resource implications on Local Government:

- Simpler Recycling and the Deposit Return Scheme.
- Packaging Extended Producer Responsibility. This will ensure producers pay the full net cost of managing packaging they put into the market, estimated at £1.4bn per year. Local Authorities will receive payments for managing the packaging once it becomes household waste. Payments will be estimated and therefore may not reflect the actual net cost. The grant will not be ringfenced to waste management. Current external estimates suggest that Islington will receive at least £2.371m in 2025/26.

- A move to decarbonise waste including Energy from Waste in the UKs Emissions Trading Scheme. This change is likely to increase the cost of sending waste to disposal. Current modelling suggests that across London this will cost £115m per year.

Revenue Cost of Capital Programme

1.67. The MTFS impact of funding the existing planned capital programme has been realigned to reflect the latest profiling of expenditure by year. This has given rise to a non-recurrent £4m beneficial reprofiling in capital financing costs (interest payable and Minimum Revenue Provision for the repayment of debt) in 2025/26.

1.68. It should be noted that fortuitous in-year underspends in the capital financing budget have helped to partially offset directorate overspends in recent years. By taking £4m out of the budget in 2025/26 on a non-recurrent basis, it means that this will not be available to offset any directorate overspends.

Required Year-End Provisions

1.69. There has previously been no annual budget to replenish the insurance appeals provision (amount assessed by an external actuary) and sundry bad debt provision. These provisions are required under the accounting code of practice. The annual replenishment amount is approximately £3m in total each year. This has previously been funded through in-year corporate underspends on the capital financing budget or use of the financial resilience budget. This is no longer considered a sustainable approach due to the removal of the financial resilience budget and the re-alignment of capital financing budgets discussed above. Therefore, an annual budget of £3m per annum has been included in the MTFS from 2025/26 to provide for these known costs.

Revenue Savings

1.70. The MTFS assumes the delivery of savings totalling £43.625m across the 5-year MTFS period (detailed at Appendix B) and summarised by directorate below in Table 8.

Table 8 – Revenue Savings 2025/26-2029/30

	2025/26 £m	**2026/27 £m**	**2027/28 £m**	**2028/29 £m**	**2029/30 £m**	**Total £m**
Children's & Young People	1.412	1.315	1.750	0.680	0.080	**5.237**
Communities, Strategy & Change	0.903	0.553	1.089	0.775	-	**3.320**
Community Wealth Building	1.275	1.114	1.014	-	-	**3.403**
Cross Cutting	5.400	5.400	10.800	-	-	**21.600**
Environment	0.999	0.940	0.219	-	-	**2.158**
Health & Social Care	2.766	0.148	1.522	0.253	0.253	**4.942**
Homes and Neighbourhoods	0.132	0.037	0.007	-	-	**0.176**
Resources	1.294	1.445	0.050	-	-	**2.789**
Total	**14.181**	**10.952**	**16.451**	**1.708**	**0.333**	**43.625**

1.71. The following undeliverable 2024/25 savings have been added back to the MTFS gap:

- The 2024/25 budget included a saving of £0.407m aiming to reduce the cost of the temporary accommodation provision and to manage demand. Due to the vast

- increase of costs and subsequent pressures reported in temporary accommodation, this saving is to be removed from the base budget on an ongoing basis.
- Of the £1m savings target to be delivered from a second round of the Voluntary Efficiency and Redundancy Scheme in 2024/25, £0.732m was delivered. The undelivered £0.268m has been added back the MTFS gap.

1.72. In addition, the 2024/25 budget setting process agreed the following savings for 2025/26 that are now considered undeliverable and have been removed from the MTFS:

- £0.511m relating to further managing demand in temporary accommodation, for reasons expressed above.
- £0.400m generation of additional commercial income due to ongoing base budget pressures in this area.
- £0.150m from redirecting money from commissioning budgets into the new Voluntary and Community Sector (VCS) grants programme to ensure local and more efficient delivery of services through our local VCS organisations. However, an appropriate method of delivery could not be found.

1.73. It should be noted that some savings may be subject to individual consultation before they can be implemented. Any savings that do not proceed as planned following consultation would result in an in-year pressure which would need to be funded from the corporate contingency budget and the ongoing implications considered as part of the next budget process.

1.74. The identification and delivery of savings gets more challenging every year. This is particularly the case for cross-cutting savings. To enhance delivery of cross cutting savings in the 2025/26 budget it is imperative that all cross-cutting savings are applied to directorate cash limited budgets at the earliest opportunity. Any cross-cutting savings that are not allocated to directorates as part of budget setting present an immediate delivery risk.

1.75. Cross-cutting savings account for nearly 74% of the new 2025/26 savings, and nearly 74% of the three-year total to 2027/28. Given that cross-cutting savings have been difficult to deliver in-year following past budget cycles, this does present a significant level of budget risk. This will need to be monitored closely in 2025/26 and over the medium term.

1.76. The largest cross-cutting saving relates to a reduction in our workforce budgets across the council. This amounts to £5.4m in year one (equating to around 150 posts) and totals £21.6m over the first three years of the MTFS period. At present it is assumed the saving will be delivered through vacancy and agency management, with minimal redundancy or pension strain costs. If redundancy/pension strain and related costs were required at any point to deliver the saving over the MTFS period, individual decisions would need to be taken in consideration of costs and any payback period.

1.77. Updates on the delivery of the 2025/26 budget savings will be provided as part of the budget monitoring process, reported up through the Executive and the Corporate Economy and Resources Scrutiny Committee.

Directorate Management Actions

1.78. The MTFS includes management actions reflect where directorates are taking action to mitigate budgetary pressures through measures such as contract efficiencies with no service impact or policy change and realigning budgets with demand. Planned service management actions in 2025/26 are noted in Table 9.

Table 9 – Planned Directorate Management Actions 2025/26

Directorate	Description	£m
Children & Young People	Package of smaller management actions following agreed changes in the Platform Islington service, reorganisation of Early Years service and reducing non-pay and agency expenditure.	(0.280)
Community Wealth Building	Rationalise level of security cover across council sites	(0.075)
Health & Social Care	Reviews of care packages - Continue to promote an independence approach through reviews to prevent, reduce and delay the need for care packages in order to reduce costs whilst still meeting needs.	(0.300)
	Public Health - Contract Efficiencies and managing inflationary pressures	(0.370)
Environment & Climate Change	Anticipated net increase in Leisure Contract rent income and Parks and Leisure increased income	(0.250)
	Reduce the Recycling and Waste Minimisation Team to 1 Full Time Equivalent post	(0.060)
Resources	Reduced costs of the finance service, through the consolidation of systems, improvements in processes and development of staff to deliver a more efficient service	(0.200)
	Legal Services efficiencies – planned reorganisation and additional income generation	(0.250)
	Further delivery of allowing staff to purchase additional annual leave	(0.050)
TOTAL		**(1.835)**

Funding Substitutions

1.79. The MTFS also includes funding substitutions where alternative funding (e.g. external grant funding) has been identified to fund an existing council budget. Funding substitutions in 2025/26 are noted in Table 10.

Table 10 – Directorate Funding Substitutions 2025/26

Directorate	Description	2025/26 £m
Children & Young People	In respect of council managed Children's Centres and nurseries, £0.969m will be substituted with additional Dedicated Schools Grant in 2025/26. Due to new government funding and entitlements for Under 2's and Over 2-Year-Olds, vacancies will reduce and increase DSG funding to nurseries.	(0.969)
	The Mayor's Fund for Universal Free School Meal is set to continue in 2025/26 meaning that GF resources are not required to fund the council's commitment to Free School Meals. This will release £1.177m from the GF in 2025/26.	(1.177)
TOTAL		**(2.146)**

Government Funding

Local Government Finance Settlement 2025/26

1.80. The final settlement was announced on 3 February 2025. The final settlement was broadly in line with the provisional settlement and the council's medium-term financial strategy assumptions.

1.81. The proposed council tax referendum principles are a core council tax referendum limit of up to 3.00% and an adult social care precept of up to 2.00%. In practice, this means that the council can increase council tax by up to 4.99% in 2025/26 without requiring a referendum. The government assumes that council tax is increased by the 4.99% maximum allowed without a referendum.

1.82. Individual authority allocations to mitigate the increase in employer NICs was confirmed in the final settlement. Islington's allocation is £3.360m. This does not fully compensate the council for the increased direct and indirect staffing costs it faces from the NICs changes.

1.83. Islington's Core Spending Power (CSP) will increase by 6.5% in 2025/26, lower than the total England increase of 6.8%. CSP is the government's measure of a local authority's resources available to fund service delivery. It mainly consists of income from retained business rates, grants, and council tax (assuming that council tax is increased by the maximum allowed without a referendum)

1.84. Islington's Settlement funding for 2025/26 is summarised in Table 11 below.

Table 11 - Islington Core Spending Power

	Revised 2024/25 £m	2025/26 £m	Increase/ (Decrease) £m
Settlement Funding Assessment – Business Rates Retention	93.089	94.319	1.230
Settlement Funding Assessment – Revenue Support Grant	30.412	30.984	0.572
Local Authority Better Care Grant	17.889	17.889	-
New Homes Bonus	0.697	0.991	0.294
Social Care Grant	30.826	36.510	5.683
Market Sustainability and Improvement Fund	5.626	5.626	-
Services Grant (abolished)	0.595	-	(0.595)
Domestic Abuse Safe Accommodation Grant (rolled in)	0.044	0.045	0.001
Recovery Grant (new)	-	1.581	1.581
Children's Social Care Prevention Grant (new)	-	1.774	1.774
Other Grants (rolled in)	0.065	-	(0.065)
Employer National Insurance Contribution Grant (new)	-	3.360	3.360
Total Settlement Funding Before Memorandum Items	179.244	193.078	13.834
Compensation for under-indexing the NNDR multiplier*	17.028	17.672	0.644
Council Tax Requirement excluding parish precepts*	118.221	124.263	6.042
Core Spending Power Total	**314.493**	**335.013**	**20.520**
Change since 2024/25 (%)			6.5%
*Memorandum items are based on central government estimates, and actual income received by the council may vary.			

1.85. The Social Care Grant will increase by £880m nationally in 2025/26. Islington's Social Care Grant allocation is £36.510m, a £5.684m increase compared to 2024/25.

1.86. The Local Authority Better Care Grant is an amalgamation of the former Improved Better Care Fund and the Adult Social Care Discharge Fund. This and the Market Sustainability and Improvement Fund grant will continue at the same allocations as 2024/25.

1.87. The settlement provided individual authority allocations for the following new funding streams around which there had been significant uncertainty.

- Recovery Grant (£500m) – Islington's allocation is £1.581m. The Recovery Grant has been allocated using the Index of Multiple Deprivation, 2023 Population and share of taxbase.
- Children's Social Care Prevention grant (£269m) – Islington's allocation is £1.774m. The government uplifted the £250m grant to £269m nationally in the final settlement. The grant is ringfenced for direct investment in additional prevention activity for children and families through the implementation of Family Help and Child Protection reforms.

1.88. The New Homes Bonus grant will continue for an additional year. Islington's allocation is £0.991m.

1.89. The Services Grant will be abolished in 2025/26.

1.90. The government will distribute to authorities a £100m one-off surplus from the NNDR levy account, the same amount as last year. Allocations will be confirmed in the final settlement and are expected to be received in the current financial year (2024/25). The same methodology as last year is expected and therefore the same allocations (£0.715m for Islington). This will be factored into the 2024/25 budget monitoring position as a one off.

1.91. The settlement confirmed the council tax referendum threshold at 4.99% (2.99% core threshold and 2.00% ASC precept), the freezing of the small business NNDR multiplier ('rate in the £') at 49.9p and the uplift of the standard business NNDR multiplier to 55.5p (from 54.6p). The council will be fully compensated by the government for the impact of the freezing of the small business national non-domestic rates multiplier and other national non-domestic rates announcements on its business rates retention income.

1.92. The National Autumn Budget announced £233m of additional grant funding for preventing homelessness and rough sleeping in 2025/26. This includes a £192m increase in the Homelessness Prevention Grant. Islington's Homelessness Prevention Grant allocation for 2025/26 is £6.829m, an increase of £1.975m compared to the revised 2024/25 allocation.

1.93. As previously announced, councils will receive a new non-ringfenced income stream in 2025/26 from fees paid by packaging producers, the Extended Producer Responsibility for Packaging scheme. This income will cover the existing costs local authorities incur for managing household packaging waste, provide additional funding for new legal duties, and support much needed investment in the waste and recycling industry. Islington's minimum guaranteed payment for 2025/26 has been confirmed by the Department for Environment, Food and Rural Affairs at £2.371m. The council will receive at least this amount in 2025/26. Whilst this will help towards the 2025/26 budget gap, it is anticipated that this new income stream will eventually be offset over the MTFS period by significant additional costs from the inclusion of Energy from Waste in the UK Emissions Trading Scheme from January 2028.

1.94. The Public Health Grant for 2025/26 has been confirmed and £32.304m has been allocated for Islington.

Local Government Funding Reform 2026/27

1.95. The government announced a consultation on 18 December 2024 to seek views on the approach to local authority funding reform through the local government finance settlement from 2026-27.

1.96. The government's aim is to allocate local government funding more efficiently to reflect an updated assessment of local need and revenues. Since 2010, government funding to councils has been cut dramatically, disadvantaging deprived areas the most. The funding reforms are intended to build on the previous government's proposed reforms, which were long promised but not delivered. 2026-27 will be the first multi-year funding settlement for local government in a decade.

1.97. The funding review will reflect differences in demand for services, variations in the cost of delivering services, differences in locally available resources and cover methods of keeping allocations up to date.

1.98. The government intends to carry out a full Business Rates Reset in 2026-27. It has been over a decade since current Business Rates Baselines were put into place. This has meant that retained business rates have continued to accumulate locally, contrary to the aims of the system when consulted on and introduced by the previous government in 2013. Recalculating Business Rates Baselines alongside a new assessment will ensure that business rates income is allocated to meet changes in relative need.

1.99. Further detail around the delivery of the Business Rates Reset and the methodology of updating Business Rates Baselines will be included in a technical consultation to be published in 2025.

1.100. Given the huge uncertainty around local government funding from 2026/27 onwards, both in terms of the overall funding quantum for local government that comes out of the government's multi-year Spending Review due to take place in 2025 and changes to the methodology for allocating funding, the MTFS currently assumes no government funding increase beyond 2025/26.

Schools Funding

1.101. The following analysis is based on funding announcements from the Department for Education (DfE) following the December settlement.

1.102. Table 12 below shows the DSG funding by various blocks. The total DSG funding for 2025/26 is £239.660m before recoupment for academies and free schools. This is an increase of £18.171m (8.2%) compared with 2024/25.

Table 12 - Dedicated Schools Grant by Block

Blocks	2025/26 £m	2024/25 £m	Variance £m	Variance %
Schools	157.351	148.598	8.753	5.9%
Central	1.367	1.327	0.040	3.0%
Early Years	29.866	23.750	6.116	25.8%
High Needs	51.076	47.814	3.262	6.8%
Total	**239.660**	**221.490**	**18.171**	**8.2%**

1.103. It should be noted that much of this increase relates to rolling funding into the Schools Block that had previously been given as separate grants, and increased funding for Early Years to reflect the full year effect of the new nursery entitlements.

1.104. The Schools Block (SB) will increase by £8.753m (5.9%). However, most of this increase (approx. £7.8m) is linked to rolling in funding which was allocated through separate grants in 2024/25. It is therefore likely that the real cash per pupil increase will be nearer to 0.5%. The SB is the main source of funding for mainstream schools. Funding will be distributed to schools through the national funding formula.

1.105. There is also a reduction in the number of pupils by 537.50 which means the SB is approx. £3.863m lower than it would have been if pupil numbers had not reduced.

1.106. The Central Schools Services Block (CSSB) will increase by £0.040m however this is due to several grants, funded separately in 2024/25, being rolled into the formula. These grants totalled £0.136m which has been partially offset by continued reduction in the historic duties' element of the CSSB, as well as the overall reduction in pupil numbers.

1.107. The Early Years Block (EYB) will increase by £6.116m (25.8%). This is an initial position based on the January 2024 Early Years census and will be updated when the January 2025 census data is available next year. The EYB provides funding for the statutory entitlements to early education and childcare. Most of the increase in the EYB is due to the full year effect of the new nursery entitlements which were introduced in 2024/25, as well as rolling in funding that was given as separate grants in 2024/25. However, there will be a real net increase in the hourly funding rates to the council across the entitlements: 3- & 4-year-olds +0.5%, 2-year-olds +5.11% and Under 2s +6.14%.

1.108. The High Needs Block (HNB) will increase by £3.262m (6.8%). The HNB supports provision for children and young people with special educational needs and disabilities (SEND) from ages 0-25 years. Demand for EHCPs is increasing by 8-10% per annum and therefore funding is not keeping pace with demand.

Council Tax base

1.109. The MTFS estimates that the council tax base will grow by 1.36% in 2025/26 and 0.5% per annum over the remainder of the medium-term period.

1.110. The forecast 2025/26 tax base increase includes the estimated additional income from the planned introduction of a second homes premium from 1 April 2025.

Fees and Charges

1.111. Some fees and charges are determined by statute and are not within the council's power to vary locally. Others are discretionary and set as part of the annual budget suite of papers, including the fees and charges report. The fees and charges policy considers the current level of inflation in the economy as well as the level of inflation expected over the forthcoming financial year.

1.112. The Council's fees and charges policy and General fund fees and charges were agreed by the Executive on 28 November 2024. Further changes to fees and charges were proposed and agreed by the Executive on 13 February 2025. A schedule of those changes to fees and charges can be found in Appendix K. Any other fees and charges not listed in this report remain unchanged from previous approvals.

1.113. HRA fees and charges are considered in the Section 5 of this report.

2. General Fund Risk, Contingency and Reserves

Known Risks to the MTFS Position and Corporate Contingencies

2.1. There are a number of risks in the MTFS position which are being kept under regular review. Any contingencies held are subject to further changes to Directorate forecasts.

2.2. To account for some of these risks, a corporate contingency budget has been established for known but uncertain risks in directorates. This amounts to £3.7m in 2025/26 and an additional £3m per annum from 2026/27 to 2029/30 for further emerging pressures. Although the pressures are unquantifiable, to not provide for them in the budget would understate the pressures facing the council in 2025/26 and beyond.

2.3. Other known but unquantifiable risks are set out below for noting:

- The council's street lighting PFI contract is due for renewal in 2028/29, with the end date June 2028 – whilst current estimates expect the cost will be in line with current budgets, this is a risk that the revenue cost will increase. The contract transfers the responsibility for maintenance and associated risk of the 11,600 street lighting units and 4,200 items of illuminated street furniture to the PFI provider. The ownership of assets remains with the council. The council has agreed performance standards with the contractor which set out the targets that have to be achieved in terms of the service provision for repairs, maintenance and replacements.
- Parking Income Shortfall – It is currently assumed that the in-year income shortfall will be mitigated for 2025/26, however based on current data there are reduced levels of parking across the borough.
- There is a high-level of reliance on savings delivery in this budget. As noted, earlier in this report there are £14.581m of savings for delivery in year 1 and £43.625m over the medium term. It is imperative that savings delivery is monitored closely in-year, and any undeliverable savings are replaced with agreed service management actions. There is currently no specific contingency set aside for the non-delivery of General Fund savings.

General Contingency

2.4. The MTFS continues to assume an annual, general contingency budget - an ongoing budget intended to be applied on a one-off basis only against unforeseen expenditure in-year. If it were to be applied on an ongoing basis against ongoing expenditure pressures, then the budget would not be available for future financial years. The general contingency budget is viewed as a last resort for in-year budget pressures that cannot be funded from compensating underspends elsewhere and is subject to approval in line with the council's Financial Regulations. Directorates agree cash limited budget allocations and take responsibility for delivering a balanced budget unless a business case, presenting an exceptional circumstance, for contingency or reserve funding is agreed.

2.5. Given the level of gross in-year overspends in recent financial years, the £5m general contingency budget for 2025/26 is at the very low end of acceptability in terms of providing assurance against unanticipated or unexpected expenditure over and above budget.

Useable Revenue Reserves

2.6. Maintaining adequate reserves to manage budgetary risks and unexpected events or emergencies is a key component of the council's financial sustainability. As all reserves are one-off in nature, they should not be used to bridge recurrent budget gaps. A sustained trend of declining reserves has been an early indicator of financial distress in authorities that have subsequently issued Section 114 notices.

2.7. The council holds useable reserves under the following main categories:

Usable Revenue Reserves – these comprise:

- Unallocated Reserves – these cushion the impact of uneven cash flows, offset budget requirements, if necessary, or can be held in case of unexpected events or emergencies. These are split between GF and HRA.
- Schools Balances – these belong to schools and are held by the council on their behalf.
- Earmarked Reserves - these must be held for genuine and intended purposes. These are split between GF and HRA. Earmarked funds within the GF are categorised into:
    - Budget Risk – These are held to protect the council against the significant and wide-ranging budget risks within the MTFS, mitigate the impact of NNDR and council tax income fluctuations and timing differences, and provide resilience for business continuity in the event of exceptional circumstances such as a cyber-attack.
    - Planned Spend – This comprises reserves that are earmarked to fund one-off expenditure such as transformation projects (e.g. Resident Experience programme) and other commitments.
    - Ringfenced – This comprises ring-fenced grants and contributions such as Dedicated Schools Grant and Public Health grant where the funds cannot be used to resource anything other than the specified purpose due to funding or legal restrictions.

Usable Capital/HRA Reserves – these comprise:

- Major Repairs Reserve – Applies to the HRA only and is used to build up capital sums that can be used to finance the major repairs capital programme and repayment of housing debt.
- Capital Receipts Reserve – Holds funds received from sales of non-current assets (primarily receipts from the sale of property). The use of receipts is normally restricted to funding capital expenditure or paying off debt.
- Capital Grants Unapplied – Holds capital grants that have been received in advance of the associated expenditure being incurred. They are not available for revenue purposes.

2.8. The estimated level of useable revenue reserves, reflecting current known movements is shown in Table 13 and detailed by individual reserve at Appendix C. This reflects known reserves movements.

Table 13 – Forecast Useable Revenue Reserves

	Actual Balance	**Forecast Balance**					
	31/03/24 £m	**31/03/25 £m**	**31/03/26 £m**	**31/03/27 £m**	**31/03/28 £m**	**31/03/29 £m**	**31/03/30 £m**
Budget Risk	51.246	53.526	58.077	58.077	58.077	58.077	58.077
Planned Spend	21.816	9.603	2.565	1.702	1.702	1.702	1.702
Ringfenced	28.360	27.546	21.547	16.077	9.114	5.151	1.576
Total GF Earmarked Reserves	**101.422**	**90.675**	**82.188**	**75.855**	**68.892**	**64.929**	**61.354**
Unallocated	31.658	31.658	31.658	31.658	31.658	31.658	31.658
Schools Balances	5.985	1.380	0.505	(4.113)	(4.113)	(4.113)	(4.113)
Total GF Balances	**37.643**	**33.038**	**32.163**	**27.545**	**27.545**	**27.545**	**27.545**

2.9. This position reflects knowledge on a number of planned projects which have been agreed to be funded from reserves. It is recommended as part of this report that these forecasts are noted. Updates will be provided in MTFS updates throughout 2025/26 and Budget Monitoring reports.

- There are forecast future costs in relation to the direct and indirect costs of the non-recent child abuse support payment scheme. For 2025/26, it is currently forecast that £2.075m will be allocated in total. This is split between £0.400m support payment costs and £1.675m costs of running the scheme.
- In response to the falling pupil numbers across the borough, the Council has already completed an initial Phase 1 school reorganisation and currently concluding Phase 2. Phase 3 costs, subject to the outcome of statutory processes, are estimated in 2025/26 totalling £1.450m.
- A report to the Executive in October 2024, sought funding agreement to deliver Phase 3 of the Resident Experience Business case. A total of £4.411m was agreed to be funded split 56% GF Reserve funding and the remaining 44% to be funded by the HRA. It is currently forecast that this will be profiled in the GF as a drawdown of £0.503m in 2024/25, £1.413m in 2025/26 and £0.553m in 2026/27.
- The project for implementing the new financial system with Technology One, was estimated to cost around £3.151m as a call on reserves which was noted during the procurement process and in the decision award report. The project is about to start and the project team has estimated the required budget for implementation will be closer to £2.2m, less than initially thought.

2.10. It is expected that additional movements to/from reserves will be brought forward for agreement once there is greater clarity on their timing and amount. This includes reserves movements related to the finalisation of the 2024/25 financial outturn after the end of the current financial year.

General Fund Reserves

2.11. In the 2024/25 Budget Report, the Minimum GF Balance and Earmarked Reserves level was set at £80m with the target of increasing reserves where possible. The £80m was an absolute figure based on historic reserve levels. A more sophisticated calculation based on 25% of the council's Core Spending Power, as measured by central government, is proposed as part of this report, to recognise the additional risk to the MTFS and reserve levels.

2.12. At the end of 2023/24, Islington had useable GF revenue reserves equating to 43% of its CSP. This is significantly lower than the Inner London Borough average of 76%.

2.13. Figure 1 below projects the level of GF revenue reserves over the 5-year MTFS period against the proposed Minimum GF Balance and Earmarked Reserves (red line) under two scenarios:

- **Green bar scenario** – This is simply a projection of existing spending commitments and plans against reserves. It assumes that the GF budget will be balanced each year with a combination of robust and deliverable savings, additional government funding and council tax increases. Moreover, that the approved budget is subsequently not overspent in year. Under this scenario, reserves would stay above the Minimum GF Balance and Earmarked Reserves level until 2028/29. This highlights the need to increase reserves or reduce spending against reserves to ensure a more sustainable financial position for the council.
- **Orange bar scenario** – This additionally assumes a repeat of the forecast 2024/25 Quarter 2 directorate-level overspend (£14.042m less the general contingency budget of £6.066m) in 2025/26 and over the medium term. Under this scenario, reserves would breach the Minimum GF Balance and Earmarked Reserves level by 2026/27. It could be breached even sooner if significant new spending commitments are made against reserves or if the 2025/26 and 2026/27 budget gaps are not fully balanced by robust and deliverable savings.

Figure 1 – Useable General Fund Revenue Reserves Forecast

2.14. Schools' balances in Islington have been in decline since 2018/19 when they stood at a total surplus of £11.732m. Balances have reduced steadily since then, with a total surplus of £5.984m and 17 schools in deficit at the end of 2023/24. Based on the 2024/25 Quarter 2 forecast there will be a surplus of £1.594m at the end of 2024/25 and 18 schools will be in deficit. 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.

2.15. The council previously approved a Flexible Use of Capital Receipts Policy for 2024/25, up to £20m, that makes use of the government flexibility for local authorities to use capital receipts generated from the sale of assets (except for Right to Buy disposals) to fund revenue costs arising from transformational revenue projects that deliver savings. Ordinarily these receipts would only be available to fund capital expenditure. Utilising the capital receipts flexibility would mean that the council's reserves would reduce by less but there would be a corresponding increase in the council's need to borrow for the capital programme. This would in turn lead to an increase in the revenue budget gap and savings requirement to pay for borrowing costs. The latest MTFS assumes that the existing Flexible Use of Capital Receipts Policy for 2024/25 will not be utilised and there is no policy proposed for 2025/26.

Reserve Movements and Budget Risks

2.16. The pressures across councils have resulted in increasing numbers of local authorities issuing Section 114 notices. A Section 114 notice puts spending controls in place and prohibits all new expenditure by a council, other than that required to provide statutory services. A council's Chief Financial Officer (CFO) has a statutory duty to issue a Section 114 notice if they believe the council will be unable to meet its expenditure commitments from its income. The CFO does not need councillors' consent to issue this notice. The rising numbers of Section 114 notices highlight how difficult it is becoming for all councils to set a balanced budget, and this is going to become even more challenging if service demands increase further and funding continues to be outstripped by inflation.

2.17. Use of reserves to balance ongoing budget gaps is not advised for a number of significant reasons:

- The level of the medium-term budget gap would stay the same, with the relevant budget gap merely pushed to the following financial year.
- Future budget gaps tend to widen as the budget process for that financial year is approached – a combination of an expanding prior year budget gap and an underlying gap to close for the following financial year would be extremely difficult to balance in a single budget year.
- It would reduce flexibility to use reserves in-year for any unforeseen events (e.g. to fund local risks such as a cyber-attack that would be unlikely to be funded by the government) or to resource one-off requests such as transformational costs.
- It would essentially be a 'sticking plaster' to deal with a long-term budget problem – potentially leading to much bigger problems down the line, as evidenced with recent high profile council failures.

CIPFA Financial Management (FM) Code Compliance Assessment

2.18. A self-assessment of compliance with the CIPFA FM Code has been undertaken as part of the 2025/26 budget assurance work. The CIPFA FM Code applies a principle-based approach. It does not prescribe the financial management processes that local authorities should adopt. Instead, the Code requires that a local authority demonstrates that its processes satisfy the principles of good financial management for an authority of its size, responsibilities, and circumstances. Each local authority should demonstrate that the requirements of the CIPFA FM Code are being satisfied.

2.19. Demonstrating this compliance with the CIPFA FM Code is a collective responsibility of elected members, the Section 151 Officer, and professional colleagues in the leadership team.

2.20. The annual compliance analysis in included in Appendix F2 and shows that the council achieves a high level of compliance against the vast majority of the CIPFA FM Code statements of standard (or best) practice. Where there is only a medium level of compliance, actions are suggested that would take the council to high level. The compliance analysis should be seen as an organic piece of work, re-visited at least annually as part of the budget process, with any actions or recommendations implemented on an ongoing basis.

Balance Sheet Analysis

2.21. The balance sheet provides a snapshot of the council's financial position detailing assets, liabilities, and reserves. The balance sheet shows the complex and closely interlinked relationship between revenue, capital, borrowing and other existing and emerging risks. Analysing the council's balance sheet on a regular and ongoing basis (and not just at financial year-end) is key to understanding the underlying financial position of the council. Effective balance sheet analysis is very useful as a measure to indicate whether or not a local authority is showing signs of financial stress currently and over time within an overall direction of travel.

2.22. To be effective, balance sheet analysis needs to look at a wide range of measures to enhance overall understanding of financial resilience and direction of travel. A number of key measures are set out below, with an analysis of Islington's comparative position to benchmark authorities.

2.23. Detailed balance sheet analysis can be found at Appendix F1. In summary, the analysis found that:

- Islington council has been able to build reserves, and therefore financial resilience, over the previous 7 years. This was partly due to transitory, additional income received during the COVID-19 pandemic (which is now largely reversed out), but also because of a deliberate financial strategy to bolster the council's overall reserves position. However, the level of useable reserves compared to the net budget requirement has decreased. If this trend continues, the ability of the council to support budget shortfalls and other adverse financial events will diminish.
- The council has been able to defer external borrowing, despite the increasing need to borrow, by using its own resources to finance capital expenditure. However, if reserves continue to decline and the need to borrow continues to rise, the council will be required to externally borrow and will risk paying high interest rates.

3. Housing Revenue Account

3.1. The HRA is a ringfenced account covering the cost of managing and maintaining council-owned housing stock, servicing both existing debts taken on as part of self-financing and new debt taken on to support the delivery of the new build and property acquisitions programmes, the funding of which comes primarily from rents and tenants' and leaseholders' service charges.

3.2. To ensure financial viability and sustainability, and in-line with best practice across the sector, the council maintains a 30-year business plan. The proposed updated HRA 30-year business plan is detailed in Appendix D4. This document will continue to be reviewed and scrutinised and any changes brought back to the Executive for agreement.

3.3. The proposed HRA budget includes the balance of the savings package identified as part of the 2024/25 budget process and the continuation of these savings in 2026/27 totalling £2.537m (detailed at Table 15 and Appendix D3). In addition, the draft HRA 30-year business plan assumes that the new build programme will continue towards attempting to meet the Council's manifesto commitment of delivering an additional 750 social rented homes (with a start on site by December 2027).

3.4. The current challenging economic climate includes higher interest rates than has been the case in recent times as well as significantly increased construction costs. The combination of these means that the financing of new build schemes can no longer be fully funded from the net rent generated from the new council homes. As such the draft HRA 30-year business plan includes subsidised new build borrowing of £31.687m to take 167 new council homes through to completion and a further provision of £19.774m to continue developing a pipeline programme of 583 new council homes through to Planning stage. This new build programme budget pressure has been met by reducing the budget provision available to the major works and improvement capital programme for investment in existing council homes, by 4% (or £2.3m) per year over 30 years.

3.5. In October 2024 the government announced a significant reduction to the maximum discount allowed for Right to Buy (RTB) sales. In Islington this means a reduction from £136k to only £16k. Whilst this generated a significant surge in applications ahead of the deadline it is unclear what proportion of these applications will progress to sales. The medium-term expectation is that we will see a significant reduction in the number of RTB sales, averaging just over 50 per year. Whilst this can be considered a positive move in terms of the longer-term availability of our HRA stock, it will require a review of the future funding of the development of new homes and acquisition, likely increasing our reliance on grant funding. The government also announced that for 2024/25 and 2025/26 financial years, Local Authorities can use RTB receipts to fund up to 100% of the cost of replacement housing to help stimulate the increase in replacement social housing. Further freedoms were also announced with the removal of the cap on the percentage of replacements delivered through acquisitions, further announcements may follow the consultation.

3.6. It should also be noted that whilst the draft HRA 30-year business plan balances, this is achieved by limiting the budget provision for the investment in existing council homes. The investment gap over 30 years between a traditional investment model and our budget limited resources is £1.285bn and would still be £320m for an investment model shaped around life expiry of major building components.

3.7. Whilst within the limited budget provision included in the draft HRA 30-year business plan, priority will be given to building safety works and meeting statutory compliancy. The shortfall in available resources will inevitably reduce the Council’s capacity to invest in maintaining the condition of existing homes to the standard we want to deliver and over time will lead to deterioration in our housing stock, with our non-decency levels rising.

3.8. The major works capital programme investment gap referred to above has developed in significant part because of past Government interventions that limited the rents that councils could set. This action includes the requirement for council’s deliver a rent increase of CPI minus 1%, effectively a rent reduction applied over the 4 years 2016/17 - 2019/20 and the 7% rent increase cap that was applied 2023/24 when there were high CPI levels, eroding our ability to cope with the high inflation experienced. These actions led to a loss in rental income over 30 years of £1.7bn. Consideration of options and measures to bridge the investment gap continues, including co-ordinated council action to highlight this issue to Government.

3.9. The proposed HRA budget for 2025/26 and latest estimates for the medium term, including HRA reserves estimates, is set out at Appendix D1. The movement between the approved 2024/25 budget and the proposed 2025/26 budget is summarised in Table 14.

Table 14 – Summary of HRA Budget Changes 2024/25 to 2025/26

Expenditure	£m
Pay and pensions inflation	3.464
HRA savings proposals	(0.993)
Increase in contributions to HRA reserves	1.068
Contractual inflationary increases and other budgetary changes	2.710
Reduction in one off growth for Tier 2 New build	(10.370)
Capital related items (borrowing, RCCO and depreciation charges)	3.642
Total Expenditure Decrease	**(0.479)**
Income	
Rent and Tenant charges	1.764
Heating charges (Tenants and Leaseholders)	0.066
Leaseholder annual service charges	(1.229)
Other income	(0.122)
Total Income Decrease	**0.479**

Table 15 – Summary of HRA Savings 2025/26 to 2027/28

Savings type	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Efficiency	0.363	0.291	-	**0.654**
Service reconfiguration	0.630	0.958	-	**1.588**
Income generation	-	-	0.295	**0.295**
Total	**0.993**	**1.249**	**0.295**	**2.537**

HRA Reserves

3.10. The HRA reserves are currently higher than the 10% of operating expenditure minimum and are forecast to remain so over the medium term. Whilst these reserves are currently higher than the minimum level, they are being used across the 30-year business plan to support the additional HRA RCCO contributions to support the major works investment plan.

3.11. Over the 30-year business plan the reserves are forecast to be broadly in line with the 10% minimum that is required.

3.12. It is vital that the HRA reserves are held at least at the minimum 10% to give some short-term protection to the HRA in order to accommodate sudden or unforeseen cost pressures. This provides time to consider potential mitigating action and implement any further savings measures that might be required over the forecast period.

Table 16 - HRA Forecast Reserves 2024/25-2027/28

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Total HRA Earmarked Reserves and Balances	71.091	81.560	98.372	114.829
Minimum Balance (10% of forecast annual operating expenditure)	22.004	22.752	23.375	23.176
Difference	**49.087**	**58.808**	**74.997**	**91.653**

Rental Income and Other HRA Fees and Charges

3.13. The Welfare Reform and Work Act 2016 required local authorities to reduce the rents, in respect of all properties (excluding PFI managed properties) held in the HRA, by 1% each year for 4 consecutive years between 2016/17 and 2019/20.

3.14. On 30 October 2024, the Government published a consultation paper on the future of social housing rent policy seeking views on a draft direction to the Regulator of Social Housing to set a new Rent Standard in line with a draft policy statement. The proposal is a five-year settlement from 1 April 2026 to 31 March 2031 with maximum CPI+1% increases. Whilst not included within the consultation, it is implicit that existing arrangements of a maximum CPI +1% increase will apply for 2025/26.

3.15. A review of new build rent setting policies has been carried out to align existing tenant and re-let rents over a period of 3 years from 2023/24 to 2025/26 to ensure a consistent approach across all new build rents.

3.16. DLUHC have advised that all properties that are currently or that were formerly managed under a private finance initiative (PFI) arrangement are currently exempt from the rent standard.

Islington Council Managed General Needs Properties (excluding New Build and current plus ex PFI properties)

3.17. Table 17 sets out the average rent in 2025/26 for existing tenancies. The maximum 2025/26 permitted rent is the prior year (2024/25) actual rent plus 2.7% (September 2024 CPI +1%)

3.18. However, if the maximum rent exceeds the lower of the 2025/26 national rent cap (for the relevant bed size) or the property's 2025/26 national target rent then the 2025/26 rent will be the higher of A or B:

A) The lower of 2025/26 national target rent or the 2025/26 national rent cap or

B) The 2024/25 actual rent plus 2.7%

3.19. All the council's general needs properties will be subject to the maximum rent increase in 2025/26 of plus 2.7% as their maximum rents in 2025/26 do not exceed the lower of the 2025/26 national target rents or the 2025/26 national rent caps.

3.20. 1% (213) of the council's general needs properties have a national target rent greater than the national rent cap.

Table 17 – Existing Tenancies Average Weekly Rent 2025/26

Average Weekly Rent 2024/25	£136.58
Increase (£)	£3.69
Increase (%)	2.70%
Average Weekly Rent 2025/26	£140.27

3.21. General needs properties will be re-let at the lower of the 2025/26 national rent cap (for the relevant bed size) or their 2025/26 national target rent. As 99% of Islington Council general needs properties have a national target rent below the national rent cap, it is likely that re-lets will be at national target rent.

3.22. In accordance with DLUHC advice 2025/26 national target rents will reflect an increase of CPI (September 2024) plus 1% and the 2025/26 national rent caps will reflect an increase of CPI 1.7% (September 2024) plus 1.5%.

3.23. The below table sets out the likely average rent in 2025/26 for re-let properties.

Table 18 – Re-Let Properties Likely Average Weekly Rent 2025/26

Average Weekly National Target Rent 2024/25	£147.26
Increase (£)	£3.98
Increase (%)	2.70%
Average Weekly National Target Rent 2025/26	£151.24

Islington Council Managed General Needs New Build Properties

3.24. 2025/26 new build existing tenants' rents will increase by an average of 1.20%.

3.25. This reflects the review referred to above which seeks to align all new build rents, over 3 years from 2023/24 - 2025/26 to ensure a consistent approach.

3.26. 2025/26 re-let and first-let new build rents will, like the LBI managed general needs stock, be based on the lower of the 2025/26 national rent cap or the 2025/26 national target rent.

3.27. 13% of existing new build national target rents are greater than the national rent cap (for the relevant bed size), hence these re-let rents will be set at the national rent cap.

LBI Managed Properties used for Temporary Accommodation (TA) (including reception centres and general needs properties assigned to TA clients)

3.28. Existing tenancies and re-let rents in 2025/26 will be set on the same basis as general needs properties referred to above, with the exception that for reception centres the plus 5% flexibility has been applied to the national target rent calculation.

LBI Managed Property Acquisitions - purchased using right to buy 141 receipts or GLA Grant.

3.29. Existing Tenancies – 2025/26 rents will be set at the lower of:

A) The 2024/25 rent plus 2.7% or

B) The lower of:

i) the relevant 2025/26 local housing allowance rate (noting that the Chancellor's 2023 Autumn Statement indicates that LHA rates will be updated to reflect the 30th percentile of local market rents to be effective from April 2024) or

ii) 80% of the relevant market rent.

3.30. Re-lets and first-lets in 2025/26 will be set at the lower of:

A) The relevant 2025/26 local housing allowance rate (noting that the Chancellor's 2023 Autumn Statement indicates that LHA rates will be updated to reflect the 30th percentile of local market rents to be effective from April 2024) or

B) 80% of the relevant market rent.

LBI Managed Property Acquisitions - Purchased using DLUHC Grant

3.31. Existing Tenancies – 2025/26 rents will be set at the lower of:

A) The 2024/25 rent plus 2.7% or

B) 80% of relevant market rent.

3.32. Re-lets and first-lets in 2025/26 will be set at 80% of the relevant market rent.

Properties Currently Managed (PF1) and Properties Previously (Until April 2022) Managed (PFI2) under a Private Finance Initiative (PFI) Contract by Partners for Islington

3.33. Properties that were previously or are currently managed under a PFI contract are exempt from the government rent setting policy and as such the 1% rent reduction relating to the period 2016/17 to 2019/20 was not applied to these property rents. The council is now seeking to align PFI rents, over time, with standard social rents as they apply to the rest of the housing stock.

3.34. To move towards achieving this alignment, existing tenants 2025/26 rents for properties that continue to be managed by Partners for Islington under the PFI (1) contract and properties that returned to Council management from 4 April 2022, that were previously managed by Partners for Islington under the PFI (2) contract will be based upon the prior year 2024/25 rent plus 2.7% minus 50p per week towards convergence with standard social rents.

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

3.36. The table below sets out the average rent in 2025/26 for existing tenancies and likely average rent in 2025/26 for re-lets for current PFI (1) properties and ex PFI (2) properties.

Table 19 – Existing Tenancies + Re-Lets – PFI (1) current contract and PFI (2) returned to Council management - Average Weekly Rent 2025/26

Average Weekly Rent 2024/25	£190.51
Increase (£)	£4.67
Increase (%)	2.45%
Average Weekly Rent 2025/26	£195.18

Shared Ownership Rents

3.37. Rent charged with effect from 1 April 2025 in respect of the unsold equity in relation to shared ownership properties will be based on the prior year rent plus the lower of:

C) CPI (prevailing at the anniversary of the rent increase) +1% or

D) RPI (prevailing at the anniversary of the rent increase) +0.5%

Other HRA Fees and Charges

3.38. Other HRA fees and charges are set out at Appendix D2 and summarised below.

3.39. Caretaking/Cleaning and Estate Services - Caretaking and Estate Service Charges will increase by £2.10 (10.80%) per week as compared to the 2024/25 Charges. This £2.10 increase per week primarily reflects the net impact of the increase in staffing related costs covering the increase in the 2024/25 pay award, and the estimated 2025/26 pay award and the increase to employer NICs.

3.40. Digital TV Maintenance - Charges have remained unchanged at 22p per week in 2025/26 reflecting the cost of the provision of this service.

3.41. Heating and Hot Water - Gas prices remain volatile however a net reduction of 7.54% has been applied to tenant charges, based on the expected forecast and heat reserve. The average weekly Heating and Hot Water charge in 2025/26 will be £13.38 per week. Unlike, Caretaking, Estate Service and Concierge charges, Heating and Hot Water charges are not covered by housing benefit or universal credit.

3.42. Concierge Service Charges - These have increased by 7.91%. This increase relates primarily to the increase in staffing costs.

3.43. Estate based Parking and Storage Charges - Charges in respect of facilities used for vehicles i.e., Garages, parking spaces and car cages increase by 1.7% in line with Sept. 24 CPI.

3.44. Diesel Surcharge (Off Street) - This will increase by 1.7% in line with Sept 24 CPI.

3.45. Home Ownership Administration costs - Increase by 1.7% in line with Sept.24 CPI to reflect inflationary cost pressures whilst also acknowledging the cost-of-living pressures facing leaseholders.

3.46. Carpet Charges - Increase by 2% in line with the agreed annual contractual uplift.

4. Capital Programme

4.1. The council takes a strategic, long-term approach to managing and enhancing our community asset base through the planning of a 10-year capital programme. The 10-year programme comprises a proposed 5-year programme 2025/26 to 2029/30 for approval, and an indicative programme for the subsequent 5 years.

4.2. The Capital Strategy underpinning the capital programme, the inter-linked Treasury Management Strategy, MRP Statement and Investment Strategy are included at Appendix E3-E6.

4.3. The proposed 2025/26 to 2029/30 Capital Programme and indicative estimates for 2030/31 to 2034/35, totalling £1,075.504m of borough capital investment, are summarised by directorate and council priority in Tables 20-21 below and detailed by scheme at Appendix E1.

Table 20 – Capital Programme 2025/26-2029/30 by Directorate (£m)

Directorate	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total 5 Year £m	2030/31 2034/35 £m	Total 10 Year £m
Health and Social Care	0.167	0.075	-	-	-	**0.242**	-	**0.242**
Children and Young People	5.396	5.398	4.490	-	-	**15.284**	-	**15.284**
Communities, Strategies and Change	4.608	1.727	1.613	-	-	**7.948**	-	**7.948**
Community Wealth Building	10.991	4.908	2.000	2.000	2.000	**21.899**	5.000	**26.899**
Environment and Climate Change	39.287	29.712	21.802	14.112	9.180	**114.092**	29.592	**143.684**
General Fund Total	**60.449**	**41.820**	**29.905**	**16.112**	**11.180**	**159.465**	**34.592**	**194.057**
HRA Total	**249.179**	**117.076**	**72.806**	**63.198**	**63.198**	**565.457**	**315.990**	**881.447**
Total	**309.628**	**158.896**	**102.711**	**79.310**	**74.378**	**724.922**	**350.582**	**1075.504**

Table 21 – Capital Programme 2025/26-2029/30 by Strategic Priority (£m)

Strategic Priority	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total 5 Year £m	2030/31 2034/35 £m	Total 10 Year £m
Child-Friendly Islington	5.396	5.398	4.490	-	-	**15.284**	-	**15.284**
Fairer Together	4.775	1.802	1.613	-	-	**8.190**	-	**8.190**
A Safe Place to Call Home	251.467	117.076	74.206	63.198	63.198	**569.145**	315.990	**885.135**
Community Wealth Building	11.129	4.908	2.000	2.000	2.000	**22.037**	5.000	**27.037**
Greener, Healthier Islington	36.861	29.712	20.402	14.112	9.180	**110.266**	29.592	**139.858**
Total	**309.628**	**158.896**	**102.711**	**79.310**	**74.378**	**724.922**	**350.582**	**1075.504**

4.4. There is a net increase to the next 10-year capital programme of £207.122m, supported by an additional £70.700m of HRA Major Repairs Reserve and an increase in GF borrowing of £7.109m and HRA borrowing of £120.037m. The additional borrowing requirement is considered affordable within the overall MTFS assumptions, which will be reviewed on a quarterly basis based on prevailing interest rates.

4.5. Appendix E2 presents these changes which increase the programme at a capital scheme level by financial year and funding source. Detailed below are all changes which include budget additions, removals, and changes in external funding. The proposed amendments are:

4.6. **Additions and Growth:**

Grants

- High Needs Provision Allocation: Requested budget increase of £3.163m to reflect the total grant amount confirmed by the Department for Education up to 2024/25 and yet to be spent by the council. Future amounts will be built into the Capital Programme once confirmed.

Finsbury Leisure Centre Redevelopment (FLCR)

- Bunhill Heat Network Decommissioning (FLCR): A £0.717m budget is requested to be created to fund the required works to increase the resilience of Energy Centre 2 and decommission Energy Centre 1 on the Bunhill Heat Network. These works are required to enable the completion of the Finsbury Leisure Centre Redevelopment.
- Finsbury Leisure Centre Redevelopment (General Fund): Requested budget increase of £0.385m to align to the Redevelopment of Finsbury Leisure Centre report approved by Executive on 18 July 2024. A further update on the costs of this project is expected in early 2025.
- Finsbury Leisure Centre Redevelopment (HRA): Requested budget increase of £1.308m to align to the Redevelopment of Finsbury Leisure Centre report approved by Executive on 18 July 2024. A further update on the costs of this project is expected in early 2025.

Inflationary Pressures

- Bunhill Heat Network Extension to City Forum and Telfer House: Requested budget increase of £0.227m to cover inflationary pressures which have arisen over the lifetime of the project to allow project completion.
- Highways: Requested budget increase of £2.000m to reflect inflationary pressures and the statutory duties on the council as a Highway Authority.
- People Friendly Streets: Requested budget increase of £1.270m to cover inflationary pressures over the multi-year programme which will enable the delivery of the programme of works already agreed.
- Traffic Engineering Schemes: Requested budget increase of £0.244m to cover inflationary pressures which will enable the originally planned amount of work to be completed.
- Cycle Parking: Requested budget increase of £0.120m to reflect inflationary pressures which will enable the same number of bike hangars be delivered as initially agreed.

Children's, Young People and Health and Social Care

- ASC Bespoke Supported Living: A budget is requested to be created of £0.050m to facilitate bespoke works to supported living assets.
- Care Home Capacity Expansion: A budget is requested to be created of £0.150m to start plans to expand capacity of council care homes.
- Wray Court Capacity Expansion: A budget is requested to be created of £0.042m to increase expansion at the Wray Court residential home.
- Young People Supported Accommodation and Premises Housing: A budget is requested to be created of £3.000m to increase the provision of young people's supported accommodation in the borough. Options include purchasing an existing multi-bedroom property to be used as shared accommodation or repurposing residential school premises managers properties.

Commercial Projects

- 41 Old Street: A budget is requested to be created of £0.150m to fund cost of works required at the site to facilitate commercial reletting.
- Laycock Centre: A budget is requested to be created of £1.000m to facilitate improvement works to be undertaken at the site.
- Elwood Street: A budget is requested to be created of £0.800m to facilitate improvement works to be undertaken at the site.

Essential Compliance

- Compliance and Modernisation: Requested budget increase of £5.030m to allow essential compliance works on the corporate asset portfolio in response to condition surveys and to allow improvements, statutory improvements and extensions to asset lives.
- Mount View Road Bridge: A budget is requested to be created of £0.500m to fulfil improvement works on site in line with statutory duties on the council as a Highway Authority

Tree Planting

- Tree Planting Programme A budget is requested to be created for 2025/26 of £1.231m to meet the council's target of planting net 600 new trees a year by 2026.

Housing Revenue Account (HRA)

- Major Works and Improvements: Requested budget increase of £166.012m to complete more major works and improvements to the social housing estate over the next 10 years. There has also been a change in presentation to break the budget down and show the different streams of Major Works and Improvements.
- Pipeline New Build Schemes: Requested budget increase of £19.023m to move budget previously provided in the HRA Business Plan from revenue to capital where the expenditure will be incurred.
- Property Acquisitions: Requested budget increase of £14.615m to facilitate the purchase of additional properties in the HRA beyond the previously agreed acquisitions total.

4.7. **Reductions and Removals**

- Schools Condition Schemes: £12.030m budget reduction is requested to reflect alignment to the budget setting approach of including grant funding only once confirmed. Future year estimates of the grants have been removed and will instead be added annually following central government communications.
- Electric Vehicle Charging Schemes: £0.800m budget reduction is requested to reflect alignment to the budget setting approach of including grant funding only once confirmed. Future year estimates of the grants have been removed and will instead be added annually following formal confirmation.
- The review of the capital programme led to the following project being recommended for removal from the capital programme after consideration of priorities against constrained resources and an ongoing review of community assets:
  - £1.085m removal for Parking – Expansion of CPZ

4.8. **Other Changes**

- Recycling Site Improvement and Estate Recycling is requested to move from the General Fund to the HRA as the works will be completed to HRA assets. This is fully funded by CIL and will not cause an impact on the HRA's overall position.
- Parking Enforcement Cameras is requested to have a funding swap to increase borrowing to fund in replacement of revenue contributions to support the delivery of revenue savings.
- Thriving Neighbourhoods is requesting a funding swap to replace the Strategic CIL funding with HRA borrowing to make the Strategic CIL available to fund the General Fund capital programme and replace borrowing as noted in the revenue savings options.

4.9. The council's capital investment plans recommended in this report have been drawn up in accordance with the CIPFA Prudential Code framework and are considered to be prudent, affordable and sustainable. The proposed programme is currently set at an overall affordable level and the increased revenue costs associated with additional borrowing are considered manageable within the MTFS. However, it is important to note that there are significant budgetary risks around the funding of this ambitious capital programme, including:

- Inflation rates provide a risk to the delivery of the capital programme to budget. If inflation rises, the cost of materials and labour will increase which can lead to overspends within the capital programme. This risk will be mitigated to some extent by contingency built into scheme budgets.
- Increasing interest rates in turn increase the revenue impact of borrowing to fund the capital programme. Table 24 provides sensitivity analysis to model the impact of a 1% change in interest rates.
- The funding of some capital schemes is linked to delivery of the scheme's asset. There are risks in the assumptions made around this funding. There may be timing differences between expenditure being incurred and receipt of the funding. In these instances, alternative interim funding will be applied such as short-term borrowing, with additional short-term revenue cost implications to cover interest costs and MRP, or the use of HRA reserves. There may also be differences in the value of receipt assumed and actual receipt. Receipts in excess of the assumed amount can be applied elsewhere by the council, including to reduce external borrowing requirements. Receipts less than the assumed amount will increase the borrowing requirement and the associated revenue costs.

4.10. Table 22 summarises the funding of the capital programme by funding source, with this detailed at scheme level at Appendix E1.

Table 22 – Capital Financing (£m)

Source	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total 5 Year £m	2030/31-2034/35 £m	Total 10 Year £m
Grants	(11.084)	(2.643)	(3.766)	(0.415)	(0.415)	**(18.323)**	(1.660)	**(19.983)**
S106 / CIL	(14.238)	(0.900)	(0.338)	(1.276)	-	**(16.752)**	-	**(16.752)**
Capital Receipts	-	-	-	-	-	**-**	-	**-**
Revenue Contribution	(0.285)	-	-	-	-	**(0.285)**	-	**(0.285)**
Borrowing	(34.842)	(38.277)	(25.801)	(14.421)	(10.765)	**(124.105)**	(32.932)	**(157.037)**
Total GF Financing	**(60.449)**	**(41.820)**	**(29.905)**	**(16.112)**	**(11.180)**	**(159.465)**	**(34.592)**	**(194.057)**
Grants	(1.704)	-	-	-	-	**(1.704)**	-	**(1.704)**
S106 / CIL	-	-	-	-	-	**-**	-	**-**
Capital Receipts	(72.024)	(23.962)	(13.934)	-	-	**(109.920)**	-	**(109.920)**
Revenue Contribution	(48.077)	(38.511)	(39.850)	(42.987)	(44.156)	**(213.581)**	(239.725)	**(453.306)**
Borrowing	(127.374)	(54.603)	(19.022)	(20.211)	(19.042)	**(240.252)**	(76.265)	**(316.517)**
Total HRA Financing	**(249.179)**	**(117.076)**	**(72.806)**	**(63.198)**	**(63.198)**	**(565.457)**	**(315.990)**	**(881.447)**
Total Capital Financing	**(309.628)**	**(158.896)**	**(102.711)**	**(79.310)**	**(74.378)**	**(724.922)**	**(350.582)**	**(1075.504)**

4.11. Over the life of the proposed and indicative capital programme, there is a total borrowing requirement of £473.554m, of which £157.037m relates to the General Fund. There will be General Fund revenue implications from this borrowing in the form of interest costs and the statutory Minimum Revenue Provision (MRP) that the General Fund is required to make towards the repayment of debt. These revenue costs need to be provided for and managed within the MTFS, in addition to the borrowing costs associated with the council's current and prior year capital programme. Table 23 shows the estimated General Fund revenue impact of the proposed new borrowing. Interest costs have been prudently modelled for budget setting purposes at 5.85% for the General Fund and 5.45% for the HRA, which were the respective average 50-year maturity loan rates from the Public Works Loan Board in the 90 days to 31/12/2024 plus 50 basis points.

Table 23 – General Fund Revenue Borrowing Implications of the Proposed Capital Programme (£m)

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total 5 Year £m	2030/31 - 2034/35 £m	Total 10 Year £m
Incremental Interest Charge (5.85%)	1.019	2.139	1.874	1.176	0.737	**6.945**	2.212	**9.157**
Incremental MRP Charge	-	1.075	1.357	1.341	0.822	**4.596**	3.975	**8.571**
Total Additional Revenue Charge	**1.019**	**3.214**	**3.232**	**2.518**	**1.559**	**11.541**	**6.187**	**17.729**

4.12. The capital programme and financial implications are based on several assumptions. These include the profile of spend to be incurred, and the interest rate charged on borrowing.

4.13. As referenced above, interest costs have been prudently modelled for budget setting purposes however interest costs are subject to change.

4.14. A 1% change in interest charged from the rate modelled would have the following impact on the revenue budget, based on the capital programme as profiled. This would be a benefit to the Council if interest rates fell, and an additional cost if they rose.

Table 24 – Impact of 1% Interest Rate Change

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total 5 Year £m	2030/31 - 2034/35 £m	Total 10 Year £m
General Fund	0.174	0.366	0.320	0.201	0.126	**1.187**	0.378	**1.565**
HRA	0.637	0.910	0.368	0.196	0.196	**2.307**	0.794	**3.102**
Total	**0.811**	**1.275**	**0.689**	**0.397**	**0.322**	**3.495**	**1.173**	**4.667**

4.15. To set the capital programme, budget holders and project managers have informed the profiling of budgets based on their expectation of project delivery timescales. It is typical for there to be slippage in the capital programme where works delivered, and so spend incurred, fall below what is expected at budget setting. Capital spend has been increasing in recent years at the Council, by 35% since 2018/19, however the average delivery on the programme set in the budget is 74%.

4.16. Slippage of capital schemes to be funded by borrowing has revenue budget implications as it will delay the associated revenue cost for interest being incurred. Delays on borrowing funded schemes also have a revenue impact on the charging of MRP. MRP charges begin the year after an asset becomes operational and so a delay on completion delays the timing of this charge.

4.17. Grants, S106 and CIL funding often have restrictions, conditions and expiry dates attached. Slipping of capital schemes to be funded in these ways may result in the funding no longer being applicable due to expiry dates passing. In these instances, expenditure would need to be alternatively funded with borrowing a likely option. Due to the restrictions and conditions, there may be limitations over the ability to divert these funds to other existing capital projects.

4.18. In year monitoring and reporting of the capital programme will cover both expenditure and financing to highlight and manage any funding changes and/or risks.

4.19. There is a change in approach to accounting for expenditure on, and receipts from, housing built for the open market to ensure compliance with the CIPFA Code of Practice on Local Authority Accounting. In place of reflecting the expenditure in the capital programme annually and creating an asset under construction each year until completion, the expenditure will be captured in revenue as inventory. Once completed and the housing units are sold, the receipt will be accounted for as a capital receipt in line with the Code and the expenditure will be recognised as revenue expenditure funded by capital under statute (REFCuS). Table 25 below shows the forecast expenditure on housing for open market sale over the 10-year period.

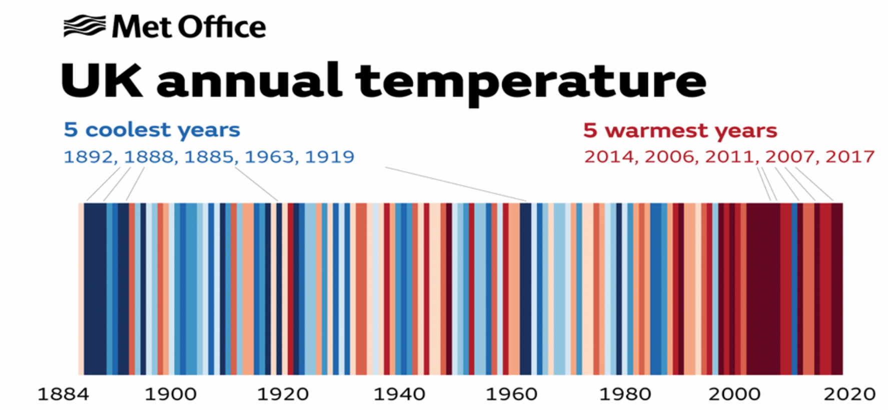
Table 25 – Open Market Sales

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total 5 Year £m	2030/31-2034/35 £m	Total 10 Year £m
	Budget	**Budget**	**Budget**	**Budget**	**Budget**	**Budget**	**Budget**	**Budget**
Telfer House	0.481	-	-	-	-	**0.481**	-	**0.481**
King Square	0.106	-	-	-	-	**0.106**	-	**0.106**
Elthorne Estate	2.949	-	-	-	-	**2.949**	-	**2.949**
Dixon Clark Court	0.113	-	-	-	-	**0.113**	-	**0.113**
Crouch Hall Court	0.037	-	-	-	-	**0.037**	-	**0.037**
173 Highbury Quadrant	0.866	-	-	-	-	**0.866**	-	**0.866**
Finsbury Leisure Centre	10.322	20.439	22.285	-	-	**53.046**	-	**53.046**
Vorley Road	8.392	7.668	5.248	-	-	**21.308**	-	**21.308**
Bemerton Estate South	6.558	10.920	9.136	-	-	**26.614**	-	**26.614**
Total Expenditure	**29.824**	**39.027**	**36.669**	**-**	**-**	**105.520**	**-**	**105.520**
	Forecast	**Forecast**	**Forecast**	**Forecast**	**Forecast**	**Forecast**	**Forecast**	**Forecast**
Capital Receipts	(4.945)	(14.675)	-	(51.647)	(51.647)	**(122.914)**	-	**(122.914)**
Net Position	**24.879**	**24.352**	**36.669**	**(51.647)**	**(51.647)**	**(17.394)**	**-**	**(17.394)**

5. Climate Action

5.1. The council first declared a climate emergency in June 2019, and it set out its approach to achieving a net zero borough in 'Vision 2030 Building a Net Zero Carbon Islington by 2030'. In this strategy we established our Net Zero Carbon (NZC) programme which coordinates and delivers our commitments to deliver change with eight multi-disciplinary workstreams.

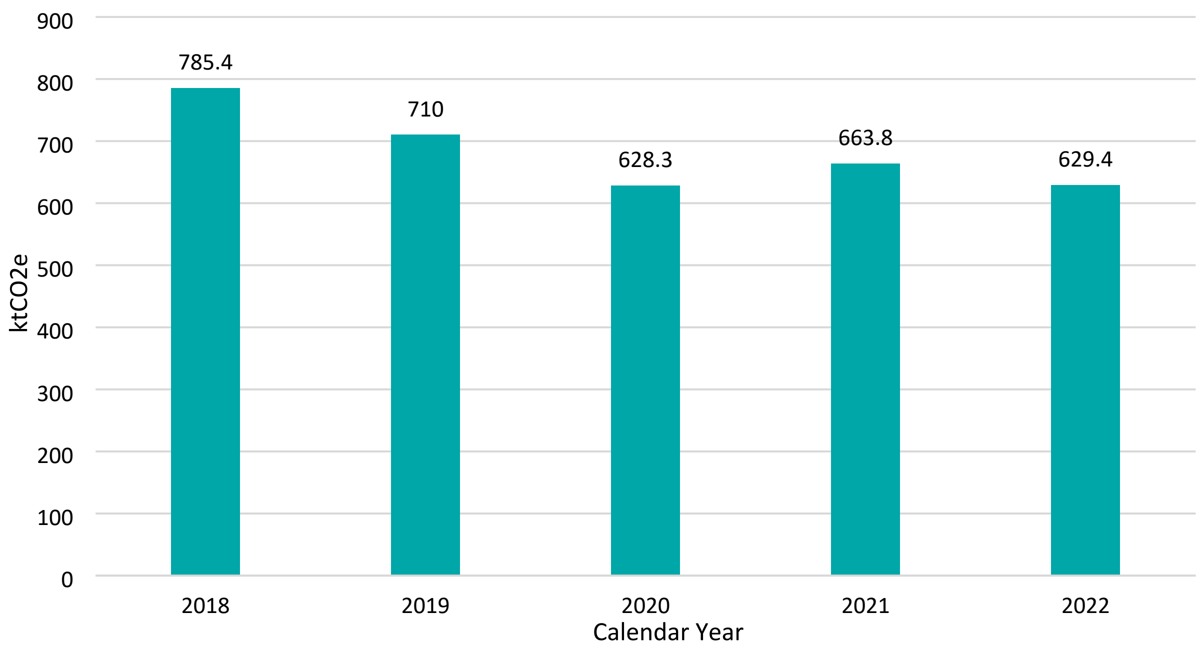
5.2. Recent polling from London Councils (September 2023) states that 84% of Londoners are concerned about climate change and 65% say it impacts their day-to-day decision making. The Peoples' Climate Vote 2024 (June) surveyed over 70,000 people globally and 80% of respondents wanted their governments to take stronger action to tackle the climate crisis. The Met Office identified that the five warmest years in the UK since records began have all occurred since 2006. By 2070 summers could be up to 6°C warmer and up to 60% drier. The climate emergency has a direct impact on the health and wellbeing of residents and highlights the need to take action across the borough.



5.3. Performance against all our commitments is monitored through the Climate Action Steering Group and Climate Action Executive Board together with the Environment, Climate and Transport Scrutiny Committee (a public meeting held in the Council Chamber). We also hold an annual scrutiny meeting on engaging local stakeholders on the climate emergency.

5.4. Our boroughwide greenhouse gas emissions (tCO2e) (at June 2024) shows an overall 5% decrease in emissions from 2021 to 2022 and total emissions in 2022 are 20% lower than 2018 which is our baseline for council emissions (629,400 tCO2e vs 785,400 tCO2e).

<u>Figure 2 – Islington Greenhouse Gas Emission Estimates 2018-2022 (ktCO2e)</u>



5.5. In 2024/25 the council transformed its Waste and Recycling Centre (WRC) which was our most polluting building and holds 852 new solar panels in addition to 920 installed in 2016 (enough to power 200 homes). We have recently awarded a contract to extend our Bunhill Heat Network to two new sites, Telfer House and City Forum which will increase the size of the network by c. 50% and provide low carbon energy to over 1,000 homes (3,000 total).

5.6. In July 2024 Islington was recognised as the top-inner London borough for Healthy Streets Scorecard for the fourth year in a row and the overall winner for the first time, underlining the success of efforts to create a greener, healthier borough. Looking ahead, our target is for 50% of Islington to be in a Liveable Neighbourhood before the end of 2026.

5.7. We have also cut direct emissions from our pension fund by 40% relative to 2021 baseline and our long-term target is to make our £1.7bn pension fund net zero by 2050 (or earlier).

5.8. In 2024/25 we have been listening to our residents through the new Islington Climate Panel which brings together people (chosen by a democratic lottery) who broadly represent the diversity of our communities. The Panel gives residents the opportunity to help shape our approach to creating a greener and healthier borough that improves our climate resilience. In 2024/25 we also hosted an event at Arsenal 'Net Zero Neighbourhood' with 3Ci (Cities Commission for Climate Investment) and our key partners including Arsenal and London Metropolitan University. The event was designed to highlight our decarbonisation plans for the area with a view to stimulating public and private investment. As a council we only have direct control over 4% of the carbon emissions in the borough (a further 5% as a landlord) hence the importance of engaging with both residents and businesses on climate action.

5.9. For 2025/26 Finance has worked with officers from the Climate Action Team to complete a qualitative assessment of the NZC Impact of each new savings proposal in this Budget Report from 'Very Positive' to 'Very Negative'. This ensures members and officers consider the environmental implications of decision making (see Environmental Implications).

5.10. The council is an active member of the Climate Budgeting Working Group with The Mayor (GLA), London Councils and selected London Boroughs and is committed to reporting how the organisation plans to achieve net zero carbon across our operations including both the funded and unfunded measures required to meet our commitments. Central to this process is Local Area Energy Planning (LAEP) to help develop data-driven, collaborative and cost-effective action plans and we have recently appointed a fixed-term officer to lead this work. Islington is also in a leading group of local authorities in the Advanced Zoning Pilot (Phase II) and is working with technical, commercial, and financial consultants to progress our heat network ambitions. This work is funded by the Department of Energy Security and Net Zero (DESNZ) who have also provided extra funding to a number of councils across England.

5.11. The council's budget proposes continued investment in the Climate Action Team and the capital programme over the current MTFS period as part of its Greener, Healthier Islington Mission. However, due to other financial pressures capital investment has been scaled back particularly in the Buildings Workstream. The Finance & Investment Workstream continues to investigate green finance opportunities and specialist support including but not limited to The Mayor's (GLA) Green Finance Fund and new Zero Carbon Accelerator and the new National Wealth Fund (was UKIB). In parallel the council is working with external consultants to evaluate a series of commercial models given the likely need to procure one (or more) delivery partners to help secure investment.

Table 26 – Climate Action Related Projects in the Capital Programme 2025/26 – 2029/30 (£m)

Climate Action Related Projects	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total 5 Year £m	2030/31-2034/35 £m	Total 10 Year £m
Bunhill Heat Network - EC2 Resilience and EC1 Decommissioning	0.717	-	-	-	-	**0.717**	-	**0.717**
Bunhill Heat Network Extension to City Forum and Telfer House	1.155	-	-	-	-	**1.155**	-	**1.155**
Decarbonisation Schemes	2.801	-	-	-	-	**2.801**	-	**2.801**
Old Street/Clerkenwell Road Cycle Scheme	0.542	-	-	-	-	**0.542**	-	**0.542**
People Friendly Streets	4.094	3.754	3.754	3.754	3.754	**19.110**	2.150	**21.260**
Cycle Parking Schemes	0.527	0.510	0.510	0.450	0.450	**2.447**	1.350	**3.797**
Electric Vehicle Charging Schemes	0.520	0.543	0.560	-	-	**1.623**	-	**1.623**
Vehicle fleet electrification	1.460	1.953	-	-	-	**3.413**	-	**3.413**
Greening the Borough	0.460	-	-	-	-	**0.460**	-	**0.460**
Tree Planting Programme	1.231	-	-	-	-	**1.231**	-	**1.231**
Grand Total	**13.507**	**6.760**	**4.824**	**4.204**	**4.204**	**33.499**	**3.500**	**36.999**

5.12. The council's Vision 2030 strategy set out its ambitions to achieve a net zero carbon borough by 2030. The strategy also set out that this could only be achieved with significant investment and system change from national government. The UK is still committed to reaching net zero by 2050 and at COP29 the new Prime Minister announced a pledge to cut emissions by 81% compared to 1990 levels by 2035 (was 78% under the Conservative government). Other recent announcements include a Great British Energy Bill (to set up a publicly owned clean power company to accelerate investment in renewable energy) and a pursuit of new policies that affect climate change mitigation and adaptation. The Climate Change Committee (CCC) said in its latest Progress Report (July 2024) that government 'will have to act fast to hit [UK] commitments' and has highlighted priority actions including:

- Make electricity cheaper by removing policy costs from energy bills
- Reverse recent policy rollbacks (under the previous government)
- Introduce a programme for decarbonisation of public buildings
- Strengthen the UK's Third National Adaptation Programme (NAP3)

5.13. One of the key recommendations from the CCC is ‘clearer, simpler and longer-term funding and resourcing of local authority delivery of net zero.’ UK Government acknowledges that ‘green and growth go hand in hand’ (Powering Up Britain Report, 2023) and ‘the costs of global inaction significantly outweigh the costs of action’ (Net Zero Review Report, 2021). The climate emergency and health inequalities are intrinsically linked (Strategic Plan 2021) and the changes to our climate make it harder to create a more equal future for residents and businesses. The council campaigns at a local and national level for longer-term policy and funding certainty to adapt and improve our resilience to the impacts of climate change.

6. Council tax and Retained National Non-Domestic Rates

Council Tax Forecast

6.1. The latest 2024/25 Collection Fund forecast for council tax, which is subject to change between now and end of the financial year, is a (£2.959m) surplus shared between Islington and the GLA. This is summarised at Table 27 and comprises a (£1.781m) in-year surplus and a (£1.178m) surplus relating to prior years.

Table 27 – Distribution of Forecast 2024/25 Council Tax (Surplus)/Deficit

	LBI's Share £m	GLA's Share £m	Total £m
Forecast (Surplus)/Deficit at 2024/25 Budget Setting (January 2024 Forecast of 2023/24 Position)	2.348	0.738	**3.086**
Forecast 2024/25 Transfer (to)/from Core Funding Reserve	**2.348**	**0.738**	**3.086**
Additional Prior Year (Surplus)/Deficit between 2024/25 Forecast (as at January 2024) and Actual 2023/24 Outturn	(0.889)	(0.289)	**(1.178)**
2024/25 In-Year Forecast (Surplus)/Deficit	(1.344)	(0.437)	**(1.781)**
Forecast 2025/26 Transfer (to)/from Core Funding Reserve	**(2.233)**	**(0.726)**	**(2.959)**

6.2. In January 2024, a +£3.086m deficit was estimated to be distributed in 2024/25. However, at the end of 2023/24 the actual deficit was +£1.908m, resulting in the (£1.178m) additional prior year movement relating to prior years.

6.3. The forecast in-year council tax (£1.781m) surplus is due to the following variances:

- Growth in council tax income (£1.585m) due to additional premiums and a general increase in taxbase.
- (£1.609m) improvement in forecast collection compared to the collection assumption at 2024/25 taxbase setting.
- Offset by increased council tax support costs of +£1.083m. This is due to increased caseloads and a net increase in other expenditure including exemptions of +£0.330m.

Council Tax Base

6.4. The council is required to calculate its council taxbase for the next financial year and notify precepting authorities by 31 January each year (31 January 2025 for this budget process). The council has delegated responsibility for determining the council taxbase to its Audit and Risk Committee. The Lloyd Square Garden Management Committee issues a special levy on the council to meet the expenditure involved in the maintenance of the private garden in Lloyd Square. The council separately calculates the taxbase for the Lloyd Square Garden area.

6.5. On 28 January 2025, the Audit and Risk Committee agreed a Band D equivalent council taxbase for 2025/26 of 82,672.2 properties for the council's whole area and 43.25 properties for the Lloyd Square Garden Committee area. The number of Band D equivalent properties is after taking into account the estimated collection rate for 2024/25 which continues to be forecast at 97%. This is the percentage of 2025/26 council tax bills that the council is budgeting to receive over time (as opposed to cash collection in-year).

Level of Council Tax 2025/26

6.6. Sections 31A and 31B of the amended Local Government Finance Act (LGFA) 1992 require the council to calculate its gross expenditure, gross income and council tax requirement. For these purposes, HRA expenditure and income is included even though it has no effect on council tax, and the gross expenditure figure includes special expenses relating to part only of the of the council's area. Table 28 shows the council's net budget split between gross expenditure and gross income.

Table 28 – Section 31 (amendment LGFA 1992) calculation 2025/26

	£
Aggregate of the amounts which the council estimates for items set out in Section 31A (2) (a) to (f) of the LGFA 1992 (A)	**1,217,131,977**
Aggregate of the amounts which the council estimates for items set out in Section 31A (3) (a) to (d) of the LGFA 1992 (B)	**(1,091,328,037)**
Calculation of the council tax requirement under Section 31A (4), being the amount by which the sum aggregated at (A) above exceeds aggregate at (B) above	125,803,940

Table 29 – Section 31B (amendment LGFA 1992) calculation 2025/26

Council Tax Requirement	125,803,940
Council Tax Base	82,672.2
2025/26 Relevant Basic Band D Council Tax	1,521.72
Increase Compared to 2024/25 (%)	4.99%

Table 30 – 2025/26 Basic Council tax for All Other Parts of the Council's Area

Council Tax Requirement (Including Special Expense)	125,803,940
Less Lloyd Square Garden Committee Special Expense	(22,947.78)
Council Tax Requirement (Excluding Special Expense)	125,780,992.22
Council Tax Base	82,672.2
2025/26 Basic Band D Council Tax for All Other Parts of the Council's Area	1,521.44
Increase Compared to 2024/25 (%)	4.99%

6.7. It is a principle of the MTFS, to increase the level of council tax in line with the government's expectations in local government finance settlements to avoid an ongoing shortfall in baseline council tax income. For the average (Band D) property, the proposed 4.99% increase in the basic 2025/26 Islington council tax (excluding the GLA precept) equates to an increase of around £1.39 per week for full council taxpayers. The impact of this will be mitigated by the Council Tax Support Scheme, which is on a banded basis, meaning the lowest-earning households pay no council tax at all.

Table 31 – Lloyd Square Garden Area Basic Islington Council Tax 2025/26

Valuation Band	Lloyd Square Garden Area 2024/25 (£)	Lloyd Square Garden Area 2025/26 (£)	Lloyd Square Garden Area Increase (£)
A	352.50	353.72	1.22
B	411.25	412.67	1.42
C	470.00	471.63	1.63
D	**528.75**	**530.58**	**1.83**
E	646.25	648.49	2.24
F	763.75	766.39	2.64
G	881.25	884.30	3.05
H	1,057.50	1,061.16	3.66

Table 32 – All Other Parts of the Council's Area Basic Islington Council Tax 2025/26

Valuation Band	All Other Parts of the Council's Area 2024/25 (£)	All Other Parts of the Council's Area 2025/26 (£)	All Other Parts of the Council's Area Increase (£)
A	966.08	1,014.29	48.21
B	1,127.10	1,183.34	56.24
C	1,288.11	1,352.39	64.28
D	**1,449.13**	**1,521.44**	**72.31**
E	1,771.16	1,859.54	88.38
F	2,093.19	2,197.64	104.45
G	2,415.21	2,535.73	120.52
H	2,898.26	3,042.88	144.62

Table 33 – GLA Precept 2025/26

Valuation Band	GLA Precept 2024/25 (£)	GLA Precept 2025/26 (£)	GLA Precept Increase (£)
A	314.27	326.92	12.65
B	366.64	381.41	14.77
C	419.02	435.89	16.87
D	**471.40**	**490.38**	**18.98**
E	576.16	599.35	23.19
F	680.91	708.33	27.42
G	785.67	817.30	31.63
H	942.80	980.76	37.96

Table 34 – Total Islington and GLA Council Tax for the Lloyd Square Garden Area 2025/26

Valuation Band	Total Lloyd Square Garden Area 2024/25 (£)	Total Lloyd Square Garden Area 2025/26 (£)	Total Lloyd Square Garden Area Increase (£)
A	1,632.85	1,694.93	62.08
B	1,904.99	1,977.42	72.43
C	2,177.13	2,259.91	82.78
D	**2,449.28**	**2,542.40**	**93.12**
E	2,993.57	3,107.38	113.81
F	3,537.85	3,672.36	134.51
G	4,082.13	4,237.33	155.20
H	4,898.56	5,084.80	186.24

Table 35 – Total Islington and GLA Council Tax for All Other Parts of the Council's Area 2025/26

Valuation Band	Total All Other Parts of the Council's Area 2024/25 (£)	Total All Other Parts of the Council's Area 2025/26 (£)	Total All Other Parts of the Council's Area Increase (£)
A	1,280.35	1,341.21	60.86
B	1,493.74	1,564.75	71.01
C	1,707.13	1,788.28	81.15
D	**1,920.53**	**2,011.82**	**91.29**
E	2,347.32	2,458.89	111.57
F	2,774.10	2,905.97	131.87
G	3,200.88	3,353.03	152.15
H	3,841.06	4,023.64	182.58

Retained Business Rates

6.8. Under the existing business rates retention system, the council retains 30% of business rates income in the borough and receives Section 31 grant to compensate for the impact of government policy (e.g. new reliefs, freezing of business rates) on its retained business rates income.

6.9. The council's NNDR1 return (detailed business rates estimate) for 2025/26 has now been submitted following the 31 January 2025 statutory submission deadline. The financial implications of this return are fully incorporated in the proposed budget. Table 36 summarises the NNDR1 return estimate in terms of the council's total retained business rates income.

Table 36 – Estimated Business Rates Income 2025/26 (£)

	2024/25	2025/26
Gross Business Rates	**(362,451,212.00)**	**(384,535,045.00)**
Small Business Rate Relief (net of additional yield from small business supplement)	8,653,579.00	8,066,581.00
Charitable Occupation	29,390,450.00	29,576,712.00
Unoccupied Property	12,785,097.00	16,040,138.00
Discretionary Reliefs	1,185,596.00	1,207,407.00
Discretionary Reliefs Funded by S31 Grant	34,454,207.00	19,552,719.00
Net Business Rates Payable	**(275,982,283.00)**	**(310,091,488.00)**
Estimated Allowance for Non-Collection and Appeals	9,971,290.00	21,010,603.00
Net Business Rates Less Reliefs and Losses	**(266,010,993.00)**	**(289,080,885.00)**
Cost of Collection Allowance	684,130.00	682,789.00
NDR Income – Total	**(265,326,863.00)**	**(288,398,096.00)**
NDR Income – Islington (30% share)	**(79,598,058.90)**	**(86,519,428.80)**
Section 31 Grant	(29,347,099.00)	(27,428,039.00)
Cost of Collection Allowance	684,130.00	(682,789.00)
Total Retained Income – Islington	**(109,629,287.90)**	**(114,630,256.80)**

6.10. The 2025/26 NNDR1 return also includes a forecast 2024/25 surplus on business rates income to be incorporated in the 2025/26 budget. This is summarised in Table 37. The 2024/25 budgetary impact of the council's share of this surplus will be fully offset by a transfer to the Core Funding reserve that has been earmarked for this purpose.

Table 37 – 2024/25 Forecast NNDR (Surplus)/Deficit (£)

	Total	Islington 30% Share
Net Business Rates Income	(275,982,284.00)	(82,794,685.20)
Allowance for Non-Collection	3,995,699.00	1,198,709.70
Appeals Refunds and Provisions	5,975,591.00	1,792,677.30
Budgeted Demand based on Agreed Budget	271,508,250.00	81,452,475.00
Other Charges (e.g. cost of collection)	684,130.00	205,239.00
Total (Surplus)/Deficit	**6,181,386.00**	**1,854,415.80**
Opening (Surplus)/Deficit	(40,740,602.00)	(12,222,180.60)
Contribution towards Prior Year Deficit	23,955,427.00	7,186,628.10
Total (Surplus)/Deficit in Budget	**(10,603,789.00)**	**(3,181,136.70)**

6.11. The latest 2024/25 NNDR forecast, which is subject to change between now and the end of the financial year (particularly in respect of NNDR appeals), is a -£10.604 surplus (-£3.181m Islington share). This comprises a +£6.181m forecast in-year deficit and a -£16.785m surplus brought forward from 2023/24. The latter relates to favourable movements in the 2023/24 NNDR position between the January 2024 forecast and the actual 2023/24 outturn.

7. Matters to Consider in Setting the Budget

Comments of the Section 151 Officer

7.1. This section contains the Section 151 Officer's comments on the robustness of the estimates included in the budget and the adequacy of the proposed financial reserves, as required under Section 25(1) of the Local Government Act 2003. Section 25(2) of the same Act requires the authority to have regard to this report of the Section 151 Officer when making decisions about the budget and the level of council tax.

7.2. Developing the budget estimates for a given financial year is an ongoing, iterative process within the medium-term financial planning cycle. This is a council-wide process involving all spending directorates whereby estimates are worked up, challenged, and refined throughout the budget process as further information becomes available. It considers the most recently available quarterly budget monitoring information and the latest assumptions for the forthcoming financial year. The proposed savings have been reviewed and signed off by key stakeholders across the organisation.

7.3. The thoroughness of the budget process is a source of assurance in determining that overall estimates in the 2025/26 budget are robust and that financial reserves are adequate for the 2025/26 financial year budget. There remains a recognition that reserves need to be significantly strengthened over the medium term.

7.4. The 2025/26 Budget Report and 5-year MTFS have been compiled against a backdrop of continued economic uncertainty. Whilst inflation has eased in 2024, residents, businesses and the council continue to be impacted by high prices and low economic growth.

7.5. The concluding comments of the Section 151 Officer in the 2024/25 Budget Report set out the risk of spending pressures over the medium term causing further downward pressure on reserves.

7.6. Spending pressures have materialised in 2024/25 with the Quarter 2 monitoring report to 28 November 2024 Executive presenting a net GF overspend of +£4.329m, and within this a GF overspend at directorate level of +£14.042m. This has largely been driven by the pressures in the Community Wealth Building and the Homes and Neighbourhoods directorates, the latter mainly as a result of the exponential increase in temporary accommodation costs. This has been offset in part by using underspends on corporate budgets and by applying the Inflation, Energy and Demand contingency. The use of contingencies addresses the in-year overspend but limits the extent to which the council's comparatively low level of earmarked reserves can be bolstered over the medium term.

7.7. In balancing the 2025/26 budget it should be highlighted that cross-cutting savings (i.e. thematic savings where the specific budget to be saved has not yet been identified) account for nearly 74% of the new 2025/26 savings, and nearly 74% of the three-year total to 2027/28. Cross-cutting savings have been more difficult to deliver in previous budget cycles and so this does present an increase in savings delivery risk. This will need to be monitored closely in 2025/26 and over the medium term.

7.8. The Budget Report includes a commentary and analysis on the financial health of the council's balance sheet and the level of the council's earmarked reserves. A recommended Minimum GF Balance and Earmarked Reserves Level of 25% of CSP is proposed within this Budget Report. This is the absolute minimum level of GF balance and reserves that the council cannot sustainably breach and is strictly not a target. The target, albeit extremely challenging in the current environment, should be to restore earmarked reserves to a level well in excess of the 2024/25 opening position, and to increase the GF balance target towards £40m.

7.9. It is concluded that the estimates are sufficiently robust for the purposes of the calculation and setting of the 2025/26 budget and to ensure the adequacy of the proposed financial balances and reserves in 2025/26. However, there are considerable risks within the 2025/26 budget position and in the medium-term forecast.

Comments of the Monitoring Officer

7.10. Local authorities are under an explicit statutory duty to ensure that their financial management is adequate and effective and that they have a sound system of internal control and management of financial risk. This report set out the basis upon which a recommendation will be made for the adoption of a lawful budget and the basis for the level of the council tax for 2025/26. s25 Local Government Act 2003 sets a specific duty on an Authority's Chief Financial Officer to make a report to the authority for it to take into account when it is considering its budget and funding for the forthcoming year. This report outlines the council's current and anticipated financial circumstances, including matters relating to the GF budget and MTFS, the HRA, the capital programme and borrowing and expenditure control.

7.11. Section 26 of the Act gives the Secretary of State power to set a minimum level of reserves for which an authority must provide in setting its budget. There is an ongoing need to prepare for contingencies including maintaining sound risk management and level of reserves which enables the authority to be prepared to deal with risks, contingencies, and its future strategic vision.

7.12. By law a local authority is required under the Local Government Finance Act 1992 to produce a 'balanced budget'. The setting of the budget and council tax by Members involves their consideration of choices through the provision of adequate evidence on which to base their decisions on the level and quality at which services should be provided. No genuine and reasonable options should be dismissed without robust consideration and Members must consider their fiduciary duty to the council taxpayers of Islington.

7.13. Where a service is provided pursuant to a statutory duty, it would not be lawful to fail to discharge it properly or abandon it, and where there is discretion as to how it is to be discharged, that discretion should be exercised reasonably. Whenever there are proposals for the closure or discontinuance of a service or services, there will be a need for appropriate consultation, with consideration of the Equality Act 2010 and the Public Sector equality duty.

7.14. All decisions must be lawfully exercised and the Council must not come to a decision which no reasonable authority could come to; balancing the nature, quality, and level of services which they consider should be provided against the costs of providing such services.

7.15. Under the constitutional arrangements, the setting of the council budget is a matter for the council, having considered recommendations made by the Executive. Before the final recommendations are made to the council, the Corporate Resources and Economy Scrutiny Committee must have been given the opportunity to scrutinise these proposals and the Executive should take into account its comments when making those recommendations.

<u>Environmental Implications and Contribution to Achieving a net zero carbon (NZC) Islington by 2030</u>

7.16. The council's capital programme has a significant environmental impact proportionate to the size of the programme, linked to materials and energy used in the delivery of projects. Using models developed by other councils the carbon impacts of the programme can be approximated to 0.300 kgCO2e per £1 spent. Correspondingly any reduction in the council's spending will predominately reduce carbon emissions. The proposed program described will increase carbon emissions by approximately 218,000 tonnes of CO2e over the five-year period.

7.17. These carbon emissions will often be generated outside of the borough, but some investments may reduce carbon emissions within Islington. The council endeavours to complete a quantitative assessment in 2026/27 to assess both the annual and lifetime carbon impact (tCO2e) of our capital programme.

7.18. The Environmental Implications, and the increase in carbon emissions associated with the capital programme can be mitigated by investment in the reduction of emissions from council buildings and transport. The council's new budget proposes continued investment in our Climate Action Team and capital programme as part of its Greener Healthier Islington Mission.

7.19. However, the council's financial position is such that no further capital investment has been agreed to decarbonise the council's corporate buildings and that government grants are dependent on the council match funding those grants. Correspondingly efforts to reduce carbon emissions from our council buildings will be severely limited. The council's ambitions to develop our low carbon heat networks are similarly constrained by a lack of capital investment that again precludes access to government funding. This is primarily due to ongoing revenue costs of the capital programme (largely funded by borrowing) and so explains more recent work on commercial models and potential delivery partners.

7.20. The council's ambitions to reduce carbon emissions are described in the Vision 2030 Climate Strategy and in 2025 the council is developing a Climate Action Plan which will include more specific and realistic Climate Action targets based on the realities of the restrictions on the council's capital investment described in the MTSF and the constraints on government funding.

7.21. The council's budget can influence the behaviour of residents and businesses which can also result in both positive and negative environmental implications. The budget proposals and medium-term financial strategy affects various services across the council and have been developed in line with our Islington Together 2030 Plan to create a more equal future for our borough.

7.22. For 2025/26 the Climate Action Team worked with officers from Finance to complete a new qualitative assessment of the climate impacts of each new saving proposal from 'Very Positive' to 'Very Negative'. Six proposals are expected to have a 'Positive' climate impact and range from pay/non-pay efficiencies, digital investment, more efficient refuse and recycling route planning and the reduction of printers across the organisation. These assessments help to ensure members and officers consider the environmental implications of decision making.

7.23. Fees and charges act as a mechanism to influence the behaviour of residents and businesses which can result in both positive and negative environmental implications. The fees and charges included in this report have been developed in line with the council's overall strategy.

7.24. All permit charges for motorised vehicles have been increased in line with inflation plus £10 which will have a positive impact on the council's policy to encourage a shift towards more active sustainable methods of travel, such as walking, cycling and public transport.

7.25. Islington's parking polices are a key lever to influence how people choose to travel in the borough and will enable the enforcement of those policies. Strengthening the policies by contributing to the shift from petrol and diesel vehicles to low emission i.e. electric vehicles would have a positive Environmental Implication, making a substantive contribution to the Council's climate action ambitions and the Greener and Healthier mission.

7.26. The permit charges for electric vehicles have broadly been increased in line with petrol and diesel vehicles, which is expected to have neither a positive nor a negative impact on the councils' ambition to encourage a shift to electric vehicles as described in the Vision 2030 climate strategy.

7.27. The proposed increases in peak charging and the diesel surcharge, which exceeds the Consumer Price Index (CPI), will have positive environmental impacts. These include encouraging a shift towards walking, wheeling and cycling, as well as reducing air pollution from diesel vehicles.

7.28. Regarding the more substantive changes to capital investment: The decommissioning of Energy Centre #1 on the Bunhill Heat Network without allocated capital funding to construct a new Energy Centre will likely lead to the increased use of gas boilers to heat council homes and buildings, restricting council ambitions to expand the heat network leading to increased carbon emissions. This may be mitigated by the expansion of the network to connect City Forum and Telfor House, if external investment in an additional low carbon heat supply is secured.

7.29. Ongoing investment in the People Friendly Streets, Cycle Parking, the roll out of public EV charging facilities and the conversion of the council's fleet to electric vehicles will have positive environmental implications reducing carbon emissions and encouraging residents and businesses to do likewise.

7.30. The increased investment in tree planting will have positive environmental implications increasing biodiversity net gain and climate resilience (i.e. shading) across the borough with a marginal increase in carbon emissions.

7.31. Potential changes to the Schools Condition Schemes, improving the thermal efficiency of schools (e.g. by replacing windows and doors) and to Electric Vehicle Charging Scheme may have negative environmental implications if grant funding and conditional council capital investment is subsequently not agreed.

7.32. The Capital works associated with the HRA 30-year business plan have substantive environmental implications associated with materials and energy use. A proportion of these works are focused on future proofing Islington homes, improving thermal comfort and reducing carbon emissions. Notably the investment in the Harvist Estate, improving the fabric of homes and the installation of a modern low carbon heating system will have substantive positive environmental implications. The regeneration of the Harvist estate potentially enabling the development of a heat network in the area as described in Islington's vision for an Arsenal Net Zero Neighbourhood.

7.33. Finally, the council remains committed to considering the environmental impact of all its decision making to align with our climate action commitments and improve our resilience to the impacts of climate change, in difficult times.

Equalities Impact Assessment

7.34. 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.

7.35. After more than a decade of significant budget savings, it is difficult to make new savings without any impact on residents. There will inevitably be some impact on particular groups, including those with protected characteristics as defined by the Equality Act. The council is not legally obligated to reject savings with negative impacts on any particular groups but must consider carefully and with rigour the impact of its proposals on the Public Sector Equality Duty, take a reasonable and proportionate view about the overall impact on particular groups and seek to mitigate negative impacts where possible.

7.36. The cumulative EQIA assessment of the budget proposals was completed on 22 November 2024. The main findings are that there is a potential negative impact as a result of the budget proposals. The cumulative EQIA is set out at Appendix G. It is supplemented at a departmental level by detailed EQIAs of major proposals. These demonstrate that the council has met its duties under the Equality Act 2010 and has taken account of its duties under the Child Poverty Act 2010.

Budget Consultation

7.37. Section 65 of the Local Government Finance Act 1992 requires the council each financial year to consult persons or bodies representative of business ratepayers about expenditure proposals.

7.38. The council must make available the information described in the Non-Domestic Ratepayers (Consultation) Regulations 1992/3171, including:

- Details of proposals for expenditure in the financial year to which the consultation relates.
- Estimates of expenditure in the preceding financing year.
- Particulars of significant changes in the level of proposed expenditure between the two years.

7.39. The council invited comments from residents, NNDR payers and representatives of NNDR papers in Islington on the draft 2025/26 budget proposals. The consultation period ran for 21 days from 8 January to 29 January 2025.

7.40. In total there were 16 responses received. These responses where between residents (15) and NNDR payers or representative (1).

7.41. A series of question surveyed as illustrated in the table below.

Question	Response Option	Total Responses
Do you agree or disagree with our proposed budget for 2025/26?	Agree	3
	Disagree	8
	Neither agree nor disagree	5
Do you support our proposal to increase core council tax in line with the maximum amount permitted by central government to help protect council services?	Agree	4
	Disagree	10
	Neither agree nor disagree	2
Do you support our proposal to increase the adult social care precept element of council tax in line with the maximum amount permitted by central government to mitigate the impact of the national adult social care funding crisis?	Agree	6
	Disagree	7
	Neither agree nor disagree	3

7.42. A number of further comments were received on the budget which have been reviewed and considered as part of the final budget papers for 2025/26 and will be considered throughout the budget setting process.

Retail Relief Policy

7.43. In the 2018 Budget, the Government introduced a new relief scheme for retail properties and these 'retail relief' schemes have existed, albeit with some variations, since the 2019/20 financial year. Appendix H addresses the need to adopt the government's scheme variation, for the financial year 2025/26. The adoption of the local policy described in Appendix H is recommended, which will award Retail Relief in accordance with the Discretionary Rate Relief powers as contained within Section 47 of the Local Government Finance Act 1988 (as amended), for the year 2025/26. The Islington Retail Relief Scheme proposed reflects the Government's guidance.

Annual Pay Policy Statement

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

Appendices

A. General Fund Medium-Term Financial Strategy 2025/26 to 2029/30
B. General Fund Proposed Savings 2025/26 to 2029/30
C. Earmarked Reserves Balances and Forecast Drawdowns
D. D1 – HRA Medium-Term Financial Strategy
   D2 – HRA Fees and Charges 2025/26
   D3 – HRA Savings Proposals 2025/26
   D4 – HRA Business Plan
E. E1 - Detailed Multi Year Capital Programme
   E2 – Changes to Capital Programme
   E3 - Capital Strategy
   E4 - Investment Strategy
   E5 - Treasury Management Strategy
   E6 - Minimum Revenue Provision Statement
F. F1 - Balance Sheet Analysis
   F2 – Financial Management Code Assessment
G. Budget Cumulative Equality Impact Assessment 2025/26
H. Retail Relief Policy 2025/26
I. Annual Pay Policy Statement 2025/26
J. Debt Management Strategy
K. Sales, Fees and Charges Amendments (General Fund) April 2025

Background papers: None

Authorised by:		19 February 2025
	Executive Member for Finance and Performance	Date

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