ISLINGTON
For a more equal future

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Report of: Executive Member for Finance and Performance

Budget Proposals 2026/27 and Medium-Term Financial Strategy

1. Introduction

1.1. Islington is an exciting, diverse, and vibrant place to live, filled with incredible opportunities. We're a borough that's rich with culture and history - home to award-winning green spaces, some of the capital's best cultural venues, and a world-renowned football club. But we also know that Islington is a deeply unequal borough, where not everyone is able to enjoy those opportunities. In fact, our borough is the fourth most deprived in London.

1.2. Every year, we use our budget to prioritise spending where it matters most, with the goal of helping to create a more equal Islington – because we believe a fairer borough is a better one for all.

1.3. Whether it's building more genuinely affordable homes, making our streets safer, or investing in London-leading facilities for our residents, the council is making it happen for Islington.

1.4. Over recent years, the council has made real, tangible improvements that make a difference to the lives of our residents. We have:

- Built 354 new homes, including 245 genuinely affordable council homes since 2022.
- Run the nation's most ambitious 'buy-back' programme which has seen more than 552 homes bought back in the past four years, purchasing hundreds of properties lost through Right to Buy to give families a safe place to call home.
- Making over 200 improvements since 2022 through the Thriving Neighbourhoods programme, a three-year investment programme that uses resident ideas to transform shared spaces in and around estates.
- Developed one of the most generous Council Tax Support Schemes in the country, with more than 24,500 households across the borough - roughly one in five Islington households – estimated to benefit from it in 2026/27 and the most financially vulnerable residents paying no council tax at all.
- Distributed more than £16.2m in additional financial support to over 1,800 financially vulnerable households since April 2024, supporting those most in need.
- Launched a new day-and-night neighbourhood patrol team to tackle anti-social behaviour.

- Invested over £2m to revamp parks, green spaces, and playgrounds since 2022, helping 19 of our parks to claim recognition in the Green Flag Awards.
- Charged property developers extra fees, so that local people feel the benefits from new building projects. The money the council receives is then used for things which matter to the local community – like supporting charities, creating green spaces, and improving playgrounds.
- Created streets and school entrances that are greener and better suited to walking, cycling, and wheeling – being recognised as the leading inner-London borough for Healthy Streets in each of the past five years.
- Started work on Liveable Neighbourhoods – projects that are co-produced with local communities and make it easier to walk, cycle, and wheel – in Mildmay and the Cally, with ambitions to create schemes boroughwide.
- Investing £4.006m of new capital grants from the Department for Transport over the next four years, including £0.863m in 2026/27, fixing potholes as quickly and effectively as possible, resurfacing more roads and using new technology to help ensure all can enjoy using Islington's streets.
- Refurbished the Sobell Leisure Centre with new, state-of-the-art facilities, welcoming more than 200,000 visitors since its completion in May 2025.
- Welcomed more than 3,400 residents to our Black Cultural Centre for dozens of community sessions, including cooking, education, and employment support.

1.5. To help take further strides towards a more equal future and to supplement these achievements, our budget includes a new £5m fund to support one-off investments to further improve the everyday services our residents rely on.

1.6. This £5m investment has been made possible by years of strong financial management by the council. As a result of this excellent financial management, the council can continue to invest in the things that matter most to residents, in line with the council's overall objective of creating a more equal borough for all. These investments include:

- A £324m increase in the budget for investing in current council housing, helping to ensure that people across the borough have a safe place to call home.
- Spending more than £58m on property acquisitions, so that homes continue to go to those that need them most.
- Committing to creating a new 1.5 hectares of green, healthy space for local people to enjoy.
- Maintaining one of the most generous Council Tax Support Schemes in the country, to help ensure no-one is left behind – a commitment of around £28m which more than 24,500 households are set to benefit from.
- £12.5m for Islington residents 66 and over, and those with an eligible disability to travel for free in London.

1.7. In its budget proposals, the council is also aiming to improve the experience and services that residents receive across the borough, while delivering value for money. This would help ensure that people across the borough receive good-quality services, while the council continues to manage its finances sensibly.

1.8. The council has developed a balanced budget for 2026/27, and it isn't planning to dip into its savings (reserves) at any point over the next three years. The council has assessed that its 'safe' level of minimum reserves should be at least 25% of its Core Spending Power. Based on what is known now, the council expects to stay above this minimum safety level for the next three years.

1.9. Overall, this report presents a positive financial position, particularly set in the context of the challenges the sector faces. To ensure value for money for residents, the council has taken a series of steps. These include the challenging of all recruitment decisions, the reduction of agency worker costs, contract reviews, income generation and other active budget management actions. As a result of these actions, it is anticipated that an in-year underspend of £5m will occur, allowing the strengthening of financial resilience (reserves) whilst also delivering some savings ahead of schedule.

1.10. The overall amount of funding available to councils is higher than before, and many separate grants have now been combined into larger funding streams to simplify the funding system.

1.11. Islington's settlement funding (inclusive of a 4.99% increase in Council Tax) will increase by 1.4% overall in 2026/27 - a £5.105m increase from 2025/26. It will then decrease by 0.1% in 2027/28 and decrease by a further 0.1% in 2028/29. This is in the context of demand and inflationary pressures increasing the council's anticipated costs by around 10% in any given year. This greater increase in expenditure over income drives the need to find savings and efficiencies across the council to balance the budget.

1.12. Funding across the three years covered by this spending review (2026/27 to 2028/29) is effectively confirmed and therefore is expected to be the minimum amount of funding the council will receive. Over the next few years, the council will receive a large amount of transitional funding from Central Government. While there is some uncertainty about how a drop in funding in year 4 for a lot of local authorities will be managed, it is important to note that this is outwith the confirmed settlement period. It is so far in the future that it will be heavily impacted by wider economic performance, inflation, and central government policy. It is unlikely the 2029/30 number will remain at the level currently estimated. The council will continue to work with Central Government to make Islington's case for funding to help create a more equal borough.

Report Recommendations

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

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

1.13. To agree the proposed 2026/27 Budget and Medium-Term Financial Strategy (MTFS), the financial strategy principles, and budget assumptions. (Paragraphs 3.1-3.92, Table 2 and Appendix A)

1.14. To agree the proposed 2026/27 net budgets by directorate. (Paragraph 2.9, Table 1 and Appendix A)

1.15. To agree the 2026/27 savings and note that individual savings may be subject to individual consultation before the savings can be implemented. (Paragraphs 3.83-3.86, Table 10 and, Appendices B1 and B2)

1.16. To note the Local Government Finance Settlement 2026/27 including the Fair Funding Review 2.0 outcome, and other related funding announcements. (Paragraphs 3.14-3.34, Tables 4A and 4B)

1.17. To agree the Section 151 Officer be delegated responsibility for any technical budget adjustments required for the 2026/27 budget (in line with the council's Financial Regulations).

1.18. To agree that centrally held demand growth is allocated to directorate budgets in-year, only once a more evidenced assessment is available and has been approved by the Section 151 Officer.

General Fund Contingency and Reserves (Section 4)

1.19. To note a £7.193m transfer to the Corporate Projects and Systems reserve on 31/03/2025 following the Audited Statement of Accounts was approved by Executive (Paragraph 4.21)

1.20. To note the forecast movements to/from General Fund reserves. (Appendix C and Paragraphs 4.14-4.22)

1.21. To note the Balance Sheet Analysis to support the MTFS. (Paragraphs 4.33-4.35 and Appendix F1)

1.22. To note the assessment of compliance against the CIPFA Financial Management (FM) Code. (Paragraphs 4.28-4.32 and Appendix F2)

The Housing Revenue Account Budget and Medium-Term Financial Strategy (Section 5)

1.23. To agree the balanced 2026/27 HRA and note the latest estimates over the three-year MTFS period. (Table 14 and Appendix D1).

1.24. To agree the 2026/27 savings and note that individual savings may be subject to individual consultation before they can be implemented. (Table 15 and Appendix D3)

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

Capital Investment and Treasury and Investment Management (Section 6)

1.26. To agree the proposed 2025/26 to 2030/31 capital programme and indicative capital programme for 2031/32 to 2035/36. (Paragraphs 6.1-6.12, Tables 20-21, Appendix E1 and Appendix E2)

1.27. To agree the funding of the 2025/26 to 2035/36 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 6.13-6.25 and Table 22)

1.28. To agree the expenditure budgets for Open Market Sale house building schemes (Paragraphs 6.26-6.29 and Table 25) which will be funded by capital receipts (Table 25) upon their disposal.

1.29. 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.

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

1.31. To note that, further to the Executive delegation to the Corporate Director of Community Wealth Building on 20 April 2023, to enter into any required documentation with Newlon Housing Trust to facilitate Newlon's proposed redevelopment of the Barnsbury Estate free from third party rights, that Newlon has incorporated Access Homes Housing Association Limited (Access Homes). Access Homes is a wholly owned subsidiary as a special purpose vehicle for the redevelopment of the Barnsbury Estate and Newlon has transferred legal title to the Estate to Access Homes. Therefore, save for the cost indemnity agreement in the Council's favour which will still be provided by Newlon Housing Trust, documentation relating to the acquisition and transfer back of the Estate will now be with Access Homes.

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

1.32. To agree the calculations required for the determination of 2026/27 council tax requirement and the level of council tax as detailed in Section 8 and summarised below:

a) The 2026/27 council tax requirement of £132,331,227. (Paragraph 8.5 and Table 28)

b) The relevant basic amount of Islington Band D council tax of 1,597.64, a 4.99% increase compared to 2025/26 (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 2026/27. (Paragraph 8.6)

c) The basic amount of Islington Band D council tax for dwelling to which no special items relates (i.e. outside of the Lloyd Square Garden Committee area) of £1,597.36. (Table 30)

d) The amount of 2026/27 Lloyd Square Garden Area Charge and the Basic Islington Council Tax for each valuation band. (Tables 31 and 32)

e) The total amount of 2026/27 council tax (including the GLA precept) for each valuation band over each of the council's areas. (Tables 34 and 35)

1.33. To note the council's estimated retained business rates funding in 2026/27, as per the 2026/27 NNDR1 return. (Paragraph 8.8 and Table 36).

1.34. To note the council's forecast national non-domestic rates (NNDR) position for 2025/26. (Paragraph 8.9 and Table 37)

Matters to Consider in Setting the Budget (Section 9)

1.35. 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 9.1-9.8)

1.36. To note the Monitoring Officer comments. (Paragraphs 9.9-9.14)

1.37. To note the Environmental Implications and Contribution to Achieving a Net Zero Carbon Islington by 2030. (Paragraphs 9.15-9.25)

1.38. To note the Equality Impact Assessment and to take full account of it in approving the overall budget and related proposals. (Paragraphs 9.26-9.32)

1.39. To note that the council invited residents and NNDR payers (and representatives of NNDR payers) to comment on the draft 2026/27 budget proposals, as required under Section 65 of the Local Government Finance Act 1992. (Paragraphs 9.33-9.39)

1.40. To agree the Supporting Small Business Relief Scheme for NNDR payers. (Paragraphs 9.40-9.46 and Appendix I1)

1.41. To agree the Pubs and Live Music Venues Relief Scheme for NNDR payers. (Paragraphs 9.47-9.52 and Appendix I2)

1.42. To agree the Pay Policy Statement for 2026/27. (Paragraphs 9.53-9.54 and Appendix H)

2. Report Summary

1.43. The Budget Report is divided into sections:

- Section 3 sets out the 2026/27 net revenue budget and the assumptions for the General Fund MTFS.
- Section 4 looks at the financial risks and wider financial position. This includes a forecast of the council's reserves, an analysis of the balance sheet, and an assessment of the council's financial management processes (CIPFA Financial Management Code Assessment).
- Section 5 covers the Housing Revenue Account and includes savings, rents, service charges, and other fees and charges.
- Section 6 summarises the 2026/27 to 2030/31 capital programme and funding, and the latest programme up until 2035/36.
- 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 details of the council tax rise assumed within the final budget and National Non-Domestic Rates (also known as Business Rates).
- Section 9 details the formal considerations in setting the final budget. This includes the comments of the Chief Financial Officer (Section 151 Officer) and the Monitoring Officer. The equalities impact and budget consultation proposals are also summarised.

1.44. Residents and business rate payers were invited to comment on the draft budget proposals. The consultation was open from 14 January 2026 to 3 February 2026. Full Council will consider comments on 26 February 2026.

Islington Together 2030 Plan

1.45. In the 2030 Plan, Islington Together, the ambition was set out to create a more equal Islington where everyone can 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

1.46. 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.

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

- Islington’s population in 2024 was estimated to be 225,000. There has been a population increase of approximately 20% since 2011. The biggest population increases are expected in people aged over 65 years.
- Islington is home to 22,500 businesses, mainly small to medium enterprises concentrated in the south of the borough. The number of businesses has been steadily growing over the past decade.
- Approximately 40% of Islington’s population lives in socially rented property.
- Islington has the 2nd lowest proportion of green space in the country with only 2.83 square metres per resident
- Islington’s total boroughwide greenhouse gas emissions (tCO2e) (at July 2025) shows an overall 9% decrease in emissions from 2022 to 2023 and total emissions in 2023 are 27% lower than 2018 which is our baseline for total borough emissions (597,200 tCO2e vs 817,500 tCO2e).

Budget Proposals

1.48. The budget proposals set out the overall budgets for the General Fund, Housing Revenue Account and the Capital Programme. These are distinct budgets with their own income and expenditure.

- **General Fund Revenue Budget**: The income and expenditure budget for most day-to-day council services.
- **Housing Revenue Account Budget**: A separate budget for the income and expenditure relating to the management and maintenance of the council’s housing stock.
- **Capital Programme Budget**: The planned funding and spending for building new assets (e.g. council houses) and maintenance of existing assets. The capital programme includes projects for the General Fund and the Housing Revenue Account.

1.49. Islington Council provides over 600 services. Services are divided into directorates, and each directorate is made up of several teams and services.

a) **Children and Young People**: This directorate aims to provide the best start in life, promote life-long learning, skills and culture so that every young person thrives. They are committed to reducing inequalities in access and education, and endeavour to work with partners and families to safeguard children and young people through Bright Start and children's social care. This also includes support for Looked After Children as a corporate parent, and the promotion of youth safety and violence against women and girls.

b) **Community Wealth Building**: This directorate works to create a fairer local economy by keeping wealth and opportunities within the borough, focusing on supporting local businesses, creating well-paid jobs, building resident skills and opening up opportunities for residents, and using council assets (such as property) to foster local enterprise, especially in technological and creative sectors, through initiatives like affordable workspaces and partnerships to tackle economic inequality.

c) **Environment and Climate Change**: This directorate leads the work to tackle the climate emergency and deliver the Zero Carbon strategy. It is also responsible for maintaining and improving streets, street cleaning, liveable neighbourhoods, parking, leisure services, parks and trees, address management, recycling and reducing waste, as well as providing essential community services like energy advice, cemeteries and registrars.

d) **Health and Social Care**: This directorate ensures residents get support for health, well-being, and independence by coordinating services, providing assessments for care needs, linking people to health advice, offering support for carers, and working with professionals to build community resilience, all aimed at helping people live safely and independently.

e) **Homes and Neighbourhoods**: The council is a landlord to over 40% of Islington's population who live in social housing. This directorate works to create a sense of neighbourhood and ultimately improve the lives of residents. They aim to work effectively with residents, and create stronger, more resilient communities, where local priorities are highlighted and addressed together

f) **Resources**: They are the enabling corporate centre of the organisation with responsibility for business support, democratic services, digital services, elections, finance, HR, information governance, and legal services.

1.50. Many council services are funded by specific grants or fees and charges income. For example, the Public Health Grant fully funds the Public Health service. The 'Net Budget Requirement' is the remaining council budget which is not funded by specific grant or fees and charges income. The Net Budget Requirement needs to be paid for by taxation (council tax and retained business rates) and non-specific government grant income.

1.51. The Net Budget Requirement for the General Fund in 2026/27 is £373.360m. This is outlined in Table 1 below.

Table 1 – General Fund Net Budget Requirement

Budget	Net Budget 2026/27 (£m)
Children & Young People	82.385
Community Wealth Building	26.597
Environment & Climate Change	(14.408)
Health & Social Care	128.489
Homes & Neighbourhoods (General Fund)	32.030
Resources	41.680
Strategy & Programmes	3.340
Central Costs & Contingency	73.248
Net Budget Requirement	**373.360**
Non-Specific Grants & Business Rates Retention Income	(234.051)
Forecast Collection Fund (Surplus)/Deficit	(6.978)
Council Tax Requirement	(132.331)
Taxation and Non-Specific Grant Income	**(373.360)**
Net Budget	**-**

1.52. Councils are required to set a balanced budget. This means that the council's estimated expenditure for the year ahead is equal to its estimated funding. The proposals set out in this report show a balanced budget for 2026/27.

1.53. The budget recommends an increase in council tax by the maximum allowed by government (4.99%). This is made up of a 2.99% increase for core council tax and 2% for Adult Social Care.

1.54. The council collects council tax for the Greater London Authority. This is known as the GLA precept. Detailed calculations for council tax including the GLA precept are included in Section 8.

1.55. In June 2025, the government announced changes to how councils are funded, introducing the Fair Funding Review 2.0. This new system now offers councils a multi-year funding agreement for the first time in ten years, alongside comprehensive changes to the settlement formulae (not updated since 2013/14). After consulting over summer 2025, the changes were included in the Local Government Finance Settlement for 2026/27.

1.56. The Settlement figures show that Islington's Core Spending Power (essentially the main budget funding for council services) will rise by 1.4% in 2026/27. This assumes council tax goes up by the maximum allowed (4.99%). However, small decreases in funding are expected for the following two years. Islington Council also receives extra temporary funding to cushion the impact of the changes, but it is not yet clear if this will continue after 2028/29, as this will fall in the next Spending Review period. More detail on these funding changes is provided later in this report.

1.57. The HRA budget is balanced for 2026/27. The proposed expenditure budget is £280.457m, an increase of £10.260m from 2025/26.

1.58. The proposed 11-year capital programme totals £1,401.193m of borough capital investment, of which £573.840m is estimated to be financed by council borrowing.

3. The General Fund Medium-Term Financial Strategy

Financial Strategy Principles

1.59. The proposed 2026/27 budget is supported by key financial strategy principles. These principles help the council to set a robust budget, strengthen financial resilience, and fulfil its legal requirements.

- Setting a balanced budget for the year ahead, working up robust estimates and funding scenarios over a 5-year period, and planning for the longer-term.
- Fully budgeting for ongoing budget pressures and not using one-off income to fund ongoing expenditure. If one-off funding is used in exceptional circumstances, the council must find ongoing funding or financial savings over the medium term.
- Budgeting the ongoing revenue cost of the capital programme (interest costs and budget set aside to repay debt). Changes in interest rates over the medium term should also be considered.
- The financial strategy will not assume additional funding from central government until it is confirmed. The council should develop exit plans for specific funding that are due to end in the medium term.
- Increasing council tax by the amount that central government assumes in local government finance settlements to avoid an ongoing shortfall in council tax income.
- Compliance with the CIPFA Financial Management Code.
- Budgeting enough headroom for budget risks and using available one-off funding to strengthen financial resilience over the medium term.
- Maintaining an adequate balance in the Core Funding reserve to mitigate against a potential fall in retained business rates funding.

2025/26 Monitoring Position

1.60. At Quarter 2 2025/26, the General Fund position estimated a net outturn underspend of -£0.496m, representing a positive outcome for the council at this stage in the financial year. The overall General Fund position is summarised as follows:

- A General Fund overspend at directorate level of +£7.898m which is offset by a forecast underspend of -£8.394m in the corporate budgets. Delays in the capital programme resulted in the council borrowing less than expected and incurring lower interest rate costs. Reduced expenditure also means that the council has generated additional interest income on its cash balances.

- This results in an overall forecast underspend of -£0.496m. It is important to note that this figure does not reflect the impact of not using the £5m general contingency.
- The council is also aiming for a £5m underspend for the year. This target forms part of a deliberate and strategic approach to strengthen the council's financial resilience and deliver value for money for residents. To support this, the council is implementing a series of planned actions, including tighter workforce and spending controls, enhanced income generation activities, and comprehensive reviews of contracts.
- This planned and proactive budget management demonstrates the council's commitment to sound financial stewardship and its readiness to adapt to the evolving financial landscape.

1.61. Ongoing pressures have been factored into the General Fund budget in 2026/27. Ongoing overspends are damaging to the council's financial health but through active management and our budget setting principles, this risk is expected to be minimised.

1.62. Interest rate cost and income have been updated to reflect the proposed Capital Programme.

Medium Term Financial Strategy 2026/27 to 2030/31

1.63. The MTFS sets out the forecasts for expenditure and income over a 5-year period. The difference between the forecast expenditure and income is the budget gap.

1.64. The latest estimated budget gap for 2026/27 to 2030/31 is c£181m before savings, actions and council tax increases and is shown in Table 2. More detail can be found in Appendix A.

1.65. There is a significant increase in the net budget gap in 2029/30. This is because of changes to central government funding. The reforms to local government funding include transitional protection funding which will help the council move to a new level of funding. There is no confirmation that this funding will continue after 2028/29. Therefore, the council's financial strategy assumes a large decrease in government funding in 2029/30. The government are aware of the challenge this presents to the council and others in this situation.

1.66. It is important to note that 2029/30 is outside our confirmed financial settlement period and is part of the next Spending Review. The next Spending Review will be impacted by wider economic performance, inflation, and central government policy. The decrease in government funding assumed in the MTFS is based on the current information.

Table 2 – Summary Medium-Term Budget Gap 2026/27 to 2030/31

	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m	Total £m
Pay Award	8.091	5.000	5.000	5.000	5.000	**28.091**
Employer Pension Contributions	(10.365)	-	-	-	-	**(10.365)**
Demand Growth	7.079	5.753	4.852	6.880	6.937	**31.501**
Inflation	9.954	8.617	8.599	8.124	8.704	**43.998**
Directorate Base Budget Growth	6.066	0.105	0.342	1.166	1.078	**8.756**
Central costs (Including Levies & Capital Financing)	3.306	6.183	6.471	4.255	3.914	**24.129**
Changes to Savings	1.225	-	-	-	-	**1.225**
Contingency Budgets	(1.721)	-	-	-	-	**(1.721)**
Central Government Funding	(4.507)	8.618	9.042	41.871	-	**55.024**
Making It Happen Fund (One-Off)	5.000	(5.000)	-	-	-	**-**
Gross Budget Gap	**24.128**	**29.276**	**34.306**	**67.296**	**25.634**	**180.639**
Previously Agreed Savings	(3.282)	(4.651)	(1.708)	(0.333)	-	**(9.974)**
New Proposed Savings	(4.106)	(2.505)	(1.546)	-	-	**(8.157)**
Management Actions and Funding Substitutions	(10.213)	(7.207)	(1.712)	0.051	0.476	**(18.605)**
Council Tax Base Growth	(0.239)	(0.662)	(0.698)	(0.737)	(0.777)	**(3.112)**
Net Budget Gap (Before C-Tax)	**6.289**	**14.252**	**28.642**	**66.277**	**25.332**	**140.791**
Council Tax Increase (2.99%)	(3.768)	(3.976)	(4.195)	(4.426)	(4.671)	**(21.036)**
Adult Social Care Precept Increase (2%)	(2.520)	(2.659)	(2.806)	(2.961)	(3.124)	**(14.071)**
Net Budget Gap (After C-Tax)	**-**	**7.616**	**21.641**	**58.890**	**17.538**	**105.685**

1.67. The budget gap in each year is in addition to the budget gap from the previous year. This means the council needs to close the £7.616m gap in 2027/28 and then close an additional £21.641m in 2028/29, and so on.

Summary Net Revenue Budget 2026/27

1.68. Table 3 shows the 2026/27 net revenue budget by directorate. The summary of changes between the 2025/26 and 2026/27 budget is shown in Table 3. All changes are explained in greater detail later in this report. Budget changes are broken down by:

- Inter-Directorate Changes – Budget and structural adjustments between council directorates (e.g. restructures that transfer services between directorates).
- Growth – Increases in budgets because of inflation, demand growth, or more budget needed for service commitments.
- Other 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 2026/27 budget.

Table 3 – Net Revenue Budget by Directorate 2026/27

	2025/26 Net Budget £m	Inter-Dept. Changes £m	Growth £m	Other Adjs. £m	Savings £m	2026/27 Net Budget £m
Children & Young People	**82.830**	0.133	1.717	0.388	(2.682)	**82.385**
Community Wealth Building	**21.761**	3.114	3.594	(1.571)	(0.300)	**26.597**
Environment & Climate Change	**(11.367)**	(2.594)	1.547	(0.683)	(1.311)	**(14.408)**
Health & Social Care	**65.811**	2.978	4.829	55.251	(0.380)	**128.489**
Homes & Neighbourhoods	**22.244**	3.265	3.325	3.233	(0.037)	**32.030**
Resources	**40.576**	2.477	1.008	0.083	(2.465)	**41.680**
Strategy & Programmes	**2.542**	1.593	-	(0.582)	(0.213)	**3.340**
Central Costs	**54.289**	(11.223)	16.689	(11.336)	-	**48.419**
Net Cost of Services	**278.686**	**(0.258)**	**32.709**	**44.782**	**(7.388)**	**348.531**
Corporate Contingencies	**8.741**	3.071	4.779	(6.813)	-	**9.779**
Transfer to/(from) Earmarked Reserves	**8.227**	(2.813)	-	9.636	-	**15.050**
Net Budget Requirement	**295.655**	**-**	**37.488**	**47.605**	**(7.388)**	**373.360**
Fair Funding Allocation	**(125.303)**	-	-	(83.874)	-	**(209.177)**
Non-specific Grants and Transitional Funding	**(9.155)**	-	-	(15.719)		**(24.874)**
Other Business Rates Retention Scheme Income	**(29.979)**	-	-	29.979	-	**-**
Collection Fund (Surplus)/Deficit	**(5.414)**	-	-	(1.564)	-	**(6.978)**
Council Tax Requirement	**125.804**	**-**	**37.488**	**(23.572)**	**(7.388)**	**132.331**

Making It Happen Fund

1.69. Islington council has allocated a one-off £5m investment fund to deliver time-limited projects and interventions that directly benefit residents. The ‘Making It Happen’ fund aims to improve safety, invest in neighbourhoods, strengthen communities, and empower residents across the borough.

1.70. Proposals for the Making It Happen fund are split over the following themes:

- **Safer Communities**: funding to tackle Anti-Social behaviour across the borough, some examples of how this money could be used are: improvements to lighting, sightlines, shared space design, play areas, and safer routes to stations and schools to enhance residents’ sense of safety in our neighbourhoods, more temporary CCTV vehicles, and support for resident-led projects.
- **A Great Place to Play**: improvement fund for play spaces on roughly 6 estates, and in 5 parks. The parks with improvements to their play equipment will be:
    - Barnard Park
    - Elthorne Park

    - Jospeh Grimaldi
    - Davenant Rd open space
    - King Square
- **Civic Pride**: to support events & activities to celebrate the best of Islington; create a tidier Islington through deep cleans and community tidying schemes.
- **Empowering Residents**: to meet the one-off costs for residents, VCS groups, and community organisations wishing to take ownership of underused spaces where a relatively small injection of money can make this possible; extend our pilot participatory budget programme so that residents are able to make choices in how to spend council money on their estate.
- **Ending Poverty:** we will supplement the existing work of the Income Maximisation (IMAX) Team, who have been responsible for helping our residents claim over £16m in unclaimed benefits since April 2024. We will do this with either more staff in the IMAX team and/ or support for local VCS organisations to ensure that more Islington residents are getting the benefits they are entitled to with the aim of helping Islington residents claim an additional £5m of income each year.

1.71. A summary of the potential allocation over 2026/27 to 2028/29 of the Making It Happen fund is shown below:

Safer Communities	
Complete the physical improvements identified from Environmental Visual Audits and matters raised by our residents	£1.400m
Investment in mobile/deployable CCTV	£0.300m
Removal of disused telephone boxes, targeted at telephone boxes associated with Anti-Social Behaviour	£0.200m
A Great Place to Play	
Park Play Improvements	£0.420m
5x Estate based play upgrades	£0.420m
Civic Pride	
Cleaner Islington, to undertake a boroughwide deep cleanse intervention	£0.720m
Celebrating Islington to celebrate all of the culture, arts, sports and community activities in Islington.	£0.500m

Empowering Residents	
Participatory Budgeting	£0.140m
Supports residents, Voluntary & Community Sector groups, and community organisations wishing to take ownership of underused spaces.	£0.300m
Ending Poverty	
Supplementary support of the existing work of the Income Maximisation team	£0.600m
Total	**£5.000m**

Government Funding

Background

1.72. Government funding is the largest source of income for Islington Council. The council receives grants for specific services (e.g. the Dedicated Schools Grant and the Public Health Grant). The council also receives general government funding which is announced in the Local Government Finance Settlement.

1.73. Government grants are calculated using Relative Need Formulas (RNFs). RNFs use data such as population, deprivation, and age to work out how much each council needs relative to another. Allocations are also adjusted for local costs (known as Area Cost Adjustments). Grants are also adjusted for council tax and business rates (known as the Resource Adjustment).

1.74. The government decides by what percentage councils can increase council tax. A council must have a local referendum if it wants to increase by more than the cap. For 2026/27, the maximum increases are 3% core council tax and a 2% adult social care precept. The government assumes that all councils will increase their council tax by the maximum (4.99%) when calculating funding allocations. There is therefore a logical argument that council tax is essentially centrally set, although councils have a discretion to forego the funding and not recommend an increase.

Fair Funding Review 2.0 and Business Rates Reset

1.75. In June 2025, the government set out its plans to reform local government funding. This review followed longstanding sector concerns over outdated calculations, increasing demand for services, and local authorities' financial sustainability.

1.76. The proposal introduced a multi-year settlement for the first time in a decade, guided by seven principles: simplicity, transparency, dynamism, sustainability, robustness, stability, and accountability. The funding system had not been updated since 2013/14. This was consulted on over the summer of 2025 and has now been introduced as part of the local government finance settlement for 2026/27.

1.77. Central to the reforms is a new Settlement Funding Assessment, now called a Fair Funding Allocation (FFA). This is our core, baseline funding and calculated using:

- Relative Needs Formulae (RNFs): Nine service-specific formulae to assess local demand, including adults (younger and older), children's social care, foundation formula, fire & rescue, highways, home-to-school transport, temporary accommodation, and public health.
- Resource Adjustment: This adjusts (reduces) for local council tax-raising capacity, with a notional national average used to equalise funding. It should be noted that Islington's council tax is below the national average and therefore funding is reduced by an amount greater than that which is generated.
- Area Cost Adjustment (ACA): This factors in local delivery cost disparities across labour, property and accessibility.
- Transitional Arrangements: Funding changes (not an ongoing component of the system) phased over three years (2026–29), with proposals for a funding floor.

Local Government Finance Settlement 2026/27 to 2028/29

1.78. The Local Government Finance Settlement set out funding allocations at individual authority level for the three years 2026/27 to 2028/29. Allocations for 2027/28 and 2028/29 will still be subject to an annual settlement process in those years.

1.79. As a result of the Fair Funding Review 2.0 and the Business Rates Reset, the new funding settlement for local government represents a significant shift in how funding is presented and distributed.

1.80. Some existing grants have now been combined into larger funding streams (including four new consolidated grants) to simplify the funding system.

1.81. Islington's Core Spending Power (CSP), the government's measure of the total resources available to local authorities to fund their day-to-day services, will increase by 1.4% overall in 2026/27 - a £5.105m increase from 2025/26. This government measure assumes that the council will increase council tax by the maximum of 4.99%. The council's CSP is then expected to decrease by 0.1% in 2027/28 and decrease by a further 0.1% in 2028/29, assuming the council increases council tax by 4.99% in each year.

1.82. The level of settlement funding is set to rise from £16.8bn nationally in 2025/26 to £34.8bn in 2026/27, then to £35.3bn in 2028/29. This increase is partly due to £13.2bn existing government grants which were not previously included in settlement funding now being included, as well as new grant and business rates income.

1.83. Large amounts of transitional funding (to temporarily protect from Fair Funding losses) and the continuation of the Recovery Grant over the next three years means that many councils, including Islington, will still be above their core funding assessment in 2028/29. This creates uncertainty about how a potential 'cliff edge' in funding will be managed in future settlements. It should also be noted that the 'recovery grant guarantee' is limited to £35m across the three years and therefore does not fully protect the council from losses. The removal of this 'limit' to protection would afford the council an additional £56.5m over the three-year period.

1.84. It is important to note that 2029/30 is outside of our confirmed financial settlement period and is part of the next Spending Review. The next Spending Review will be impacted by wider economic performance, inflation, and central government policy.

1.85. The tables below summarise the change to government funding from the Fair Funding Review 2.0 incorporated with the local government finance settlement for 2026/27.

Table 4A – Change in Government Funding – Fair Funding Review 2.0

	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m
Decrease/(Increase) in Grant Funding	(31.556)	20.608	20.793	1.581	-
Decrease/(Increase) in Retained Business Rate Income	47.312	(1.766)	(1.589)	-	-
Change in Transitional Protection (Floor Funding and Recovery Grant Guarantee)	(19.905)	(10.223)	(10.162)	40.290	-
Increase/(Decrease) in Net Budget Gap	**(4.149)**	**8.618**	**9.042**	**41.871**	**-**

Table 4B – Core Spending Power 2025/26 to 2026/27

	2025/26 £m	2026/27 £m
Business Rates Baseline	83.969	112.852
Top-Up Grant/(Tariff)	10.350	(35.841)
Revenue Support Grant	30.984	114.277
Improved Better Care Fund	17.889	17.889
Social Care Grant	36.510	-
Market Sustainability and Improvement Fund	5.626	-
New Homes Bonus	0.991	-
Recovery Grant	1.581	1.581
Domestic Abuse Safe Accommodation Grant	0.045	-
Employer National Insurance Contributions Grant	3.360	-
Recovery Grant Uplift	-	0.896
100% Income Protection Floor	-	7.342
Recovery Grant Guarantee	-	11.667
Children's Social Care Prevention Grant	1.774	-
Homelessness, Rough Sleeping and Domestic Abuse	-	7.270
Families First Partnership	-	4.366
Council Tax (government assumption, not local estimate)	124.263	134.142
Compensation for under-indexing the business rates multiplier	17.672	-
Adjustment to Core Spending Power Baseline for changes to the funding system*	36.323	-
Core Spending Power	**371.336**	**376.441**

*The government's calculation of Core Spending Power (CSP) has changed. Some existing grants which were previously outside of CSP are now part of CSP. Islington's actual CSP in the 2025/26 settlement was £335.013m.

Dedicated Schools Grant

1.86. The Department for Education (DfE) announced the Dedicated Schools Grant (DSG) allocations for each of the four funding blocks for the 2026/27 financial year on 17 December 2025. The table below details the DSG funding by block.

Table 5 - Dedicated Schools Grant Funding

Funding Blocks	2025/26 £m	2026/27 £m	Variance £	Variance %
Schools	157.351	161.162	3.811	2.4%
Central (Schools)	1.367	1.391	0.024	1.7%
High Needs	50.806	53.847	3.040	6.0%
Early Years	31.030	36.782	5.751	18.5%
Total	**240.556**	**253.181**	**12.626**	**5.2%**

1.87. The total DSG funding for 2026/27 is £253.181m before recoupment for academies and free schools. This is an increase of £12.626m (5.2%) compared with 2025/26. 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 extension in nursery entitlement hours.

1.88. The Schools Block will increase by £3.811m (2.4%). However, most of this increase (£4.165m) is linked to rolling in funding which was allocated through separate grants in 2025/26. It is therefore likely that the real cash per pupil increase will be nearer to 0.2%. The Schools Block serves as the primary funding source for mainstream schools. This funding will be allocated to schools using the national funding formula.

1.89. The reduction in the number of pupils by 561 between October 2024 and October 2025 means the Schools Block is approximately £4.446m lower than it would have been if pupil numbers had not reduced.

1.90. The Central Schools Services Block (CSSB) will increase by £0.024m however this is due to several grants, funded separately in 2026/27, being rolled into the formula. These grants totalled £0.078m 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 and therefore there is a real cash reduction of £0.054m.

1.91. The High Needs Block (HNB) will increase by £3.040m (6.0%). 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 continuing to increase and therefore funding is not keeping pace with demand.

1.92. The Early Years Block (EYB) will increase by £5.751m (18.5%). This is an initial position based on the January 2025 Early Years census and will be updated when the January 2026 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 extension in nursery entitlement hours which were introduced in September 2025, as well as rolling in funding that was given as separate grants in 2025/26. However, there will be a real net increase in the hourly funding rates to the council across the entitlements: 3- & 4-year-olds +4.19%, 2-year-olds +4.56% and Under 2s +4.83%.

Pay Budget Assumptions

1.93. The local government pay award for 2025/26 was 3.2% on National Joint Council pay points 2 to 43 and for pay points above the maximum pay but graded below deputy chief officer.

1.94. The 2025/26 pay award cost £1.096m more than the 2.5% pay award assumed in the 2025/26 budget. This £1.096m is now fully budgeted for in the 2026/27 budget.

1.95. The 2026/27 budget assumes a 2.5% pay award. £6.995m is budgeted for the 2026/27 pay award. The 2.5% assumption is based on inflation falling from previous levels, so this represents a risk. A 1% change in proposed pay award would change the cost by £2.798m

1.96. The following years assume a 2% pay award annually. Pay award estimates are reviewed annually and factored into the financial strategy.

Employer Pension Contributions

1.97. Local Government Pension Scheme (LGPS) funds are legally required to conduct a formal actuarial valuation every three years. The purpose of the valuation is to assess the financial health and position of the pension fund to ensure it has enough assets to meet its future pension obligations (liabilities). The actuary uses the valuation results to set the employer contribution rates for the next the years.

1.98. The most recent valuation was as of 31 March 2025. The new employer contribution rates determined by this process will come into effect for the three financial years from 2026/27 to 2028/29.

1.99. The funding level of the Pension Fund has increased from 96% as at the 31 March 2022 valuation to 115% as at the 31 March 2025 valuation. This is due to investment performance and positive assumption changes.

1.100. As the Pension Fund is no longer in a deficit position, the council no longer needs to budget for the annual deficit payment of £4.764m that it has been making following the 2022 valuation.

1.101. In addition, the employer contribution rate for future service costs is expected to be set at 14.9% for the three years from 2026/27 to 2028/29. This is a decrease from the existing budgeted contribution rate of 18.3% and will save the General Fund an estimated £5.601m per year.

1.102. None of these budget changes to employer pension contributions affect the benefits of pension fund members, which are defined in law.

Demand Growth and Inflation

1.103. Demand growth is the increased demand and complexity of demand for council services. For example, an increase in the number of people who need temporary accommodation.

1.104. Inflation is the increase in costs the council is facing to deliver services e.g. an increase in contract costs with suppliers or an increase in energy prices.

1.105. Demand growth estimates are shown in Table 6.

Table 6 - Demand Growth Forecasts

Description	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m	Total £m
Children & Young People						
18+ Children Looked After	0.100	0.100	0.100	0.100	0.100	**0.500**
Short Breaks and Personal Budgets (Education and Disabled Children's Service)	0.396	0.399	0.403	0.406	0.410	**2.014**
Special Educational Need and Disabilities Transport	0.584	0.642	0.700	0.756	0.809	**3.491**
Health & Social Care						
Adult Social Care – demand growth	3.916	3.432	3.649	5.618	5.618	**22.233**
Remove 2025/26 underspend from base budget	-0.750	-	-	-	-	**-0.750**
Homes & Neighbourhoods						
Temporary Accommodation	2.833	1.180	-	-	-	**4.013**
Total	**7.079**	**5.753**	**4.852**	**6.880**	**6.937**	**31.501**

1.106. Inflation estimates are summarised in Table 7.

Table 7 – Inflation Budget Growth Forecasts

Description	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m	Total £m
Children & Young People						
Children Looked After Placements	0.400	0.400	0.400	0.400	0.400	**2.000**
Special Educational Need and Disabilities Transport	0.242	0.275	0.300	0.328	0.370	**1.515**
Short Breaks, Personal Budgets, & Externally Commissioned Children's Centres & Nurseries	0.141	0.151	0.160	0.170	0.181	**0.803**
Community Wealth Building						
National Insurance pressure in Mitie contract	0.025	-	-	-	-	**0.025**
Environment & Climate Change						
CCTV Maintenance Contract	0.040	0.042	0.044	0.046	0.049	**0.221**
Civica, Capita, Cashless, TEC fees contracts	0.250	0.263	0.276	0.289	0.304	**1.382**
Penalty Charge Notice Enforcement Contract	0.476	0.499	0.525	0.551	0.579	**2.630**
Health & Social Care						
Care UK Contract and Learning Disability Service Level Agreement	0.249	0.255	0.237	0.244	0.251	**1.236**
London Living Wage Contracts	1.932	2.023	1.883	1.972	2.065	**9.875**
National Living Wage Contracts	2.648	2.998	3.076	3.434	3.815	**15.971**
Homes & Neighbourhoods						
Temporary Accommodation and No Recourse to Public Funds	3.325	1.430	1.699	0.690	0.690	**7.834**
Resources						
Digital Contracts	0.226	0.281	-	-	-	**0.507**
Total	**9.954**	**8.617**	**8.599**	**8.124**	**8.704**	**43.998**

Adult Social Care Growth

1.107. Adult Social Services continue to experience demand growth across all primary areas of support. This includes Memory and Cognition, Physical Support, Learning Disabilities, and Mental Health. These challenges are driven by increasing demand for services, greater requirements for acute care, and rising levels of need among existing service users.

1.108. The Adult Social Care demand growth forecasts are based on average growth projections, and average cost increases above inflation. Growth estimates factor in management actions taken to reduce the growth.

1.109. The rise in demand for Adult Social Care is driven by:

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

1.110. To address these pressures, the Adult Social Care service has implemented a series of management actions designed to mitigate impact and ensure the best outcomes for residents:

- Systematic review of care packages to ensure they are delivered using a strength-based approach and that health funding is fully optimised.
- Deployment of reablement initiatives and the 'Take Home and Settle' service to triage residents following hospital discharge. Thereby preventing unnecessary care packages or over provision of care.
- Utilisation of the Integrated Quality Assurance Meeting (IQAM) process, led by senior managers in Adult Social Care, to prioritise independence, maximise opportunities for the right care and the right time like reablement, and ensure care packages both meet the needs of residents and represent value for money.
- Ongoing collaboration between Operational Social Work Management, the Finance team, and Data Intelligence to enhance the quality of information captured on service pressures, supporting the early identification and targeted management of growth areas.

1.111. These management actions are expected to deliver efficiencies of approximately £9.578m over the next five years.

1.112. For Adult Social Care inflation estimates, the council contracts providers to provide Adult Social Care services across the borough in both residential and community-based settings. National and London Living Wage increases have contributed to the increase in the estimated increase in contract costs:

- National Living Wage contracts assume an annual uplift of 4.1%. The government has set the National Living Wage from April 2026 at £12.71 per hour (a 4.1% increase).
- London Living Wage contracts assume an annual 6.86% uplift (based on the previous increase).

Temporary Accommodation Growth

1.113. Homelessness and Temporary Accommodation is a continuing challenge for all local authorities and Islington is no exception. In 2025/26 there has been a 31% increase in demand in Islington.

1.114. The housing crisis, cost-of-living crisis, and various changes to legislation have increased the number of homelessness cases and the responsibility of the council. The number of homeless households in London is now at a record high. The demand forecast assumes that there will be a 15% increase in 2026/27.

1.115. Additionally, there continues to be significant increase in the inflation (costs) for Temporary Accommodation. The reduction in the number of private landlords and the demand for properties has seen rents continue to rise well above general inflation.

1.116. The inflationary growth is based on the increase in costs seen in 2024/25 and 2025/26 of 15%. This is similar to Rental Growth figures from the Office for National Statistics which had put average rents at 11.54% higher in the last 12 months to June 2025.

1.117. The forecast growth includes increases in temporary accommodation costs of 15% in 2026/27. Industry predictions on rental growth forecasts are used for the following years.

1.118. The Government's recent funding reform has introduced a relative needs formula for Temporary Accommodation which recognises the significant costs, predominantly across London. This is based on historical spend so there is a concern it will not keep up with rising costs going forward.

1.119. The demand and inflation pressures, risks and mitigations are set out in more detail below:

- The demand forecast assumes that there will be a 15% increase in 2026/27 and 5% in 2027/28. This is subject to further review and there is a risk that this will be higher. It is difficult to forecast demand for temporary accommodation. However, there is the potential opportunity for more government funding or an increase to the Local Housing Allowance to support the national pressures, but this is currently unknown.
- Rising nightly costs worsen the overall cost of homelessness and there is a requirement for inflation growth over the medium term. The revised forecast assumes a 15% increase in costs in 2026/27 and 5.1% in 2027/28, which reflects Islington rent increases and external analysis. 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 increases in indirect temporary accommodation costs such as bad debt and rent deposit schemes. This considers the core costs of temporary accommodation only. The forecasts include 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, expanding the Property Acquisition Programme, and amending the allocations policy.

Children & Young People Growth

1.120. Respite Care for Special Educational Needs and Disabilities (SEND) Children who may have severe needs resulting in needing special equipment and special trained staff which increases the costs of accommodation.

1.121. There has been an increase in the number of children with Education, Health and Care Plans nationally. The number of children with Education, Health and Care Plans in Islington is expected to grow by up to 10% per annum (>200 children per year) of which those with the most complex needs are provided with short breaks/respite to enable them to remain at home with their families.

Other Budget Growth

1.122. The MTFS includes other budget growth which is not driven by demand or inflation. Other base budget growth is related to service commitments and investment in council priorities. £0.510m of the 2026/27 growth is not ongoing.

1.123. This growth will be kept under review throughout the budget setting and budget monitoring processes. Other budget growth is shown in Table 8.

Table 8 – Directorate Budget Growth 2026/27

Description	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m	Total £m
Children & Young People						
Annual uplift of in-house fostering, adoption and special guardianship weekly placement fees in line with recommended national minimum allowance set by government	0.171	0.171	0.171	0.171	0.171	**0.855**
DSG Overheads which cannot be funded by the grant	0.141	0.086	0.041	0.037	0.034	**0.340**
Maintaining Service Level Agreement for Commissioned Health Posts	0.035	0.035	0.035	0.035	0.035	**0.173**
Legal Services – Correcting a budget shortfall for staffing costs transferring between Directorates.	0.587	-	-	-	-	**0.587**
Environment & Climate Change						
Ongoing cost of Highways Greening Maintenance of 131 Existing Projects	0.153	-	-	-	-	**0.153**
Parks Asset Budget to carry out repairs, improve health and safety and allow for replacements	0.400	-	-	-	-	**0.400**
Implementation of Food Waste requirements	0.200	-	-	-	-	**0.200**
One-off revenue budget for Tree Planting	0.028	(0.028)	-	-	-	**-**
Community Wealth Building						
Building Schools for Future (BSF) Contractual Implications	2.969	0.324	0.095	0.923	0.838	**5.149**
Planning Income – Alignment of budgets to latest, actual income.	0.600					**0.600**
Resources						
Size and scope of the Internal Audit service	0.300	-	-	-	-	**0.300**
Election 2026 one-off budget	0.482	(0.482)	-	-	-	**-**
Total	**6.066**	**0.105**	**0.342**	**1.166**	**1.078**	**8.756**

Building Schools for the Future

1.124. The Building Schools for the Future (BSF) programme was a government initiative to rebuild and refurbish secondary schools. Councils partnered with private sector companies and co-ordinated the rebuild of schools in phases. BSF in Islington rebuilt or refurbished several secondary schools across three phases starting in 2008/09 and the contract to maintain and/or operate is due to end 2037/38.

1.125. The annual costs of BSF schemes fluctuate over the lifecycle of the scheme. A combination of inflationary pressures, falling pupil numbers, and exposure to energy price risk has resulted in a cost pressure against the Council’s Building Schools for the Future (BSF) programme.

1.126. When the original contracts were signed, PFI credits (grants) from the Government were linked to inflation as well as contractual expenditure. During the coalition government, the inflation link of the grant was altered meaning expenditure could rise much quicker than the council’s ability to pay it.

1.127. Where possible individual BSF contracts have been or are in the process of being terminated to reduce the cost pressure. There are four schools where it is not economic to terminate the BSF contracts, therefore options to reduce costs pressures for the Council are being explored instead. It is anticipated that there will still be a residual pressure for the reminder of the contract.

1.128. Four BSF contracts have been or are in the process of being terminated to reduce the cost pressure, in collaboration with relevant schools. This action has mitigated the significant proportion of the cost pressure. The remaining four BSF arrangements are governed by complex, long term PFI contracts. Further work is planned to assess opportunities to reduce cost pressures associated with these remaining arrangements.

Corporate Budget Adjustments

Levies and Contributions to External Organisations

1.129. The council makes contributions to various organisations for local services which benefit Islington residents. Most of these contributions are direct levies on council taxpayers and are separately disclosed as part of council tax billing communications.

1.130. The latest 2026/27 estimates for these contributions are shown in Table 9. Where no estimate is available from the relevant external organisation, the budget assumes a 2% increase per year.

Table 9 – Estimated Levies and Contributions to External Organisations 2026/27

	Budget 2025/26 £m	Estimate 2026/27 £m	Change £m	Change %
Concessionary Fares (Freedom Pass)	11.572	12.542	0.971	8.39%
Environment Agency (Thames Region)	0.202	0.199	-0.002	-1.12%
Inner North London Coroner's Court	0.546	0.695	0.149	27.26%
Lee Valley Regional Park Authority	0.216	0.218	0.002	0.88%
London Boroughs Grants Scheme	0.165	0.165	0.000	0.00%
London Pensions Fund Authority	0.494	0.472	-0.022	-4.52%
North London Waste Authority Levy (NLWA)	9.730	8.489	-1.241	-12.75%
Traffic and Control Liaison Committee	0.248	0.301	0.052	20.97%
Levy Contingency	0.000	1.000	1.000	-
TOTAL	**23.175**	**24.081**	**0.908**	**3.92%**

1.131. London Councils operate a concessionary fares scheme, funded by contributions from individual boroughs, which provides free off-peak travel for older people and people with disabilities. The London scheme is more generous than the national scheme and consequently has more than double the national usage per user.

1.132. Islington and six other north London boroughs are members of the North London Waste Authority which is responsible for household waste disposal and recycling. NLWA is also responsible for disposal of commercial waste and specific types of household waste.

1.133. For the NLWA levy, Islington are expecting to deliver almost 5,000 fewer tonnes of household waste (mainly residual waste) in 2026/27 compared to the budget for 2025/26. The same adjustment to the 2025/26 forecast means that forecast balances at March 2026 that can be used to reduce the levy, are higher than in the previous year.

1.134. Looking further ahead, it is expected that there will be a steep increase in the NLWA levy in future years as a result of the construction of the new North London Heat and Power Project (NLHPP). Other levies may also be subject to significant increases. The council's financial strategy is to set aside £1m contingency each year to plan towards steep increases over the MTFS period.

1.135. The most significant other change in 2026/27 is the council's budgeted contribution to the Inner London Coroner's Court. The latest forecast is £0.695m for 2026/27, £0.149m higher than the 2025/26 levy. The increase is driven by an increase in demand for coroner's services, increased complexity of inquests, and an increase in the costs of professional services.

1.136. The London Boroughs Grants Committee provides funding for 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.

1.137. The London Councils Grant Committee report was considered by the London Councils Leaders' Committee on 26 November 2025. The report proposed an overall base contribution from boroughs in 2026/27 of £6.724 million, an increase of £0.013m since

2025/26. Islington's contribution in 2026/27 will be £164,975 compared to £165,485 in 2025/26, a reduction of £510.

Revenue Cost of the Capital Programme

1.138. The council budgets for borrowing costs which are driven by the capital programme. The 2026/27 General Fund budget includes interest on existing loans and includes estimates of interest on the planned borrowing.

1.139. Councils are required to set aside budget to repay debt. This is known as the Minimum Revenue Provision (MRP) and is akin to a repayment mortgage for individuals. The General Fund budget for MRP in 2026/27 is £8.403m.

1.140. More detail can be found in the Capital and MRP Strategy documents in Appendices E3 and E5.

Revenue Savings

1.141. To manage budget growth, the council needs to make budget savings. The proposed and previously agreed savings are estimated to save £18.131m across the 5-year period.

1.142. The list of new savings proposals for Executive agreement is included in Appendix B1. The list of previously agreed savings is included in Appendix B2. Total savings (new and previously agreed) are shown by directorate in Table 10.

Table 10 – Revenue Savings 2026/27-2029/30

Lead Directorate	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m
Children & Young People	2.682	2.963	1.326	0.080	**7.051**
Community Wealth Building	0.300	0.221	0.400	-	**0.921**
Health & Social Care	0.380	1.597	1.028	0.253	**3.258**
Homes & Neighbourhoods	0.037	0.007	-	-	**0.044**
Environment & Climate Change	1.311	0.279	-	-	**1.590**
Strategy & Programmes	0.213	-	-	-	**0.213**
Resources	2.465	2.089	0.500	-	**5.054**
Total	**7.388**	**7.156**	**3.254**	**0.333**	**18.131**

1.143. Some savings may be subject to public and staff consultations before they can be implemented. Savings that do not go ahead as planned may create financial pressures in future years. The council will need to budget for any ongoing pressure.

1.144. Updates on the delivery of the 2026/27 budget savings will be provided as part of the budget monitoring reports to the Executive and Overview and Scrutiny Committee as appropriate.

Directorate Management Actions

1.145. The financial strategy includes management actions to increase the efficiency of the council's budget. Management actions are actions taken by council officers to reduce budgetary pressures such as contract efficiencies.

1.146. Management actions are included in the Equalities Impact Assessment in Appendix G.

1.147. Management Actions are shown in the following categories:

a) Demand Management: Actions which focus on prevention and early intervention so that fewer people need council services.

b) Efficiency: Using resources more effectively e.g. using fewer resources, improving processes, and reducing contract costs.

c) Funding Substitution: Alternative funding (e.g. grant funding) to pay for a service.

d) Implementing Previously Agreed Savings/Committee Decisions: Includes supporting or extending agreed savings and removing budgets no longer required following a committee decision.

e) Income: Actions to increase the volume and value of sales for income generating services.

1.148. Management actions are noted in Table 11 and listed in Appendix B3.

Table 11 – Planned Directorate Management Actions and Funding Substitutions

Type of Management Action	Total 2026/27 £m	Total 2027/28 £m	Total 2028/29 £m	Total 2029/30 £m	Total 2030/31 £m
Demand Management	0.851	0.801	0.801	-	-
Efficiency	2.536	1.048	0.150	-	-
Funding Substitution	1.544	0.554	0.027	(0.151)	(0.526)
Implementing Previously Agreed Saving / Member Decision	4.902	4.674	0.694	0.050	-
Income	0.379	0.130	0.040	0.050	0.050
Total	**10.212**	**7.207**	**1.712**	**(0.051)**	**(0.476)**

Workforce

1.149. One of the biggest areas of spend for the council is on its workforce and we know from benchmarking that we have one of the biggest workforces in London. Previously a saving was approved by Full Council which recognised a reduction of 10% in workforce across three years. The combination of efficiencies and savings contained within this budget achieves this saving.

1.150. At the start of the current financial year, the council employed around 5,400 people. Within the last two quarters headcount reduction coupled with approvals for voluntary exits have resulted in over 400 identified positions being reduced. Actions such as the workforce control panel, the introduction of an agency levy, and better workforce planning will continue to reduce costs whilst maintaining service delivery to residents.

2. General Fund Risk, Contingency and Reserves

2.1. There are a number of risks in financial strategy which are kept under regular review. Any contingencies held are to deal with these risks and are presently proposed subject to further changes to Directorate forecasts between now and budget approval.

National Inflation Rate

2.2. The estimated cost of inflation will change with the national inflation rate. In recent years, the council has faced challenges with remarkably high inflation (peaking at 11% in 2022) and the impact of the cost-of-living crisis for residents.

2.3. The Consumer Price Index (CPI) for September 2025 was 3.8%. The September CPI figure is a key index for budget estimates.

2.4. Inflation presents a fundamental risk for the council. A national rise in inflation increases the cost of providing council services. High inflation can result in increased fees for social care contracts, increased construction costs, a rise in energy bills and higher pay awards.

2.5. If the inflation rates remain high, interest rates are likely to also remain high. This will increase the interest rate costs the council pays for new debt.

2.6. Furthermore, increases in the cost-of-living without 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.

2.7. If council funding does not increase with inflation, the value of government grants and businesses rates will reduce.

Key Assumptions and Sensitivity Analysis

2.8. The council's financial strategy includes assumptions about future expenditure and income. Changes to these assumptions will impact the budget gap.

2.9. The key assumptions and the estimated impact of changes (sensitivity analysis) are set out below.

Table 12 – Sensitivity Analysis of Key MTFS Assumptions

Budget	Assumption	2026/27 Estimate	Sensitivity Analysis
Pay Award	The current assumption for the local government pay award is 2.5% in 2026/27 and 2% in the following years. Pay awards are affected by inflation/cost-of-living which is expected to come down to the target 2% rate over the medium term.	£6.995m	1% change in pay award would change the cost by £2.798m
Temporary Accommodation Case Numbers and Rent	Growth estimates assume there will be a 15% increase in demand and a 15% increase in costs in 2026/27. Case numbers and costs per night are directly related. This means that if costs rise, case numbers may also rise.	£6.158m	1% increase in rent and case numbers would increase costs by £0.476m This estimate is net cost after housing benefit and grants
Adult Social Care Contracts – National Living Wage and London Living Wage	Growth estimates for Adult Social Care contracts assume there will be a 4.1% uplift in National Living Wage (NLW) and a 6.86% uplift in London Living Wage (LLW)	£4.580m	1% change in NLW would change costs by £0.647m 1% change in LLW would change costs by £0.282m
Council Tax	The current proposal for council tax is to increase by the maximum allowed by central government (4.99%)	(£6.308m)	A 1% change to council tax would change income by £1.264m
Council Taxbase	The current assumption is that the taxbase will grow by 0.19% in 2026/27. This will be reviewed by the Audit and Risk Committee.	(£0.239m)	A 1% change in the taxbase would change council tax income by £1.258m
Interest rates for capital borrowing	The council can borrow money to pay for the capital programme. The interest rate on new loans must be budgeted for. The assumption for the interest rates is 6.15%. (Note this is driven by the price of Government Bonds and not by the Bank of England Base Rate.)	£2.528m	A 1% change in interest rates would change General Fund costs by £0.411m

General Contingency

2.10. The budget and MTFS continues to assume an annual, general contingency budget of £5m. This is an ongoing budget intended to be used only against unforeseen expenditure. The general contingency budget is viewed as a last resort for in-year budget pressures that cannot be funded from underspends elsewhere.

2.11. Directorates agree cash limited budgets and take responsibility for delivering a balanced budget unless a business case, presenting an exceptional circumstance, for contingency or reserve funding is appropriately agreed in line with the financial regulations.

Strategic Risk Contingency

2.12. Given the impact of the Fair Funding Review 2.0, the level of risk in the council's operating environment and the significant value of financial savings and management actions now included in the budget from 2026/27, a corporate contingency for strategic risk has been created. This amounts to £4.779m.

2.13. The Strategic Risk contingency will help to protect against known and potential strategic risks in the financial position. These risks could include unexpected reductions in funding, income volatility, delays or deliverability of savings and higher than expected demand for services.

Revenue Reserves

2.14. Reserves provide a safety net for unexpected events and help plan for budget risks. Reserves can also be used to invest projects to support transformation and change of council services.

2.15. Reserves can only be used once. Reserves cannot sustainably fund ongoing spend e.g. staff salaries. However, reserves can be used for one-off investment projects.

2.16. Islington has different types of reserves for different projects and risks.

- **Unallocated Reserves** – these reserves offset overspends or underspends and can be used for unexpected events or emergencies. The council holds unallocated reserves for the General Fund and the Housing Revenue Account.
- **School Balances** – these belong to schools and are held by the council on their behalf.
- **Earmarked Reserves** - these reserves are held for specific spend and risks. These are split between the General Fund and HRA. Earmarked funds within the General Fund are categorised into:
  - **Budget Risk** – The Budget Risk reserves, which includes the Budget Risk and Core Funding reserves, act as a financial buffer for Islington Council, ensuring that vital services such as adult and children's social care and homelessness support can continue during unforeseen challenges. This reserve category is not intended for regular expenditure, but rather for emergencies like surges in service demand, inflation, or shortfalls in government funding. The primary purpose is to safeguard essential services and community initiatives from abrupt financial pressures, allowing the council to sustain support for residents without resorting to cuts. Through this approach, Islington Council reinforces community

resilience and maintains consistent access to services, aligning with the objectives of the Islington Together 2030 Plan.

    - **Specific Risk** – The Specific Risk reserves, consisting of business continuity and insurance risk, are set aside by Islington Council to address significant, unforeseen incidents, such as cyber-attacks, that standard mitigations may not entirely cover, as well as to provide a buffer for existing insurance claim estimates. This reserve category is not intended for routine matters; rather, it largely provides a financial buffer for exceptional, high-impact situations. The purpose is to support swift recovery and maintain essential services. The reserve category is allocated for risks that are uninsurable or for events that carry substantial costs.
    - **Planned Spend** – This includes 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.

- HRA Reserves include:
    - **New Build Feasibility** - This reserve provides for the future revenue cost associated with feasibility of new build schemes.
    - **Risk Equalisation** – This reserve mitigates against HRA financial pressures arising from legislative changes.
    - **Major Repairs Reserve** – Applies to the HRA only and is used to build up capital funds that can be used to finance the major repairs capital programme and repayment of housing debt.

2.17. The estimated level of revenue reserves is shown in Table 13. Detailed forecasts for each General Fund Earmarked reserves are in Appendix C.

2.18. The reserves forecast shows latest estimated movements. There will be changes to reserves forecasts over time. Final transfers will be confirmed in the financial outturn report for each year.

Table 13 – Forecast Revenue Reserves

	2024/25 (£m) Actual	2025/26 (£m) Forecast	2026/27 (£m) Forecast	2027/28 (£m) Forecast	2028/29 (£m) Forecast	2029/30 (£m) Forecast	2030/31 (£m) Forecast
Budget Risk	50.596	60.761	67.739	67.739	67.739	67.739	67.739
Specific Risk	14.034	14.034	14.034	14.034	14.034	14.034	14.034
Planned Projects	21.821	16.623	18.446	13.519	8.982	9.113	9.243
Ringfenced	30.908	20.118	5.533	2.519	2.519	2.519	2.519
Total General Fund Earmarked Reserves	**117.360**	**111.536**	**105.752**	**97.810**	**93.274**	**93.405**	**93.535**
General Balances	36.657	36.657	36.657	36.657	36.657	36.657	36.657
Schools Balances	5.721	1.664	-2.645	-10.115	-10.115	-10.115	-10.115
Total General Fund Reserves	**159.738**	**149.856**	**139.764**	**124.352**	**119.816**	**119.947**	**120.077**
Earmarked HRA Reserves	48.304	56.314	71.357	86.860	86.860	86.860	86.860
HRA General	14.662	14.662	14.662	14.662	14.662	14.662	14.662
Major Repairs Reserve	0.007	0.007	0.007	0.007	0.007	0.007	0.007
Total HRA Reserves	**62.972**	**70.982**	**86.025**	**101.528**	**101.528**	**101.528**	**101.528**

2.19. In the 2025/26 Budget Report, the Minimum General Fund Balance and Earmarked Reserves Level was set at 25% of the council's Core Spending Power. For 2026/27, this is £94m.

2.20. The council's MTFS does not assume any use of reserves to balance the recurrent budget.

2.21. The Executive approved a £7.193m increase to earmarked reserves, specifically the Corporate Projects and Systems reserve, as at 31/03/2025. This is due to a post audit adjustment in the 2024/25 Statement of Accounts. The post audit adjustment related to the reversal of a creditor in the Health and Social Care directorate that was found to not meet the criteria for recognition as a creditor. This resulted in a favourable movement of £7.193m in the 2024/25 financial outturn position to be transferred to earmarked reserves.

2.22. School balances are expected to continue to decline due to falling school numbers and above-inflation cost increases. It is anticipated that school balances will fall into a net deficit position in 2026/27. This is being addressed through a combination of the school reorganisation plan, deficit recovery plans and regular financial improvement group meetings. Currently, there is no requirement to cover this deficit with General Fund reserves however it is sensible to ensure the council can do so if this becomes necessary.

Reserve Movements and Budget Risks

2.23. Use of reserves to balance ongoing budget gaps is not advised for several 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.

Flexible Use of Capital Receipts

2.24. Councils are not allowed to use capital receipts (e.g. from the sale of a property) to pay for day-to-day spend. Ordinarily these receipts would only be available to fund capital expenditure.

2.25. However, the government does allow councils to use receipts from the sale of assets (except for Right to Buy) for transformation projects which deliver savings. Islington previously approved a Flexible Use of Capital Receipts Policy for 2025/26, up to £20m.

2.26. Using capital receipts for transformation projects would help to protect revenue reserves. However, the council may need to borrow more for the capital programme which would incur interest rate costs.

2.27. The council's financial strategy going forward does not assume that capital receipts will be used for transformation projects.

CIPFA Financial Management (FM) Code Compliance Assessment

2.28. The Chartered Institute of Public Finance and Accountancy (CIPFA) produces a Financial Management Code (FM Code). This sets out the principles of good financial management.

2.29. The FM Code does not set out what processes an authority should have. Instead, the Code requires that a council demonstrates that its processes satisfy the principles of good financial management for an authority of its size, responsibilities, and circumstances.

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

2.31. 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.

2.32. Where there is only a medium level of compliance, actions are suggested that would take the council to high level. The compliance analysis is re-visited at least annually as part of the budget process, with any actions or recommendations implemented on an ongoing basis.

Balance Sheet Analysis

2.33. The balance sheet provides a snapshot of the council's financial position detailing assets, liabilities, and reserves. The balance sheet shows what the council owns and how much it owes to others. The balance sheet shows the link between revenue, capital, borrowing and other existing and emerging risks.

2.34. Analysing the council's balance sheet on a regular and ongoing basis (and not just at financial year-end) is key to understanding the financial position of the council. Effective balance sheet analysis is very useful as a measure to indicate whether a council is showing signs of financial stress.

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

- Islington council has been able to build reserves (savings), and therefore financial resilience, over recent years. This was partly due to temporary, additional income received during the pandemic, but also because of a deliberate financial strategy to increase the council's overall reserves position.
- However, the net budget requirement has increased faster than usable revenue reserves. If this trend continues, the ability of the council to support budget shortfalls and other financial shocks will decrease.
- The council has deferred borrowing, despite the increasing need to borrow, by using its own resources to fund capital expenditure. However, borrowing indicators suggest an increasing reliance on borrowing. If this trend continues, the council risks facing higher interest costs which reduce overall control of how it can allocate its budgets.

3. Housing Revenue Account

3.1. The Housing Revenue Account (HRA) is a ringfenced account covering the cost of managing and maintaining council-owned housing stock.

3.2. The updated HRA 30-year business plan is included in Appendix D4.

3.3. The proposed HRA budget includes savings identified as part of the 2026/27 budget process and the continuation of these savings in 2028/29 totalling £9.335m (detailed at Table 15 and Appendix D3).

3.4. The HRA budget includes servicing for both existing debts and any new debt potentially 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

3.5. In addition, the HRA 30-year business plan assumes that the new build and property acquisitions programmes will continue towards increasing the stock of affordable housing within the Borough. The HRA business plan is included in Appendix D4.

3.6. The current economic climate is very challenging, which includes increased construction costs and higher interest rates than were seen when the current new build programme was implemented. This means that it is much harder to fund the interest charges on the borrowing required to balance the financing of new schemes from the net rent generated from the new council homes. As such the HRA 30-year business plan includes new build borrowing subsidy of £37.4m to take 91 new council homes through to completion and a further provision of £18.8m to continue developing a pipeline programme to take additional council homes through to Planning stage. This pipeline budget is funded by a mixture of borrowing and right-to-buy receipts.

3.7. It should also be noted that whilst the 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 £1.169bn.

3.8. Whilst within the limited budget provision included in the HRA 30-year business plan, priority will be given to building safety works and meeting statutory compliancy with decency standards. The shortfall in available resources will reduce the council's ability to invest in maintaining the condition of existing homes and over time will lead to significant deterioration in our housing stock.

3.9. The major works capital programme investment gap is driven in significant part because of past government interventions in relation to Local Authority rent setting which include the minus 1% rent reduction applied over the 4 years 2016/17 to 2019/20 and the 7% rent cap applied in 2023/24, these interventions led to a loss in rental income over 30 years of £1.7bn. Consideration of options and measures to bridge the investment gap is currently underway.

3.10. The proposed HRA budget for 2026/27 and latest estimates for the medium term, including HRA reserves estimates, is set out in Appendix D1.

3.11. The movement between the approved 2025/26 budget and the proposed 2026/27 budget is summarised in Table 14.

Table 14 – Summary of HRA Budget Changes 2025/26 to 2026/27

Expenditure	**£m**
Pay and pensions inflation	2.258
Increase in contributions to HRA reserves	1.006
Contractual inflationary increases and other budgetary changes	4.243
Increase in the cost of leaseholder property insurance cost	1.059
Capital related items (borrowing, revenue contributions to capital and depreciation charges)	1.694
Total Expenditure Increase	**10.260**
Income	
Rent and Tenant charges	(9.915)
Leaseholder annual service charges	(0.750)
Other income net decrease	0.405
Total Income Increase	**(10.260)**

Table 15 – Summary of HRA Savings 2026/27 to 2027/28

Savings type	**2026/27 £m**	**2027/28 £m**	**2028/29 £m**	**Total £m**
Efficiency	1.020	0.000	0.000	**1.020**
Service reconfiguration	1.445	0.855	0.000	**2.300**
Income generation	5.320	0.400	0.295	**6.015**
Technical budget adjustments	0.000	0.000	0.000	**0.000**
Total	**7.785**	**1.255**	**0.295**	**9.335**

Rental Income and Other HRA Fees and Charges

3.12. The Welfare Reform and Work Act 2016 required councils 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.

3.13. In February 2019, the Government issued a policy statement on rents for social housing effective from April 2020. Compliance with this policy is effectively mandatory.

3.14. For the first time the government has included local authority social housing within the remit of the Social Housing Regulator, previously the Regulator's remit was limited to private registered providers of social housing only (i.e. housing associations). The Regulator is required by "direction" from the Government to have regard to the policy statement referred to above and as such, the Regulator issued the first rent standard effective from April 2020.

3.15. The rent standard was subsequently updated with effect from April 2023 to reflect the Government's "direction" which capped existing tenant rent increases to a maximum of +7% in 2023/24.

3.16. 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.

3.17. The Government 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 current plus ex PFI properties)

3.18. Table 16 sets out the average rent in 2026/27 for existing tenancies. The maximum 2026/27 permitted rent is the prior year (2025/26) actual rent plus 4.8% (September 2025 CPI +1%)

3.19. However, if the maximum rent exceeds the lower of the 2026/27 national rent cap (for the relevant bed size) or the property's 2026/27 national target rent then the 2026/27 rent will be the higher of A or B:

A. The lower of 2026/27 national target rent or the 2026/27 national rent cap or

B. The 2025/26 actual rent plus 4.8%

3.20. All the council's general needs properties will be subject to the maximum rent increase in 2026/27 of plus 4.8% as their maximum rents in 2026/27 do not exceed the lower of the 2026/27 national target rents or the 2026/27 national rent caps.

3.21. 1% (213) of the council's general needs properties have a national target rent greater than the national rent cap.

Table 16 – Existing Tenancies Average Weekly Rent 2026/27

Average Weekly Rent 2025/26	£140.27
Increase (£)	£6.73
Increase (%)	4.80%
Average Weekly Rent 2026/27	£147.00

3.22. General needs properties will be re-let at the lower of the 2026/27 national rent cap (for the relevant bed size) or their 2026/27 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.

3.23. In accordance with MHCLG advice 2026/27 national target rents will reflect an increase of CPI 3.8% (Sept. 2025) plus 1% and the 2026/27 national rent caps will reflect an increase of CPI 3.8% (Sept. 2025) plus 1.5%.

3.24. The below table sets out the likely average rent in 2026/27 for re-let properties.

Table 17 – Re-Let Properties Likely Average Weekly Rent 2026/27

Average Weekly National Target Rent 2025/26	£151.24
Increase (£)	£7.26
Increase (%)	4.8%
Average Weekly National Target Rent 2026/27	£158.50

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

3.25. Existing tenancies and re-let rents in 2026/27 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.

3.26. Existing Tenancies – 2026/27 rents will be set at the lower of:

A. The 2026/27 rent plus 4.8% or

B. The lower of;

Bi) the relevant 2026/27 local housing allowance rate or

Bii) 80% of the relevant market rent.

3.27. Re-lets and first-lets in 2026/27 will be set at the lower of:

A) The relevant 2026/27 local housing allowance rate or
B) 80% of the relevant market rent

LBI Managed Property Acquisitions - Purchased using DLUHC Grant

3.28. Existing Tenancies – 2026/27 rents will be set at the lower of:

A) The 2025/26 rent plus 4.8% or

B) 80% of relevant market rent.

3.29. Re-lets and first-lets in 2026/27 will be set at 80% of the relevant market rent.

Properties Currently Managed (PFI1) and Properties Previously (Until April 2022) Managed (PFI2) under a Private Finance Initiative (PFI) Contract by Partners for Islington

3.30. 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.

3.31. To move towards achieving this alignment, existing tenants 2026/27 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 2025/26 rent plus 4.8% minus 50p per week towards convergence with standard social rents.

3.32. The tables below set out the average rent in 2026/27 for existing tenancies and re-lets.

Table 18 – Existing Tenancies – PFI (1) current contract and PFI (2) returned to Council management - Average Weekly Rent 2026/27

Average Weekly Rent 2025/26	£195.18
Increase (£)	£8.86
Increase (%)	4.54%
Average Weekly Rent 2026/27	£204.04

Table 19 Re-lets- PFI (1) current contract and PFI (2) returned to council management

Average Weekly Rent 2025/26	£196.02
Increase (£)	£8.91
Increase (%)	4.45%
Average Weekly Rent 2026/27	£204.93

Shared Ownership Rents

3.33. Rent charged with effect from 1 April 2026 in respect of the unsold equity in relation to shared ownership properties will be based on the prior year rent plus the lower of:

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

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

Other HRA Fees and Charges

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

3.35. Caretaking/Cleaning and Estate Services - Caretaking and Estate Service Charges will increase by £0.94 (4.4%) per week as compared to the 2025/26 Charges. This £0.94 increase per week primarily reflects the net impact of the increase in staffing related costs covering the increase in staffing and contractual cost increases.

3.36. Digital TV Maintenance - Charges have remains unchanged at 22p per week in 2026/27 reflecting the cost of the provision of this service.

3.37. Heating and Hot Water - Gas prices are forecast to increase slightly in 2026/27, The average weekly heating and Hot Water charge in 2025/26 will be £18.50 per week. Unlike, Caretaking, Estate Service and Concierge charges, Heating and Hot Water charges are not covered by housing benefit or universal credit.

3.38. Concierge Service Charges - These have increased by 4.8% - this increase relates primarily to the increase in staffing and contractor costs.

3.39. Estate based Parking and Storage Charges - Charges in respect of facilities used for vehicles i.e., Garages, parking spaces and car cages increase by 3.8% in line with September 2025 CPI.

3.40. Diesels surcharge- Realigned with charges charged by parking services.

3.41. Home Ownership Administration costs - Increase by 3.8% in line with September 2025 CPI to reflect inflationary cost pressures whilst also acknowledging the cost-of-living pressures facing leaseholders.

3.42. Carpet Charges (for tenants requesting council assistance with carpeting their property) - 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 11-year capital programme.

4.2. The 11-year programme comprises a proposed 6-year programme 2025/26 to 2030/31 for approval, and an indicative programme for the subsequent 5 years.

4.3. The Capital and Investment Strategy underpinning the capital programme, the inter-linked Treasury Management Strategy, and Minimum Revenue Provision Policy can be found in Appendices E3, E4 and E5.

4.4. The proposed 2025/26 to 2030/31 Capital Programme and indicative estimates for 2031/32 to 2035/36, totalling £1,401.193m of borough capital investment, are summarised by directorate and council priority in Tables 20-21 below and detailed by scheme in Appendix E1.

Table 20 – Capital Programme 2026/27-2030/31 by Directorate (£m)

Directorate	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m	Total 6 Year £m	2031-2036 £m	Total 11 Year £m
Health and Social Care	3.333	0.734	1.474	-	-	-	**5.541**	-	**5.541**
Children and Young People	6.005	10.317	2.499	-	-	-	**18.820**	-	**18.820**
Community Wealth Building	12.968	35.776	8.323	1.692	2.000	1.000	**61.759**	4.000	**65.759**
Environment and Climate Change	26.454	28.485	14.135	11.045	10.364	9.326	**99.808**	20.267	**120.075**
General Fund Total	**48.761**	**75.311**	**26.431**	**12.737**	**12.364**	**10.326**	**185.929**	**24.267**	**210.195**
HRA Total	**144.909**	**172.515**	**156.779**	**128.871**	**105.923**	**97.000**	**805.997**	**385.000**	**1190.997**
Total	**193.670**	**247.826**	**183.210**	**141.608**	**118.287**	**107.326**	**991.926**	**409.267**	**1401.193**

Table 21 – General Fund Capital Programme 2026/27-2030/31 by Strategic Priority (£m)

Strategic Priority	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Total 6 Year	2031/32 -35/36	Total 11 Year
	£m	£m	£m	£m	£m	£m	£m	£m	£m
A Safe Place to Call Home	147.174	172.515	158.179	128.871	105.923	97.000	**809.662**	385.000	**1194.662**
Child-Friendly Islington	6.025	10.375	3.355	-	-	-	**19.754**	-	**19.754**
Community Wealth Building	9.696	11.388	0.944	1.692	2.000	1.000	**26.720**	4.000	**30.720**
Empowering People	0.416	1.844	-	-	-	-	**2.260**	-	**2.260**
Greener, Healthier Islington	30.359	51.705	20.732	11.045	10.364	9.326	**133.530**	20.267	**153.796**
Total	**193.670**	**247.826**	**183.210**	**141.608**	**118.287**	**107.326**	**991.926**	**409.267**	**1401.193**

4.5. There is a net increase to the 11-year General Fund capital programme of £2.474m. The future 10-year General Fund borrowing requirement, not including the current year, has fallen from £157.037m in the 2025/26 budget report to £132.784m in the 2026/27 budget report.

4.6. There is a net increase to the 11-year HRA capital programme of £365.630m. The future 10-year HRA borrowing requirement, not including the current year, has moved from £316.517m in the 2025/26 budget setting report to £342.062m in the 2026/27 budget setting report.

4.7. The programme presented in Tables 20 and 21, and Appendix E1 include reprofiling to the capital programme at Q3 2025/26. This includes net reprofiling of £25.094m from 2025/26 into future years.

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

4.9. Additions and Growth

a) ASC Bespoke Supported Living: A budget increase is requested of £0.060m to be funded by a revenue contribution. This is to facilitate bespoke works to supported living assets.

b) Beaumont Rise – Furniture and Fittings: A budget is requested to be created of £0.030m funded by a revenue contribution. This is to purchase furniture and fittings for the communal areas and bedrooms of the 17 units designated for those with complex mental health support needs in the New Build scheme at Beaumont Rise.

c) Outlook and Alsen Centres: A budget is requested to be created of £2.078m funded by borrowing. This is to invest in refurbishment of the Outlook and Alsen Centres to allow delivery of adult social care services from these sites.

d) SEND Mainstream Inclusion Programme: A line is requested to be added to the capital programme for the SEND Mainstream Inclusion Programme. This is to reflect the need to enhance the physical environment of 39 mainstream schools to better accommodate children with special education needs and disabilities (SEND). Improvements will consider sensory rooms, sensory gardens, lighting, acoustics, signage, colours, technology, and more. The budget for this line of £7.700m is requested to be from the budget approved for High Needs Provision Allocation capital programme, which is fully funded by government grant.

e) Family Hub: A budget increase is requested of £0.009m to be funded by a revenue contribution. This is to cover additional works at the site as part of the wider project which are out of scope for the grant funding for the rest of the project.

f) Finsbury Wellbeing Campus: A line is requested to be added to the capital programme for Finsbury Wellbeing Campus. This is to reflect the new programme of works including the Finsbury Leisure Centre and surrounding area. The budget for this line of £36.324m is requested to be from the budget approved for the previous Finsbury Leisure Centre capital programme.

g) Waste Recycling Centre Vehicle Wash: A budget is requested to be created of £0.085m to purchase and install a new vehicle wash at the Waste Recycling Centre to maintain the council's vehicles and fulfil health and safety requirements in terms of cleanliness with regards to vehicles. This is to be funded by General Fund borrowing.

h) Wray Crescent Community Park Building: A budget increase is requested of £0.566m. The original project budget was set in 2022 and is no longer sufficient to deliver the project due to inflation, market conditions and supply chain uncertainty. £0.100m is requested to come from the budget approved for Strategic Leisure Provision. The remaining increase is requested to be funded by General Fund borrowing.

i) Strategic Leisure Provision: A budget increase is requested of £0.136m. This is to recognise a grant awarded to the council by the Football Foundation of £0.236m. This is to fund 75% of the total project cost for Caledonian Park Court. The council is required to provide the remaining 25% of the project budget which can be met by budget already approved. The budget is also being reduced by £0.100m to transfer this budget to Wray Crescent Community Park Building, giving a net budget increase of £0.136m.

j) Tree Planting Programme: A budget increase is requested of £1.255m to allow completion of the final year of the plan to plant a net new 600 trees each year in the borough. This is to be funded by General Fund borrowing.

k) 1.5ha New Green Space: A budget is requested to be created of £1.300m to be funded by General Fund borrowing. This is to create a new 1.5 hectares of green space in the borough, in line with the council's corporate plan. This growth is offset by a £1.303m reduction to Electric Vehicle Charging Schemes agreed by Executive on 27 November 2025 in the report "Quarterly capital budget monitoring 2025/26 – Q2, including adjustments to the capital programme and capital asset decisions".

l) Street Lighting Assets: A budget is requested to be created of £0.360m to be funded from the budget approved for Traffic Engineering Schemes. This is to fund capital costs for the council's street lighting assets in preparation for the street lighting PFI contract expiry.

m) Highways: A budget increase is requested of £4.100m to be funded by grant. The Department for Transport has increased the highways grant the council receives following compliance with reporting requirements.

n) Electric Vehicle Charging Schemes: A budget increase is requested of £1.006m to be funded by grant. This is the Local Electric Vehicle Infrastructure (LEVI) grant provided by the Office for Zero Emissions Vehicles in the Department for Transport for the purchase and installation of electric vehicle charging units.

o) Major Works and Improvements: A budget increase of £323.341m is requested to allow greater investment in the existing stock of council housing. £77m of this is to add the eleventh year to the programme, while the balance is to enable more investment into the existing stock of council housing in the earlier years. The longer-term rent settlement we now have allows some additional borrowing to be taken out together with additional amount funded by the higher expected rent receipts over the period of the budget. The priorities for the use of the overall major works budget are building and fire safety; ensuring all homes meet the Decent Homes Standard; delivering reliable services; tackling damp and mould; delivering high quality planned maintenance; addressing energy efficiency; and investing in community spaces. This prioritisation means that the majority of the additional budget will be allocated to the first four of these - improvement of building and fire safety (via fire safety and tall blocks allocations), and the achievement of the Decent Homes Standard and tackling damp and mould (though the additional allocations to the cyclical improvement and kitchens & bathrooms programmes). To create some additional capacity for these priorities, the budget allocated to address energy efficient and investing in community spaces is slightly reduced.

p) Property Acquisitions: A budget increase of £50.268m is requested to allow an expansion to the property acquisitions programme. £16.000m of this will be to deliver an ongoing acquisitions programme funded through 141 Right to Buy Receipts over 4 years. £34.268m of this is to deliver a programme partly funded by Round 4 of the Local Authority Housing Fund grant from MHLCG and the balance funded by additional borrowing.

q) Nomination Rights Black Ravens Court (City of London): A budget increase of £0.996m is requested to align with the expected timeline for delivery of this scheme. A budget was previously omitted for the final payment on this scheme following approval to contribute Islington Right to Buy receipts to the City of London's new build development in exchange for nomination rights in perpetuity over 33 properties.

4.10. Reductions and Removals

a) High Needs Provision Allocation: A budget reduction of £7.700m is requested, to be transferred to the new line, SEND Mainstream Inclusion Programme detailed above. This is in keeping with the High Needs Allocation government grant terms.

b) Packington Nursery Expansion: A budget reduction of £0.237m is requested to align with a change of scope of the project. This will leave a budget of £0.050m remaining for Packington Nursery Expansion in future years.

c) Hayward Adventure Playground: A budget reduction of £0.856m is requested to align with a change of scope for this project. This will leave a capital budget of £0.472m remaining for Hayward Adventure Playground in future years.

d) Mildmay Library: A budget reduction of £0.560m is requested to align with a change of scope for this project. This will leave a budget of £0.186m remaining for Mildmay Library in future years.

e) Islington Museum and Local History Centre: A budget reduction of £0.3440m is requested to align with a change of scope for this project. This will remove the remaining future years capital budget for Islington Museum and Local History Centre.

f) Chapel Market: A budget reduction is requested of £0.171m as this project will be fully completed in 2025/26. This will remove the remaining future years capital budget for Chapel Market.

g) Finsbury Leisure Centre: A budget reduction of £42.307m is requested. £36.324m of this is requested to be transferred to the new line, Finsbury Wellbeing Campus, detailed above to reflect the new programme of works. The remaining £6.964m is a saving in the capital programme.

h) Traffic Engineering Schemes: A budget reduction of £0.360m is requested, to be transferred to the new line, Street Lighting Assets detailed above.

i) Current New Build: An overall budget reduction of £6.162m for the current programme, reflecting savings anticipated on some schemes moving towards final account over the coming year. As these projects are not at final account point, risks remain but on balance these reductions are good financial management practice. There are also reductions relating to the 173 Highbury Quadrant project whilst a review of cost effectiveness takes place and Parkview Estate schemes where the scope of the scheme was amended previously by Executive. The removal of these budgets is good practice (reduce budgets where spend is not anticipated to avoid cost creep) but the funding will be available for future pipeline schemes and will be reinstated when the most cost effective way forward is identified.

j) Pipeline New Build: A budget reduction of £2.813m is requested across the pipeline programme. Budget has been transferred from the pot allocated to take schemes forward to specific projects within the programme. In addition, the budgets for Vorley Road and Bemerton Estate have been revised following successful planning applications, for altered schemes from those previously planned. The application for Vorley Road comprised a larger scheme than earlier expected, while that for Bemerton Estate is smaller, the net effect is the reduction here. The removal of these budgets is good practice (reduce budgets where spend is not anticipated to avoid cost creep) but the funding will be available for future pipeline schemes and will be reinstated when the most cost effective way forward is identified.

4.11. Other Changes

- A review of the ordering and presentation of the capital programme has been undertaken to ensure all lines are reported under the correct client directorate.
- The following lines of the capital programme have been renamed:
  - Communities, Strategy and Change Subtotal renamed Community Buildings Subtotal
  - Newington Barrow Way Works renamed Andover GP
  - Bunhill Heat Network - EC2 Resilience and EC1 Decommissioning renamed Bunhill Heat Network Resilience
  - People Friendly Streets renamed Liveable Neighbourhoods
  - Infrastructure Networks Subtotal renamed Highways Infrastructure Subtotal
  - Transport Subtotal renamed Decarbonised Transport Subtotal
  - Refuse Vehicles renamed Waste Collection Weighing

- Pipeline New Build Schemes renamed Other Pipeline Schemes
- Nomination Rights - City of London Primary Academy Islington renamed Nomination Rights Black Ravens Court (City of London)

4.12. Scope Changes

a) **Liveable Neighbourhoods:** A scope change is requested to broaden the scope of the project to include improving street furniture in addition to widening footways, tree planting, implementing green schemes and providing secure cycle parking.

b) **Vehicle Replacement:** A scope change is requested to broaden the scope of the project to include the renewal as well as replacement of aging fleet and also to ensure the fleet is fit for purpose supporting mechanisation of service delivery where appropriate.

4.13. 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.

4.14. There are expected to be capital receipts from the council's asset rationalisation programme which will reduce the borrowing requirement once received. No receipts have been assumed in future years in the budget and will be swapped for borrowing upon receipt using the recommended delegation to the Section 151 Officer.

4.15. 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	2030/31 £m	Total 6 Year £m	2031-2036 £m	Total 11 Year £m
Grants	16.837	12.238	4.017	1.781	1.599	0.415	**36.886**	1.245	**38.131**
S106 / CIL	3.675	5.709	0.084	1.276	-	-	**10.744**	-	**10.744**
Capital Receipts	3.000	-	-	-	-	-	**3.000**	-	**3.000**
Revenue Contribution	0.099	0.287	-	-	-	-	**0.386**	-	**0.386**
Borrowing	25.150	57.077	22.330	9.681	10.765	9.911	**134.913**	23.022	**157.935**
Total GF Financing	**48.761**	**75.311**	**26.431**	**12.737**	**12.364**	**10.326**	**185.929**	**24.267**	**210.195**
Grants	39.329	12.967	8.414	3.072	-	-	**63.782**	-	**63.782**
S106 / CIL	3.500	6.255	1.000	-	-	-	**10.755**	-	**10.755**
Capital Receipts	9.418	11.464	18.939	14.597	7.159	1.000	**62.577**	4.000	**66.577**
Revenue Contribution	19.819	58.596	56.847	57.063	58.380	60.659	**311.364**	323.614	**634.978**
Borrowing	72.843	83.233	71.579	54.139	40.384	35.341	**357.519**	57.386	**414.905**
Total HRA Financing	**144.909**	**172.515**	**156.779**	**128.871**	**105.923**	**97.000**	**805.997**	**385.000**	**1190.997**
Total Capital Financing	**193.670**	**247.826**	**183.210**	**141.608**	**118.287**	**107.326**	**991.926**	**409.267**	**1401.192**

4.16. Over the life of the proposed and indicative capital programme, there is a total borrowing requirement of £572.840m, of which £157.935m relates to the General Fund.

4.17. There are 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.

4.18. 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 6.15% for the General Fund and 5.75% for the HRA, which were the respective forecast 50-year Certainty Rates with upside risk from Arlingclose Treasury Advisors as at 22/12/2025.

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	2030/31 £m	Total 6 Year £m	2031-2036 £m	Total 11 Year £m
Incremental Interest Charge (6.15%)	0.773	2.528	2.442	0.984	0.629	0.636	**7.992**	1.721	**9.713**
Incremental MRP Charge	-	1.591	2.296	1.287	0.790	0.797	**6.762**	2.479	**9.240**
Total Additional Revenue Charge	**0.773**	**4.120**	**4.738**	**2.271**	**1.419**	**1.433**	**14.754**	**4.199**	**18.953**

4.19. 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.

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

4.21. 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	2030/31 £m	Total 6 Year £m	2031-2036 £m	Total 11 Year £m
General Fund	0.126	0.411	0.397	0.160	0.102	0.103	**1.300**	0.280	**1.579**
HRA	0.364	0.780	0.774	0.629	0.473	0.379	**3.398**	0.703	**4.102**
Total	**0.490**	**1.192**	**1.171**	**0.789**	**0.575**	**0.482**	**4.698**	**0.983**	**5.681**

4.22. 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 76% since 2021/22, however the average delivery on the programme set in the budget is 74%.

4.23. 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 repayments (MRP). Repayment (MRP) charges begin the year after an asset becomes operational and so a delay on completion delays the timing of this charge.

4.24. 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.

4.25. 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.

Revenue Expenditure Funded by Capital under Statute (REFCuS)

4.26. Housing units built for sale on the open market will be accounted for as Revenue Expenditure Funded by Capital under Statute (REFCuS).

4.27. To help housing new build schemes be viable, sites include a mix of housing types. Units built for open market sale to generate capital receipts help fund the construction of the social and affordable rented units at the same time, reducing the council's debt in relation to these schemes.

4.28. Under the 2003 Local Government Act Regulations the costs to construct an asset for disposal which are revenue, can be capitalised. These will be funded by the capital receipt generated when sold, with leftover receipts applied to fund the cost of constructing council owned housing.

4.29. Table 25 below shows the forecasts for housing for open market sales expenditure and receipts over the 11-year period.

Table 25 – Open Market Sales

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m	Total 6 Year £m	2035/36 £m	Total 11 Year £m
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
Bemerton Estate South	0.306	3.420	7.956	5.476	0.427	-	**17.586**	-	**17.586**
Crouch Hall Court	0.010	-	-	-	-	-	**0.010**	-	**0.010**
Dixon Clark Court	0.051	0.119	-	-	-	-	**0.170**	-	**0.170**
Dovercourt Estate	0.005	-	-	-	-	-	**0.005**	-	**0.005**
King Square	0.026	-	-	-	-	-	**0.026**	-	**0.026**
Telfer House	0.071	-	-	-	-	-	**0.071**	-	**0.071**
Vorley Road	0.121	2.558	11.801	6.705	2.455	-	**23.641**	-	**23.641**
Total Expenditure	**0.591**	**6.097**	**19.758**	**12.181**	**2.882**	**-**	**41.509**	**-**	**41.509**
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Capital Receipts	**(3.172)**	**-**	**-**	**-**	**(21.931)**	**(21.931)**	**(47.033)**	**-**	**(47.033)**
Net Position	**(2.581)**	**6.097**	**19.758**	**12.181**	**(19.048)**	**(21.931)**	**(5.524)**	**-**	**(5.524)**

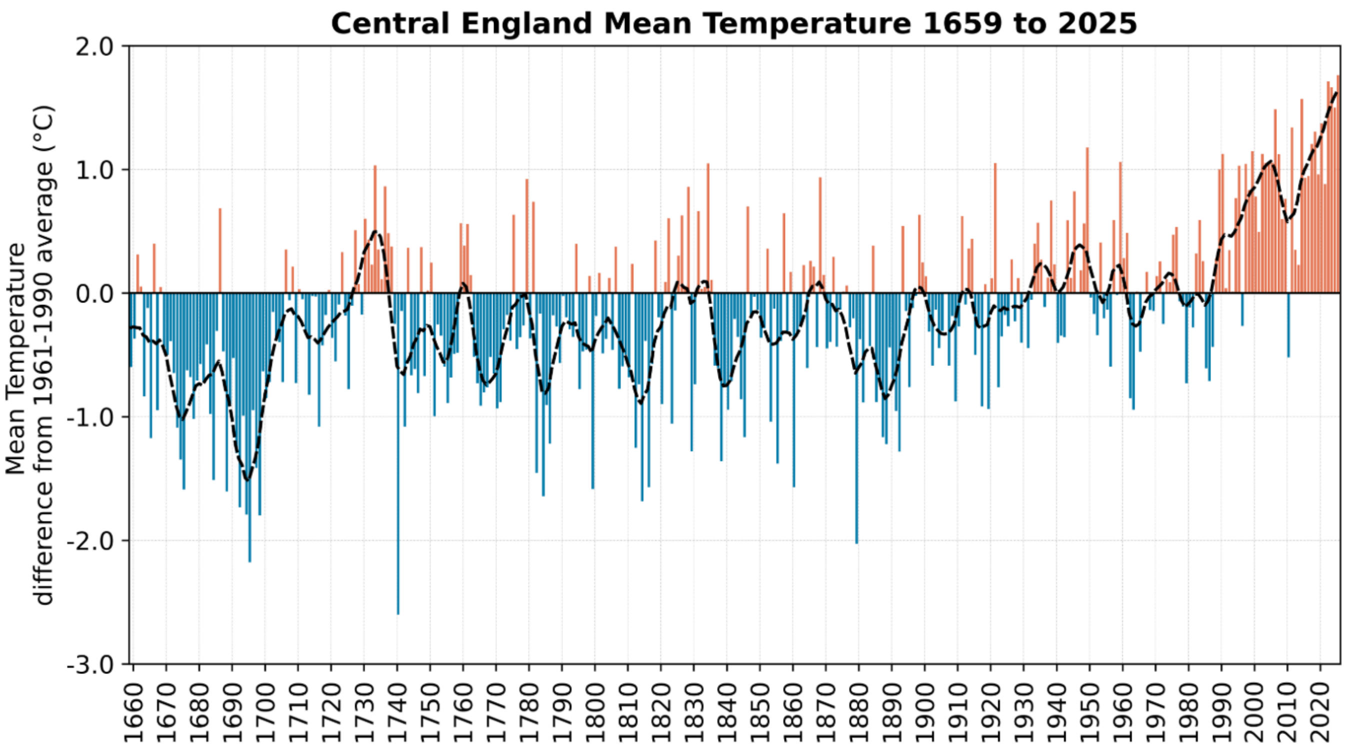
5. Climate Action

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. The council has been involved in climate budgeting since 2023/24 and it participates in the Climate Budgeting Working Group with the GLA, London Councils, and London Boroughs. One of our commitments is to include a section in our Budget Report to highlight our work on climate action and this is our third instalment as a parallel process to financial budgeting. Our climate budgeting work considers how the organisation plans to work towards net zero carbon including both funded and unfunded measures required to meet our commitments. Central to this process is Local Area Energy Planning (see 7.11) and we now assess the impact of each new savings proposal and the proposed capital programme (see 7.12). As noted in the Environmental Implications section the council endeavours to consider climate action in all aspects (and at all levels) of council decision-making.

5.3. Following consultation the Local Government Association (LGA) identified clear consensus support that councils require statutory duties and powers, sufficient funding, and robust support to lead on climate action. The LGA will undertake analysis on the consultation and set out next steps for developing detailed, evidenced, and costed proposals.

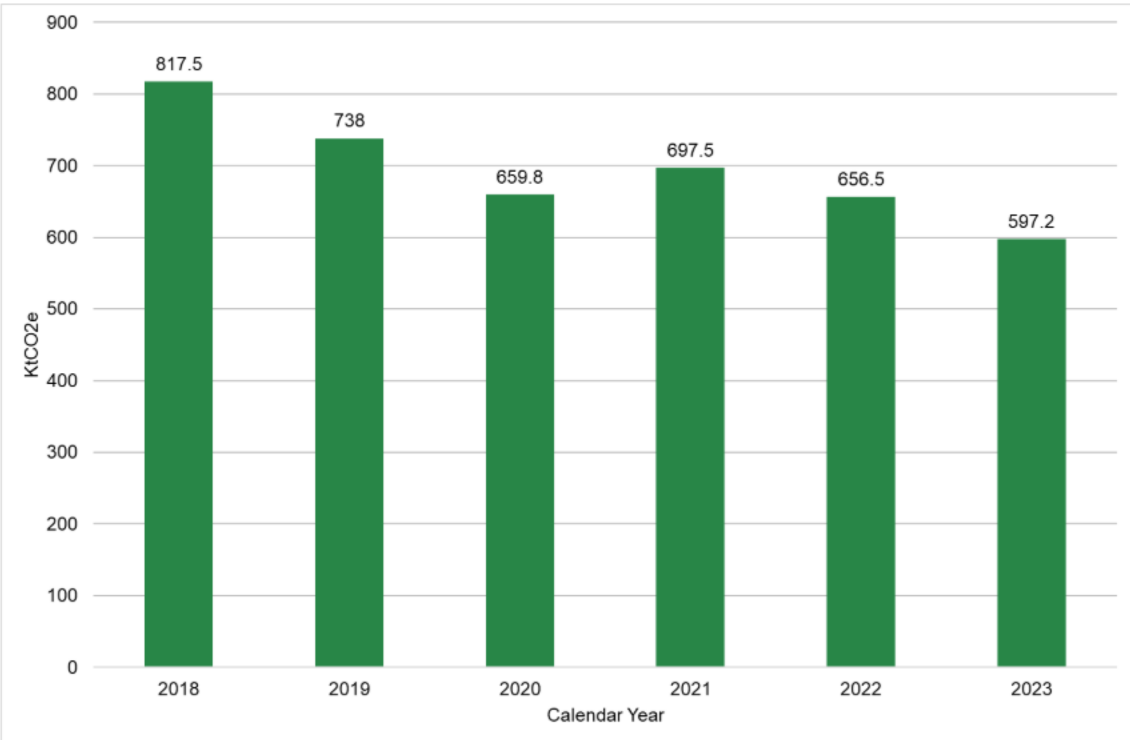
5.4. Recent polling from London Councils (September 2023) states that 84% of Londoners are concerned about climate change and 65% say it impacts their day-to-day decision making. The Met Office identified that the five warmest years in the UK since records began have all occurred since 2006. By 2070 summers could be up to 6°C warmer and up to 60% drier.



5.5. The climate emergency has a direct impact on the health and wellbeing of residents and highlights the need to take action. Our latest Annual Public Health Report 2025 observes how our most disadvantaged communities are disproportionately exposed to climate risks now and in the future at a time when government funding is likely to decrease (see 3.7). Although there are significant costs in reaching net zero, the cost of inaction is much higher as noted by the Office for Budget Responsibility (OBR).

5.6. Our total boroughwide greenhouse gas emissions (tCO2e) (at July 2025) shows an overall 9% decrease in emissions from 2022 to 2023 and total emissions in 2023 are 27% lower than 2018 which is our baseline for total borough emissions (597,200 tCO2e vs 817,500 tCO2e). The decarbonisation of the National Grid has had a significant role in the overall reduction in borough emissions and nationally around 40% of all power generation is now from renewables (e.g.: wind and solar) compared to just 15% in 2013 (National Grid).

Figure 1 – Islington Greenhouse Gas Emission Estimates 2018-2023 (ktCO2e)



Source: UK local authority and regional greenhouse gas emissions statistics, 2005 to 2023.

The council has also developed a Climate Action Dashboard (link here, Power BI required).

5.7. In June 2025 Islington was ranked as the best single-tier local authority in the country for its efforts to tackle climate change in Climate Emergency UK's climate scorecard rankings. This underlines the success of our efforts to create a greener, healthier borough however we still have lots to do to adapt and improve our resilience to the impacts of climate change.

5.8. We decarbonised Archway Leisure Centre by installing 83 new solar panels, replacing the gas boilers with new air source heat pumps and implementing a new building management system. We have awarded a contract to extend Bunhill Heat Network to two new locations (Telfer House and City Forum) which will provide low carbon energy to over 1,000 homes.

5.9. We were recognised as the top inner London borough in the Healthy Streets Scorecard as we aim for 50% of the borough to be in a Liveable Neighbourhood before the end of 2026.

5.10. We have also cut direct emissions from our pension fund by 48% relative to 2021 baseline (listed assets), and our overall target is to make our £1.7bn fund net zero by 2050 or earlier. The council invests around 40% of the fund in sustainability-themed investments.

5.11. Local Area Energy Planning (LAEP) is helping develop data-driven, collaborative, and cost-effective action plans and we are working with consultants to develop a plan for Islington. The 'Islington Borough Energy Plan' (IBEP) will be published in mid-2026 and will describe three scenarios for energy transformation in the borough (current, supported, emergency).

5.12. The Finance team has again worked with officers from the Climate Action Team to conduct a qualitative assessment of the NZC Impact of each new savings proposal in this Budget Report from 'Very Positive' to 'Very Negative' to ensure members and officers consider the environmental impacts of all council decision-making (see the Environmental Implications). For the first time we have also completed a quantitative assessment of the proposed capital programme (see Section 6) using [annual greenhouse gas emissions by Standard Industrial Classification (SIC) codes]. Whilst the proposed programme will increase carbon emissions (see 9.16), some investments also reduce carbon emissions in Islington.

5.13. Islington also forms part of a group of local authorities in the Advanced Zoning Programme (Phase 3) 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 provided funding support to a number of councils.

5.14. We are also part of the London Net Zero Neighbourhood Programme with London Councils and the Cities Commission for Climate Investment (3Ci). Following our successful Arsenal Net Zero Neighbourhood Event in 2024 we have contributed to an Outline Business Case with the 11 participating boroughs. This is an innovative, place-based approach to support decarbonisation in London and with government support could help to secure up to £0.5bn of private finance to retrofit 20,000 homes over a five-year period.

5.15. 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 financial pressures, capital investment is exceptionally limited, particularly in relation to social housing where the need for increased investment is high: if government mandates an EPC rating of C for domestic rental properties by 2030 this would cost circa £1.8bn (UCL). If a similar mandate is introduced for all operational buildings (e.g.: schools) this creates an investment need of an estimated £100m before 2030. Government funding is currently limited and highly competitive and often with very restrictive terms and conditions (e.g.: increasing match funding). That is a view widely shared by councils and 90% have said current funding schemes are insufficient (LGA, 2024). The strategic priority for local government is to replace gas boilers with low carbon electrical heating and reduce total heat demand through better insultation.

5.16. The Finance & Investment Workstream has worked with The GLA and London Councils to produce a 'Net Zero Project Pipeline' which identifies c. £35bn of potential projects across 30 London Boroughs and the City of London (£4bn in Islington). The overwhelming majority of these projects have no identified sources of finance. We therefore continue to investigate a number of green finance opportunities and specialist support including The Mayor's (The GLA) Green Finance Fund and Zero Carbon Accelerator and the National Wealth Fund (formerly UKIB). The council is evaluating the potential for a strategic partnership with the private sector for our heat network to help secure much needed investment (see 7.13)

Table 26 – Climate Action Projects in the Capital Programme 2026/27 – 2030/31 (£m)

Climate Project	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	2030/31 £m	Total 5 Year £m	2031-36 £m	Total 10 Year £m
New Green Space	1.300	-	-	-	-	**1.300**	-	**1.300**
Bunhill Heat Network - EC2 Resilience and EC1 Decommissioning	0.517	-	-	-	-	**0.517**	-	**0.517**
Bunhill Heat Network Extension to City Forum and Telfer House	0.768	-	-	-	-	**0.768**	-	**0.768**
Cycle Parking Schemes	0.545	0.510	0.450	0.450	0.450	**2.405**	0.900	**3.305**
Decarbonisation Schemes	1.663	-	-	-	-	**1.663**	-	**1.663**
Electric Vehicle Charging Schemes	0.033	0.160	-	-	-	**0.193**	-	**0.193**
Greening the Borough	0.065	0.269	-	-	-	**0.334**	-	**0.334**
Liveable Neighbourhoods	3.362	3.754	3.754	3.754	2.150	**16.774**	-	**16.774**
Old Street/Clerkenwell Road Cycle Scheme	0.492	-	-	-	-	**0.492**	-	**0.492**
Tree Planting Programme	1.255	-	-	-	-	**1.255**	-	**1.255**
Vehicle fleet electrification (infrastructure)	3.097	-	-	-	-	**3.097**	-	**3.097**
Total	**13.096**	**4.693**	**4.204**	**4.204**	**2.600**	**28.797**	**0.900**	**29.697**

5.17. The council's Vision 2030 strategy set out its ambitions to work toward 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 remains committed to reaching net zero by 2050 and at COP30 the Prime Minister affirmed that the UK is 'all in'. Recent announcements include £50bn of private investment into clean energy industries with the clean energy workforce anticipated to double to 800,000+ prior to 2030. However, according to the Climate Change Committee (CCC) 'Government must act swiftly' and that 'well-designed policy can enable markets to grow, costs to reduce, energy to become more secure, and emissions to continue to fall' (Progress Report 2025).

5.18. 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 National Non-Domestic Rates

Council Tax Forecast and Taxbase

6.1. The latest 2025/26 Collection Fund forecast for council tax, which is subject to change between now and end of the financial year, is a -£0.694m surplus (Islington share -£0.526m, GLA share -£0.168m). This is summarised at Table 27 and comprises a -£1.398m in-year surplus and a £0.704m deficit from prior years.

Table 27 – Forecast Council Tax (Surplus)/Deficit 2025/26

	LBI Share £m	GLA Share £m	Total £m
Forecast 2024/25 (Surplus)/Deficit at 2025/26 Budget Setting	(2.233)	(0.726)	(2.959)
Actual 2024/25 (Surplus)/Deficit	(1.702)	(0.553)	(2.255)
Variance between 2024/25 Forecast and Actual	**0.531**	**0.173**	**0.704**
Forecast 2025/26 (Surplus)/Deficit	(1.057)	(0.341)	(1.398)
Total Forecast (Surplus)/Deficit at 2026/27 Budget Setting	**(0.526)**	**(0.168)**	**(0.694)**

Council Tax Base

6.2. 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 2026 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 expense 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.

6.3. On 27 January 2026, the Audit and Risk Committee agreed a Band D equivalent council taxbase for 2026/27 of 82,829.19 properties for the council's whole area and 43.65 properties for the Lloyd Square Garden Committee area.

6.4. The number of Band D equivalent properties is after taking into account the estimated collection rate for 2026/27 which continues to be forecast at 97.0%. This is the percentage of 2026/27 council tax bills that the council is budgeting to receive over time (as opposed to cash collection in-year).

Level of Council Tax

6.5. 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 2026/27

	£
Aggregate of the amounts which the council estimates for items set out in Section 31A (2) (a) to (f) of the LGFA 1992 (A)	**1,267,521,783**
Aggregate of the amounts which the council estimates for items set out in Section 31A (3) (a) to (d) of the LGFA 1992 (B)	**(1,135,190,556)**
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	**132,331,227**

Table 29 – Section 31B (amendment LGFA 1992) calculation 2026/27

Council Tax Requirement	**132,331,227**
Council Tax Base	**82,829.19**
2026/27 Relevant Basic Band D Council Tax	**1,597.64**
Increase Compared to 2025/26 (%)	**4.99**

Table 30 – 2026/27 Basic Council tax for All Other Parts of the Council's Area

Council Tax Requirement (Including Special Expense)	**132,331,227**
Less Lloyd Square Garden Committee Special Expense	**(22,947.78)**
Council Tax Requirement (Excluding Special Expense)	**132,308,279**
Council Tax Base	**82,829.19**
2026/27 Basic Band D Council Tax for All Other Parts of the Council's Area	**1,597.36**
Increase Compared to 2025/26 (%)	**4.99**

6.6. 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 2026/27 Islington council tax (excluding the GLA precept) equates to an increase of around £1.46 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. The council tax band tables (Tables 31 to 35) show how the total council tax charge for 2026/27 is calculated for each property valuation band (Bands A to H). They set out the Lloyd Square Garden area special expense, the basic Islington council tax and the Greater London Authority precept (on its own and as applied to Lloyd Square and all other parts of the council). Each band's charge is a fixed proportion of the Band D amount, as required by legislation. The tables compare 2025/26 and 2026/27 figures, showing the cash increase for each band.

Table 31 – Lloyd Square Garden Area Charge 2026/27

Valuation Band	Lloyd Square Garden Area 2025/26 (£)	Lloyd Square Garden Area 2026/27 (£)	Lloyd Square Garden Area Decrease (£)
A	353.72	350.48	-3.24
B	412.67	408.89	-3.78
C	471.63	467.31	-4.32
D	**530.58**	**525.72**	**-4.86**
E	648.49	642.55	-5.94
F	766.39	759.37	-7.02
G	884.30	876.20	-8.10
H	1,061.16	1,051.44	-9.72

Table 32 – Basic Islington Council Tax 2026/27

Valuation Band	2025/26 (£)	2026/27 (£)	Increase (£)
A	1,014.29	1,064.91	50.62
B	1,183.34	1,242.39	59.05
C	1,352.39	1,419.88	67.49
D	**1,521.44**	**1,597.36**	**75.92**
E	1,859.54	1,952.33	92.79
F	2,197.64	2,307.30	109.66
G	2,535.73	2,662.27	126.54
H	3,042.88	3,194.72	151.84

Table 33 – GLA Precept 2026/27

Valuation Band	GLA Precept 2025/26 (£)	GLA Precept 2026/27 (£)	GLA Precept Increase (£)
A	326.92	340.34	13.42
B	381.41	397.06	15.65
C	435.89	453.79	17.90
D	**490.38**	**510.51**	**20.13**
E	599.35	623.96	24.61
F	708.33	737.40	29.07
G	817.30	850.85	33.55
H	980.76	1,021.02	40.26

Table 34 – Total Islington and GLA Council Tax for the Lloyd Square Garden Area 2026/27

Valuation Band	Total Lloyd Square Garden Area 2025/26 (£)	Total Lloyd Square Garden Area 2026/27 (£)	Total Lloyd Square Garden Area Increase (£)
A	1,694.93	1,755.73	60.80
B	1,977.42	2,048.34	70.92
C	2,259.91	2,340.98	81.07
D	**2,542.40**	**2,633.59**	**91.19**
E	3,107.38	3,218.84	111.46
F	3,672.36	3,804.07	131.71
G	4,237.33	4,389.32	151.99
H	5,084.80	5,267.18	182.38

Table 35 – Total Islington and GLA Council Tax for All Other Parts of the Council's Area 2026/27

Valuation Band	Total All Other Parts of the Council's Area 2025/26 (£)	Total All Other Parts of the Council's Area 2026/27 (£)	Total All Other Parts of the Council's Area Increase (£)
A	1,341.21	1,405.25	64.04
B	1,564.75	1,639.45	74.70
C	1,788.28	1,873.67	85.39
D	**2,011.82**	**2,107.87**	**96.05**
E	2,458.89	2,576.29	117.40
F	2,905.97	3,044.70	138.73
G	3,353.03	3,513.12	160.09
H	4,023.64	4,215.74	192.10

Retained Business Rates

6.7. Under the business rates retention system, the council retains 30% of business rates income collected in the borough. In a technical change from previous years, Section 31 grant income from the government to compensate for the loss of income from government-funded business rate reliefs will be paid into the Collection Fund of billing authorities rather than respective shares being paid to the General Fund of billing authorities and major preceptors.

6.8. The council's NNDR1 return (detailed business rates estimate) for 2026/27 was submitted in line with the 31 January 2025 statutory submission deadline. The financial implications of this return are fully incorporated in the proposed budget. Table 36 summarises the council's total retained business rates income for 2026/27.

Table 36 – Estimated Business Rates Income 2026/27

	2025/26 (£)	2026/27 (£)
Gross Business Rates	(384,535,045)	(396,525,005)
Net Cost of Transitional Relief	373,749	7,019,587
Small Business Rate Relief	8,066,581	5,720,900
Charitable Occupation and Other Mandatory Reliefs	29,576,712	28,118,339
Unoccupied Property Relief	16,040,138	11,895,750
Retail, Hospitality and Leisure Relief	19,130,083	-
Supporting Small Business Scheme	422,636	14,339,334
Discretionary Reliefs	1,207,407	1,367,000
Net Rates Payable	**(309,717,739)**	**(328,064,095)**
Allowance for Non-Collection and Appeals	21,010,603	16,730,727
Collectable Rates	**(288,707,136)**	**(311,333,368)**
Transitional Protection Income from Government	(373,749)	(7,019,587)
Cost of Collection Payment to Islington Council	682,789	657,764
Section 31 Grant Income from Government	-	(56,062,890)
Collection Fund Income – Total	**(288,398,096)**	**(373,758,081)**
Collection Fund Income – Islington (30% share)	**(86,519,429)**	**(112,127,424)**
Cost of Collection Allowance	(682,789)	(657,764)
Section 31 Grant Income from Government	(27,428,039)	-
Budgeted Government Safety Net Funding	-	(724,128)
Total NNDR Related Income – Islington	**(114,630,257)**	**(113,509,316)**

6.9. The 2026/27 NNDR1 return also includes a forecast 2025/26 surplus on business rates income to be incorporated in the 2026/27 budget. This is summarised in Table 37. The budget impact is offset by a transfer (to)/from the Core Funding reserve that has been earmarked for this purpose.

Table 37 – Forecast NNDR (Surplus)/Deficit 2025/26

	Total (£)	LBI 30% share (£)
Net Rates Income	(301,305,068)	(90,391,521)
Allowance for Non-Collection	7,675,897	2,302,769
Appeals Refunds and Provisions	3,806,845	1,142,053
Transitional Protection Income from Government	(190,492)	(57,148)
LBI, GLA and Central Government Budgeted Demand	288,398,096	86,519,429
Cost of Collection	682,789	204,837
Total Forecast 2025/26 (Surplus)/Deficit	**(931,934)**	**(279,580)**
2024/25 Forecast (Surplus)/Deficit at 2025/26 Budget Setting	6,181,385	1,854,415
2024/25 Actual (Surplus)/Deficit	(14,390,560)	(4,317,168)
Variance between 2024/25 Forecast and Actual	**(20,571,944)**	**(6,171,583)**
Total Forecast (Surplus)/Deficit at 2026/27 Budget Setting	**(21,503,878)**	**(6,451,163)**

7. Matters to Consider in Setting the Budget

Comments of the Section 151 Officer (Section 25 Statement)

7.1. This section sets out my statutory comments, as Section 151 Officer, on the robustness of the estimates that underpin the budget and the sufficiency of the proposed financial reserves, in accordance with the requirements set out in Section 25(1) of the Local Government Act 2003. Furthermore, Section 25(2) of the Act obliges members to have due regard to this report when reaching decisions on the budget and the setting of council tax. It is my duty to provide a considered and objective professional judgement on these matters, and I do so in the context of considerable financial uncertainty and increasing risk within the local government sector.

7.2. The formulation of budget estimates for any given financial year is an inherently iterative and dynamic process, embedded within the council's medium-term financial planning framework. It is a comprehensive, council-wide exercise that demands the active involvement of all spending directorates. Throughout this process, initial estimates are developed, rigorously challenged, and refined as additional intelligence emerges. The process is underpinned by the most up-to-date quarterly budget monitoring information and incorporates the latest economic and service delivery assumptions for the forthcoming financial year. Proposed savings are subject to detailed scrutiny and have been reviewed and formally signed off by all key stakeholders across the organisation, ensuring a collective ownership of the financial challenge.

7.3. The thoroughness and rigour of the budget-setting process provide a significant source of assurance in my assessment of the robustness of the 2026/27 budget estimates and the adequacy of the proposed financial reserves. However, I must emphasise that, while the immediate position for 2026/27 is supported by prudent planning, there is an ongoing recognition that the council's reserves are not at a level commensurate with the increasing scale and complexity of risks faced. Although, the council is forecast to remain above the absolute minimum level of reserves, it is my considered view that the council must take further steps to strengthen its reserves position over the medium term to safeguard financial resilience and sustainability. Where the opportunity arises, e.g. at financial year end(s), it would be prudent to improve the council's reserves position.

7.4. It is important to place this budget and the accompanying 5-year Medium-Term Financial Strategy (MTFS) in the context of a highly uncertain funding environment for local government. The Fair Funding Review 2.0, which was subject to consultation during the current financial year, has significant implications for the council's future government funding. My assessment is that the council faces a material reduction in its real-terms funding envelope over the medium term, with a particularly acute risk arising in 2029/30 when transitional funding protection is scheduled to expire. This presents a potential 'cliff-edge' in the council's funding profile and requires a clear and deliverable strategy for further savings to close the underlying budget gap that will emerge as a result of the real-terms funding reduction over the course of the MTFS. It should be noted that this is probably a worst-case scenario as it will fall in the next Spending Review period when there will be an opportunity for the government to revise spending plans.

7.5. In addition to the risks associated with government funding, there are several other material risks that I must highlight. There is a real possibility that inflation and pay awards may outstrip the forecasts embedded within the MTFS, placing further pressure on the council's budget. Demand for services, particularly in high-risk and volatile areas, continues to exceed historical trends, exacerbating financial pressures. The delivery of both existing and future savings proposals and change programme is inherently uncertain and subject to a range of operational challenges. Furthermore, income from service budgets remains volatile and susceptible to changes in both demand and external economic conditions. The budget seeks to respond to these risks through the inclusion of contingencies and the maintenance of reserves to provide a degree of headroom should adverse budget sensitivities materialise, but I must stress that these measures cannot fully mitigate the extent of the risks faced across the medium term.

7.6. The Budget Report contains a comprehensive commentary and analysis of the council's financial health, with reference to the balance sheet and the level of earmarked reserves. I am recommending a Minimum General Fund Balance and Earmarked Reserves Level equivalent to 25% of the council's Core Spending Power. I wish to emphasise that this represents the absolute minimum threshold below which the council's financial resilience would be severely compromised and must not be regarded as a target to be routinely breached.

7.7. Many of the factors affecting the General Fund are also prevalent within the HRA and the DSG. The HRA business plan, which will be presented within the final budget package is expected to show positive balances across the relevant period. Net school balances are expected to go into the negative within the medium term however the gross deficit is already significant. At the moment, the statutory override is in place which means that the council is not obliged to meet the shortfall from the General Fund (effectively to bridge the gap with council tax) however it is not clear how long the statutory override will remain in place nor how any deficit should be dealt with upon its cessation. In forming my view, I consider that the council can, if required and allowed to, meet the value of anticipated deficits from its retained DSG and school balances and still hold positive balances.

7.8. Having considered all relevant factors, I conclude that the budget estimates for 2026/27 are, on balance, sufficiently robust for the purposes of calculating and setting the budget and council tax, and that the proposed level of financial balances and reserves is adequate for 2026/27. Nevertheless, I must reiterate that the budget position for 2026/27 and the medium-term forecast are subject to substantial and growing risks. It is imperative that the council remains vigilant, continues to monitor its financial position closely, and takes decisive action to address emerging risks, strengthen reserves, and ensure the ongoing sustainability of its finances.

Comments of the Monitoring Officer

7.9. 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 2026/27. 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 General Fund budget and MTFS, the HRA, the capital programme and borrowing and expenditure control.

7.10. 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.

7.11. 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.

7.12. 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.

7.13. 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.

7.14. 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 Overview and Scrutiny Committee must have been given the opportunity to scrutinise these proposals and the Executive should consider its comments when making those recommendations.

Environmental Implications and Contribution to working towards making Islington net zero carbon

7.15. The council's budget can influence the behaviour of residents and businesses. Behaviour changes can also result in both positive and negative environmental implications. The budget proposals and medium-term financial strategy affect 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.

7.16. 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.

7.17. 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 annual greenhouse gas emissions data, the carbon impacts of the capital programme can be approximated to 0.300 kgCO2e for each £1 spent. The proposed programme in Table 19 will increase carbon emissions by approximately 239,000 tonnes of CO2e over the five-year period 2026/27 to 2030/31 (£798,256,000 x 0.300 ÷ 1,000). We can also use this methodology to estimate tonnes of CO2e emissions for individual proposals (see 7.12). Overall, this expenditure will increase net emissions over the MTFS period but some projects reduce emissions (below).

7.18. These carbon emissions will often be generated outside of the borough, but some investments may reduce carbon emissions within Islington (see 9.22, 9.23).

7.19. 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.

7.20. 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 (see 7.16). 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.

7.21. The council's ambitions to reduce carbon emissions are described in the Vision 2030 Climate Strategy and in 2026 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 MTFS and the constraints on government funding.

7.22. Regarding the more substantive changes to capital investment: There is work currently being undertaken to create a resilience plan for Energy Centre #1, that may involve replacing the combined heat and power (CHP) centre with an air-source heat pump and expanding the energy centre.

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

7.24. 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 new energy centre and heat network 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.

7.25. 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

7.26. 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.

7.27. 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.

7.28. The cumulative EQIA assessment of the budget proposals has been completed and can be found in Appendix G. The EQIA assessed the likely impacts of the budget savings on residents with protected characteristics as defined by the Equality Act 2010 and set out how these will be mitigated. The overall assessment is that there is a potential negative cumulative impact on residents with protected characteristics because of the budget savings proposals for 2026/27, although this has been mitigated as far as possible.

7.29. As outlined in Section 8 of Appendix G, most savings for this year will come from measures with limited impact on residents, such as service restructures, maximising use of the various funding streams the Council has access to and making better use of technology. These will result in ‘back office’ changes with small impacts on staff and limited impact on residents. Whilst we do not expect residents to be significantly impacted, there may be some knock-on impacts on service delivery produced by these changes, which we will seek to mitigate where possible through service re-design and efficiencies.

7.30. We recognise that changes to or reductions in service delivery risk negatively impacting residents who rely on these services most. Proposed changes to health and social care services therefore may disproportionately impact older adults, residents with disabilities and those most affected by health inequalities – residents on low incomes or from Black African and Caribbean, South Asian or other ethnic minority backgrounds. Changes proposed to the council's support for schools and early years offer will have a greater impact on carers, parents, children including those with SEND and residents with disabilities. Changes to the parks service may pose some risk to some residents' access to quality green space.

7.31. Where possible we have sought to limit any impact on residents through finding efficiencies within the service, prioritising the use of resource to best meet need and seeking to manage demand through investing in prevention.

7.32. Considering the extremely challenging fiscal situation and the need for services to remain financially sustainable, the proposed savings are reasonable and impact on residents has been limited as far as possible. Detailed EQIAs have been completed for all proposals with a potential negative impact on residents, which outline mitigations and how the impact of savings proposals will be monitored.

Budget Consultation

7.33. 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.

7.34. 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.

7.35. The council invited comments from residents, business rates payers and representatives of business rates payers in Islington on the draft 2026/27 budget proposals.

7.36. The consultation period ran for 21 days from 14 January 2026 (upon the publication of this report) to 3 February 2026.

7.37. In total there were 27 responses received. 26 were from residents and 1 was from a participant who was both a resident and a national non-domestic rates payer or representative.

7.38. A summary of responses to questions is shown below:

Question	Response Option	Total Responses
Do you agree or disagree with our proposed budget for 2026/27?	Agree	5
	Neither agree nor disagree	9
	Disagree	13
Do you agree or disagree with our proposal to increase core council tax in line with the maximum amount permitted by central government?	Agree	10
	Neither agree nor disagree	2
	Disagree	15
Do you agree or disagree with our proposal to increase the adult social care precept element of council tax in line with the maximum amount permitted by central government?	Agree	13
	Neither agree nor disagree	2
	Disagree	12

7.39. A number of further comments were received on the budgets which have been reviewed and considered as part of the final budget papers for 2026/27 and will be considered for future budget setting processes.

Supporting Small Business Relief Scheme

7.40. At the Budget 2025, the Government announced a Supporting Small Business Relief Scheme (SSBR).

7.41. The 2026 SSBR scheme will cap bill increases at £800 per year or the relevant caps within transitional relief (whichever is the greatest) for any business losing eligibility for certain reliefs, including Small Business Rate Relief and Rural Rate Relief, at the 2026 revaluation

7.42. 2026 SSBR is to be delivered via section 47 (discretionary relief) of the LGFA 1988. Central government have stated that they will reimburse billing authorities and major precepting authorities for the actual cost to them under the rates retention scheme of the 2026 SSBR, if they adopt a scheme that falls within the definition of their guidance.

7.43. This means that if this relief is implemented via section 47 of the Local Government Finance Act 1988, Islington will be compensated for the loss of income associated with granting this relief.

7.44. Appendix I1 addresses the need for Islington Council to adopt the government's SSBR scheme for the financial year 2026/2027 as required by the operation of section 47.

7.45. To this end, we recommend the adoption of the local policy described in section 7 below, to award "Supporting Small Business Relief" 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 2026/2027.

7.46. The Supporting Small Business Relief Scheme proposed reflects the Government's guidance.

Pubs and Live Music Venues Relief Scheme

7.47. On 27 January 2026 the government announced that:

a) in 2026-27, eligible pubs and live music venues can benefit from a 15% business rates relief

b) the pubs and live music venues relief is to be delivered via section 47 (discretionary relief) of the LGFA 1988 which would be funded by section 31 grant

7.48. Part b) above, means that if this relief is implemented via section 47 of the Local Government Finance Act 1988, local authorities will be fully compensated for the loss of income associated with granting the pubs and live music venues relief.

7.49. In addition, the government will fund the associated new burdens, including the administrative and software costs of implementation.

7.50. Appendix I2 addresses the need for Islington Council to adopt the government's pubs and live music venues relief scheme for the financial year 2026/2027 as required by the operation of section 47.

7.51. To this end, we recommend the adoption of the local policy described in section 6 below, to award "pubs and live music venues" 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 2026/2027.

7.52. The Islington Pubs and Live Music Venues Relief Scheme proposed reflects the Government's guidance.

Annual Pay Policy Statement

7.53. 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.

7.54. 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 2026/27 to 2030/31

B1 – New General Fund Savings Proposals 2026/27 to 2030/31

B2 – Previously Agreed General Fund Savings 2026/27 to 2030/31

B3 – General Fund Management Actions 2026/27 to 2030/31

C – General Fund Earmarked Reserves Forecast

D1 – HRA Medium-Term Financial Strategy

D2 – HRA Fees and Charges 2026/27

D3 – HRA Savings Proposals 2026/27

D4 – HRA Business Plan

E1 - Detailed Multi-Year Capital Programme

E2 – Changes to Capital Programme

E3 – Capital and Investment Strategy 2026/27

E4 – Treasury Management Strategy 2026/27

E5 – MRP Statement 2026/27

F1 - Balance Sheet Analysis

F2 – Financial Management Code Assessment

G – Cumulative Equalities Impact Assessment

H – Pay Policy Statement 2026/27

I1 – Islington's Supporting Small Business Rates Relief Scheme

I2 – Islington's Pubs and Live Music Venues Relief Scheme

Background papers: None

Signed by:

Executive Member for Finance and Performance Date

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