

LONDON BOROUGH OF CAMDEN	WARDS: All
REPORT TITLE Review of the Camden Medium Term Financial Strategy (CS/2023/20)	
REPORT OF Cabinet Member for Finance and Cost of Living	
FOR SUBMISSION TO Resource and Corporate Performance Scrutiny Committee Culture and Environment Scrutiny Committee Housing Scrutiny Committee Health and Adult Social Care Scrutiny Committee Children, Schools and Families Scrutiny Committee Cabinet	DATE 16 th January 2023 16 th January 2023 17 th January 2023 17 th January 2023 17 th January 2023 18 th January 2023
STRATEGIC CONTEXT Camden has a strong track record of delivering for residents and protecting services despite over a decade of reductions in central Government funding for local government. Like households in our Borough, and local authorities around the country, we are facing an unstable financial environment – in order to protect our services and support our residents we are making a robust financial plan for our Council that seeks to make the best use of our resources. The Council and our communities have faced an unprecedented and extended period of social and economic upheaval since we last set out a financial strategy in 2018. From the pandemic to the cost of living crisis, we have maintained high quality services for our residents – but we have only done so by making hard choices. We know there may be further hard choices to be made – and this financial strategy seeks to make the most prudent financial decisions with the information we have at this time. Camden is a financially resilient organisation because of our robust medium-term planning for services and investment aligned with our resources. We are building on the work of previous financial strategies, aligned with our community vision for the Borough outlined in We Make Camden and the Way We Work to continue to improve and deliver for our residents. Our financial planning process is a stimulant to long-term change in the direction we believe we need to move to deliver the best public services in a complex and challenging environment. Our savings proposals are aligned around outcome-focused change, creating a Council for the future, and creating the best services and best value for communities.	

Unfortunately are awaiting further information from Government on our long term funding position. In its absence, Camden has developed this financial strategy to ensure the organisation continues to provide high quality services for residents and communities while remaining financially resilient. However, we will need to continue to keep this strategy under review in response to further government funding announcements.

SUMMARY OF REPORT

Continued reduction in Government funding for the Council, coupled with rising inflation and cost pressures on our services means that the Council is projecting a budget deficit of approximately £40m by 2025/26. This report presents an overview of the Council's financial position and our plan for providing financial stability and resilience for the local authority in a volatile wider environment.

This report sets out our assumptions and our understanding of how Government policy will impact our funding and spending over the coming years including updates from the Autumn / Winter 2022 spending review and the Local Government Finance Settlement that allocates funding to each local authority. The recent draft financial settlement for 2023/24 provided an increase in 'Core Spending Power' (funding available for local authority services, which is predicated on a combination of government grants and increasing Council Tax and locally retained Business Rates) of 9.2% across England. In Camden approximately 28% of the increase in 'Core Spending Power' relates to an assumed increase in Council Tax of 4.99%. Camden's specific core spending allocation was lower than the national average and the fourth lowest in London at 8.2%. This is against general inflation of 10.1% and ongoing demographic pressures in a number of services especially adult and children's social care.

The report sets out our proposals for how we will change our organisation and our services to operate within our expected budgets in the medium term. These proposals incorporate outcomes-focused change, a focus on long-term change for improvement for the Council, and a continuing drive for the best and most efficient services. These proposals are detailed at Appendix 1.

This report also sets out how we will invest our resources and direct our services to support our ambitions for Camden set out in We Make Camden – our community vision for Camden as a fairer, more equal, more just and more sustainable Borough. This includes how we are investing resources to support families and households through the cost of living crisis, to address the harm of poverty and to support families to have economic security. It shows how we are continuing to play our part in climate justice and supporting Camden's transition to be a low-carbon community. It shows how we are continuing to invest to give children and families the best start, and how we are investing to provide person-centred care for people with health and complex needs – and how we are working in our neighbourhoods to keep people healthy and well.

Some of our proposals for achieving financial stability will have an impact on staff, on residents and on the way that services are delivered. All proposals have been

considered individually for their potential impact on residents as part of our commitment to equity. There is an overarching equalities impact assessment for this financial strategy included in this report. For those proposals that require consultation and/or equality impact assessments to be considered, whilst the associated budget reductions are being decided now, the final decisions on how or whether to implement those specific savings will be made at a later date through delegation to relevant Directors or through a further decision by Cabinet. The findings of the relevant equality impact assessments will be considered at this time and will inform the decision on whether to implement those specific savings. There are also some proposals that are ready for immediate implementation that do not require consultation and/or equality impact assessments. The decision sought for each proposal is set out in Appendix 1.

This report also provides an update on:

- Reserves and balances position including planned use
- 2023/24 budget setting considerations
- Additions to the General Fund Capital Programme
- Recommended Fees & Charges for 2023/24

Local Government Act 1972 – Access to Information

No documents that require listing have been used in the preparation of this report

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RECOMMENDATIONS

The Scrutiny Committees are asked to consider the report and make any recommendations to Cabinet.

Cabinet is recommended to:

- a) Note the continued challenging and uncertain funding outlook for the Council set out in section two of the report.
- b) In relation to the proposals (with associated budget reductions) set out in section 2.47 to 2.49 and Appendix A:
 - i. Delegate authority to the relevant Director(s) to immediately implement proposals listed as Decision Category A.

- ii. Agree in principle proposals listed as Decision Category B, and delegate authority to the relevant Director(s), in consultation with the relevant Cabinet Member, to decide whether and how to implement the savings identified within each proposal, having had due regard to the Council's general equality duties, any other applicable legal duties and the results of any consultation undertaken in respect of the proposal; undertake any necessary consultation; and make any necessary redundancies, including for any proposals involving more than 20 redundancies.
 - iii. Agree that proposals listed as Decision Category C be explored further and reported back to Cabinet (and if necessary, Council) for consideration at a later date.
- c) In relation to fees and charges discussed in section 2.55 and Appendix B:
- i. Delegate authority to the relevant Director to decide increases to existing fees and charges up to a maximum of 7%, in consultation with the relevant portfolio holders.
 - ii. Note the particular content in Appendix B setting out supporting information for the new fees and charges and the fees and charges where the proposed increase is over 7%.
 - iii. Agree the new fees and charges, and the increase in fees and charges where the proposed increase is over 7%, as shown in Appendix B delegating authority to the relevant Executive Director to introduce those changes.
 - iv. Take into account the Equality Impact Assessments and consultation findings in Appendix D.
- d) Agree the recommended additions to the Capital Programme at paragraphs 2.62 to 2.65
- e) Agree the Council's planned use of reserves summarised in Appendix C
- f) Note the risks outlined in section four of the report.

Agreed by: Director of Finance

Date: 5th January 2023

1. CONTEXT AND BACKGROUND

- 1.1 We Make Camden sets out the Council commitment to investing in our communities, our organisation and our staff to achieve our ambitions of a fairer, more equal and more sustainable Borough. In the absence of a national funding system for local government that reflects the capacity and opportunity of councils in communities, we believe that the Council can and should step forward to plan its spending in a way that is aligned with its values and priorities. The Council has faced significant government funding reductions since 2010 and over the last decade we have been forced to cut close to £200m from our budgets. The Government has no sustainable strategy for funding local government and without intervention there will be further difficult choices in the future.
- 1.2 Our Medium-Term Financial Strategy is a necessary part of our good financial governance – but it is also an opportunity for us to set out our commitments and our principles for planning the use of our resources. In this financial strategy we are setting out our intentions for investing and transforming beyond the three-year strategy cycle. Through our budgeting we want to invest in high-quality near-term impactful services, and plan for long-term transformative investments – we are setting these plans out in this strategy. This will not fix the core issue of insufficient funding for public services – but we are doing what we can to make the most of our resources and focusing investment on those who need them most, and where we can make the most difference.
- 1.3 The Council is currently forecasting a budget gap of c£40m by 2025/26. The significant inflationary and demographic pressures facing the Council along with the ongoing uncertainties regarding government funding mean that the actual budget gap could be significantly higher. Councils across London and around the country are facing similarly challenging circumstances following a period of instability during the pandemic and the cost of living crisis – we believe a longer-term funding settlement for local government is needed to properly support the work councils are doing to prevent harm and support communities to flourish. We are proposing these savings in the absence of a medium-term national strategy for funding local government.
- 1.4 Despite this challenge, the Council continues to take bold actions to address the issues facing the borough and supporting the delivery of We Make Camden. We believe the Council should be focused on tackling inequality and injustice, and that working with communities and partners we can have a real impact on the complex challenges facing our Borough. Some of the investment we have undertaken as part of delivering on our previous financial strategy and our organisational ambitions has included:
- The Council continues to invest in preventing homelessness with its ambitious Temporary Accommodation Purchase Programme (TAPP). In 2019 we launched TAPP to buy back a limited number of ex Right to Buy 1, 2 & 3 bedroom properties. Due to the success of the initial programme the Council launched TAPP2 and the Council has now purchased 109 properties to use as good quality in borough temporary accommodation

meaning more families can stay in Camden close to their support networks and saving the Council money on purchasing expensive nightly temporary accommodation. By the end of the programme the Council aims to purchase 140 properties as part of the programme.

- Camden has committed to the World Health Organisation (WHO) Air Quality Targets and focused our resources to help deliver air quality improvements across the Borough. The Council's capital programme includes significant investments in improving the public realm and reducing air pollution through transforming transport and mobility in Camden. Investment is targeted towards enabling and encouraging people to travel, and goods to be transported, healthily and sustainably by improving public transport in the borough, increasing walking and cycling, reducing car ownership and making our streets and transport networks safe, accessible and inclusive for all.
- We have raised £1m to establish the Camden Climate Investment 2027 - a local climate bond through community municipal investment. It provides an alternative source of green financing to invest over £1m in local sustainable schemes including the Healthy Streets programme, solar panels on housing estate roofs, the installation of electric charging points and 'greening' the Council's transport fleet.
- Continuing our proud history of investing in children, families and early years and giving children the best start in life. We have maintained our Sure Start provision and invested in our schools and our family support services. Camden Council's children's services have been rated outstanding by Ofsted in 2022.
- Investing over £29m in the Council Tax Support scheme. Camden's current scheme, launched in 2020/21, remains one of the most generous Council Tax Support schemes in the country with income bands based on London Living Wage, ensuring that around 16,000 households (including pensioners) in Camden currently receive 100% support and do not pay any Council Tax.
- Increasing our investment in crisis funding and advice support for those experiencing the cost of living crisis this winter – we have increased our crisis and hardship fund from £1m to £2m and we continue to invest over £1m per year in our advice and advocacy community partnership.
- Looking forward the Council has an ambitious capital programme that is delivering new high quality housing, including more social and genuinely affordable housing, improving the public realm and green spaces. In September 2022 we committed to expanding the Community Investment Programme, making an additional £1.3 billion investment that will see the Council increasing the numbers of social and affordable homes in Camden. This additional investment will mean building a total of: 4,850 new homes, including 1,800 council homes (many of them family sized);

and 350 Camden Living Rent homes for nurses, teachers, keyworkers and other middle-earners.

- 1.5 This financial strategy is similarly ambitious – seeking to set the organisation on a robust financial footing so that we can make long-term investments in the future of our Council, our communities and our citizens. In challenging and uncertain times, we are committed to being a strong and resilient organisation that can provide the best possible services for the Borough.

2. PROPOSAL AND REASONS

- 2.1. Camden's Medium Term Financial Strategy for 2023/24 to 2025/26 sets out our plans for delivering services and investing in our communities over the coming three-year period, and our ambitions beyond this to transform the Council. This is the financial framework that will ensure the Council can continue to confidently deliver and support residents and staff. The report asks Cabinet to agree a range of proposals and delegations which will enable this to happen.
- 2.2. Throughout 2022, work has been undertaken to develop plans to meet our expected budget envelope. We expect to make savings in line with the principles and values set out in We Make Camden and The Way We Work. Opportunities and business cases have been identified and developed across three broad categories:
- **Outcome Focused Change** – building on our ambitions set out in We Make Camden to focus our resources and investment in areas that are important to our communities and create the most impact on the challenges that face us.
 - **Creating a Council for the Future** – ensuring our services are as resilient and sustainable as possible, and our organisational structures are aligned with our priorities and values.
 - **Best Value and Best Services** – making savings in ways that seek to create the most efficient and effective services for our communities
- 2.3. Through series of financial strategies since 2011 the Council has taken an outcomes-based approach to setting our budgets – this means we develop budgets based on the relationship between funding and the difference spending is expected to make to the quality of life of our residents and communities
- 2.4. We Make Camden, our community vision for the Borough, sets out what is important now and why. It is built upon the deeper dialogue we have developed with our partners and citizens over the last four years. We have updated the themes of Camden 2025 to better reflect what our communities have said is important now and what has changed. We Make Camden builds on learning from the Renewal Commission and the Cabinet's decision in December 2021 to take learning from the missions-orientated approach and embed this in our future planning. In approving We Make Camden the Council committed to

publishing an annual State of the Borough report that will present data, evidence and stories of lived experience as a snapshot of what life is like for people living in Camden. It will be a shared evidence base for understanding how we are delivering against our ambitions and how the way we use of resources and work with partners and communities is delivering our outcomes. We expect to publish the first State of the Borough report in spring 2023.

2.5. We have structured our savings business cases around key outcome areas from We Make Camden that stretch across our organisation – our outcome areas are:

- Creating an inclusive local economy
- Supporting children to have the best start in life
- Better homes and neighbourhoods
- Sustainable and resilient Camden
- Supporting health, care and wellbeing in Camden

Alongside our outcomes and themes, we are committed through this financial strategy to continue our “missions-based approach” in committing to long-term impact and investment in our communities and bringing together the resources of communities and partners. The four missions we commit to in We Make Camden are:

- Diversity Mission: By 2030, those holding positions of power in Camden are as diverse as our community – and the next generation is ready to follow
- Estates Mission: By 2030, Camden’s estates and their neighbourhoods are healthy, creative and sustainable
- Food Mission: By 2030, everyone eats well every day with nutritious, affordable, sustainable food
- Youth Mission: By 2025, every young person has access to economic opportunity that enables them to be safe and secure

2.6. Camden is an ambitious borough that values the participation, energy and collaboration of our communities, in order to make sure that our borough is a place where everyone can succeed, where nobody gets left behind and where everybody has a voice. As a local authority we want to put citizens at the heart of what we do, to challenge old ways of thinking and work holistically to design services that truly meet the needs of all of our residents.

2.7. We are committed to embedding shared responsibility and empowered leadership throughout the Council. We want to ensure that leadership listens and learns from those who deliver services, so that the Council knows what works for our staff, citizens and communities and can continue to innovate and develop our services to best meet the needs of our communities. Our transformation priorities for the Council include ensuring that our structures and processes align with our values and priorities, and facilitate the best services and most effective impact for our residents

- 2.8. Alongside outcome-focused change, we are looking at how we can reduce the cost of service delivery and the goods and services through our procurement processes, while continuing to remain focused on social value, including our workforce standards. We are currently reviewing some organisational processes and structures in order to become more efficient and save money by improving the way we deliver existing services. We will continue to explore how we can generate more income from our assets or generate further income from appropriate fees and charges or how we can maximise opportunities from external funding sources. While some of our focus is on individual services, we will continue to investigate how we can best utilise our cross cutting investment or expenditure.

Cost of Living Crisis

- 2.9. This cost of living crisis, and associated economic volatility, is a short and long term issue. The Council faces significant inflationary pressures on the cost of its services at the same time as seeking to support families and households impacted by extreme pressure on household income. The Council is responding in a strategic way while swiftly addressing the pressing needs in front of us now. We have pledged to work with all our residents, our voluntary sector, and across all our public services to ensure that no child, no resident, and no family in Camden go hungry or cold this winter. Alongside this, we are seeking to put in place services and support to enable people to access the help they need to avoid debt and be financially secure in the long term.
- 2.10. Camden Council has made tackling inequality a core part of our priorities and commitments – it is central to our purpose outlined in We Make Camden. There has been a persistent and increasing wealth and income inequality gap in the Borough – one that the Council has sought to tackle through our housing, employment, education, health, and other services. This inequality and harm has been exacerbated by the cost of living crisis.
- 2.11. Prior to this crisis we have made strong investments in welfare support, in advice, in community partners and community strength, in sustainable food programmes and in employment support. We have applied a cost of living lens to our development of this financial strategy. We are seeking to ensure that we are protecting as far as possible those on low incomes, and investing in front-line and community based services that are supporting those going through hardship and poverty this winter as a result of the cost of living crisis. We will continue to review our implementation and resource decisions through the lens of investment to support those with low incomes, supporting people out of financial crisis and addressing the harm of inequality in our communities.

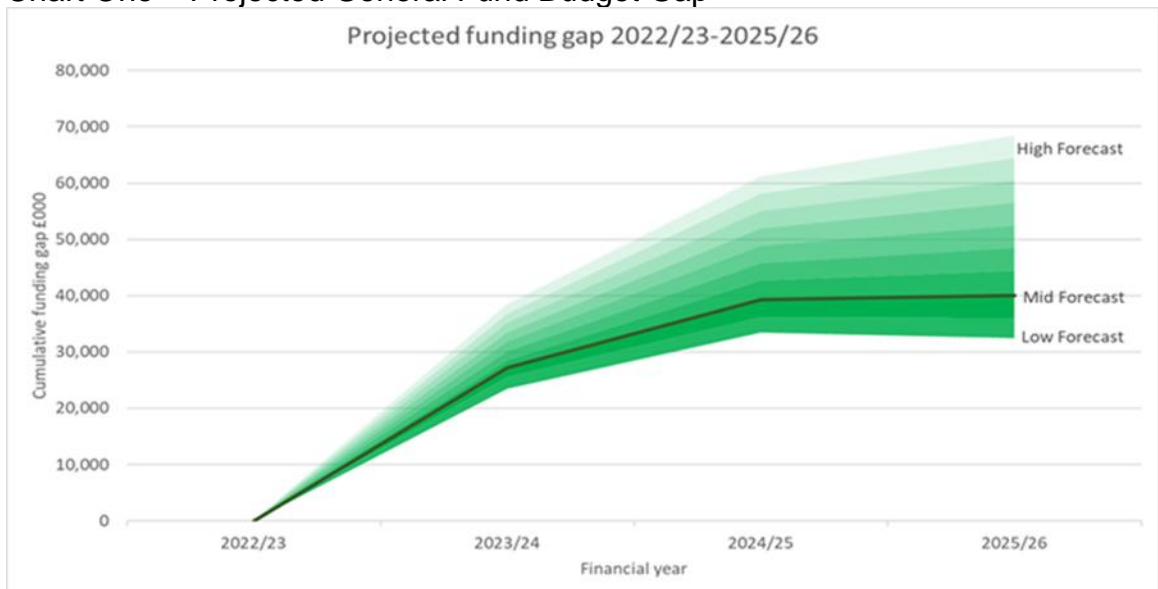
Medium Term Budget Gap

- 2.12. A key part of the Council's Medium Term Finance Strategy is a robust understanding of our financial position. We have sought to make a detailed assessment of our future income and expenditure levels over the medium term. In doing so, this has involved making early estimates of the medium-term

financial impact of economic factors, future demographic pressures and local and national policy directions that are not yet fully known. The Council is currently facing a significant level of uncertainty about both the future cost of services and the level of funding it will receive from the government and through local taxation over the medium term.

- 2.13. This uncertainty applies when calculating the medium-term budget gap for both the General Fund and the Housing Revenue Account. The Government has given the Council little information about the level of government funding over the medium term including the timing and impacts of planned reforms to the way that resources are allocated to local authorities.
- 2.14. The economic impact of Covid has had a lasting effect on the Council's finances. The main lasting impacts have been on the Council's income streams from a reduction in income derived from rents and fees and charges as a result of permanent 'scarring' of the economy and changes in people's economic behaviour. While some of these income streams including business rates may, in part, recover over the medium term it is unclear to what extent or how quickly this will take place.
- 2.15. Based on this assessment, the Council is currently forecasting a further medium term budget gap of c£40m by 2025/26, with an additional budget gap of £8m-£12m in the Housing Revenue Account. The significant inflationary and demographic pressures facing the Council along with the ongoing uncertainties regarding government funding and inflationary and demographic pressures mean that the actual budget gap could be significantly higher – perhaps as high as £68m subject to those assumptions.

Chart One – Projected General Fund Budget Gap



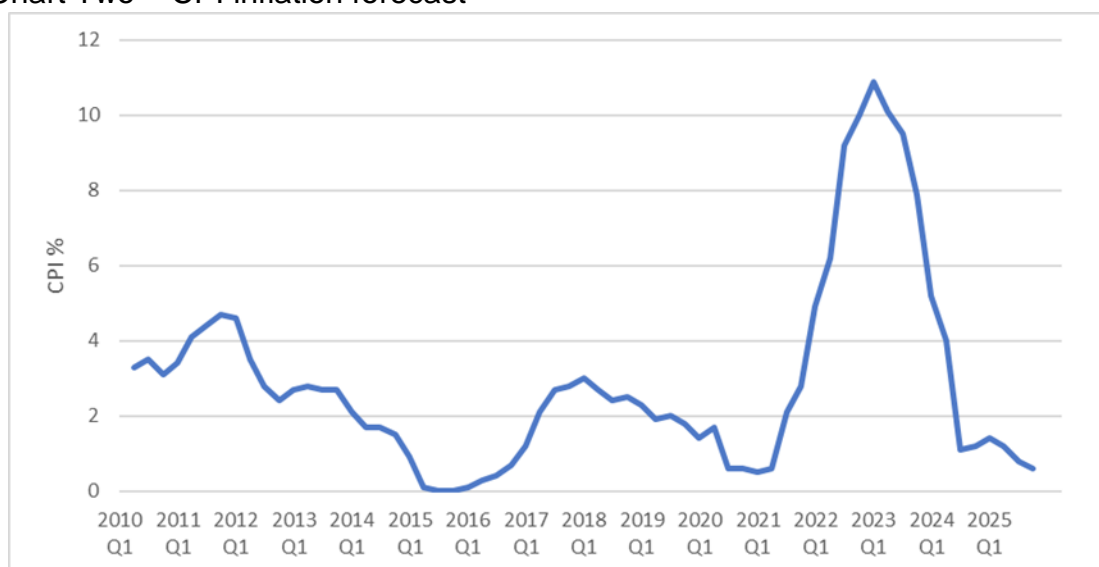
- 2.16. Since 2010, austerity has significantly reduced our funding levels while we have seen significant growth in demand for our services, particularly in health and social care. As a result, we will have had to make savings of c £200m

between 2010 and 2022/23. The cumulative impact of those savings should not be underestimated.

Impact of Inflation

- 2.17. After a decade of low inflation, the economy is currently in a period of significantly high inflation which has risen sharply since the beginning of 2022. Inflation reached 11.1% in November 2022, significantly higher than the 2% target set by the Government. The Bank of England forecasts that inflation will peak around 11% in Q4 2022 and begin to sharply decline in 2023 – see chart below¹. The average quarterly CPI inflation forecast for the financial year 2023/24 is 6.7% and inflation is forecast to return to 2% by Q2 2024. There is a risk that inflation may take longer than forecast to return to 2%, particularly in the labour market and energy market.

Chart Two – CPI inflation forecast



Source: [Monetary Policy report November 2022](#); Bank of England

- 2.18. At the time of setting the budget for 2022/23 the OBR forecast average quarterly inflation to be 3.7%, peaking at 4.4% in Q2 2022. Last year as part of the annual review of its budgets the Council applied additional inflation to areas such as energy costs, materials and the cost of contracts subject to the National Living Wage and London Living Wage to ensure service budgets were able to meet the increased costs and best manage the pressures to the Council's budget overall. Since budget setting last year inflation has significantly exceeded the forecast position creating significant additional pressure on budgets in 2022/23 and over the medium term.
- 2.19. Inflation will continue to be an important consideration for the 2023/24 budget and Medium Term Financial Plan. An uplift of 4.5% was applied to budgets for contracts and third party payments, with additional inflation adjustments applied

¹ [Monetary Policy Report - November 2022 | Bank of England](#)

² [Economic and fiscal outlook - October 2021 - Office for Budget Responsibility \(obr.uk\)](#)

to budgets on an exception basis. A contingency has been created for increased utility costs of £3.5million to support expected gas and electricity increases and for the 2023/24 pay award, which is yet to be confirmed, to ensure that the Councils financial plans reflect likely future inflationary pressures. The cost of inflation to the Council's budget is circa £16m, which represents a significant cost pressure in 2023/24, and is almost double the level of inflation applied to the budgets in 2022/23.

- 2.20. Consideration will also need to be given to the impact on the Council's capital programme. The Bank of England raised its interest rate to 3% in November 2022, which will have a significant impact on the cost of borrowing for the Council. The increase in cost of materials and labour will also have a significant impact on the cost of the Council's capital programme and borrowing requirement.
- 2.21. High inflation has resulted in a cost of living crisis, with far reaching consequences for our communities as discussed earlier in this report (reference). The impact of inflation is not felt equally and varies significantly across our communities, exacerbating existing structural inequalities highlighted by the pandemic. The Institute for Fiscal Studies estimates that low income households will face an inflation rate of 18% in October 2022 compared to 11% for the wealthiest³. This is because the main items that have risen in price are essentials such as food, heating and travel, which represent a greater proportion of low income budgets. The cost of living crisis means that many residents already struggling are likely to fall deeper into poverty. This will result in increased demand for the council's services whilst alongside this Government funding has decreased since 2010. In 2010 the Council received £241m in government funding. If this funding had kept pace with inflation the like for like funding in 2023/24 would be £341m. The actual like for like government funding in 2023/24 is estimated to be £149m, a difference of £192m.
- 2.22. Financial inequality is not new to Camden and is a core priority central to our We Make Camden goals. The Council is working to support those most at risk this winter from the sharp increase in inflation as well as long term interventions to prevent people getting into financial crisis as far as possible. Key interventions include:
- continuing to invest in our generous Council Tax Reduction Scheme;
 - continuing our holiday hunger voucher scheme to ensure children in receipt of free meals at school can eat during the holidays; and
 - investing £2m in our Cost of Living Crisis fund and working with advice partners, community groups, front line staff to get money to those who need it most.

³ [The cost of living crunch | Institute for Fiscal Studies \(ifs.org.uk\)](https://www.ifs.org.uk)

Draft Financial Settlement and Fair Funding

- 2.23. The provisional 2023-24 Local Government Finance Settlement was published on 19 December 2022. It outlines provisional funding allocations for local authorities for 2023-24. The draft settlement only includes funding allocations for one year. This will be the fourth year running that local authorities have received a one-year settlement, making long term financial planning difficult. The government did also issue a policy statement that outlined their intentions for 2024/25 without providing details for individual local authorities.
- 2.24. The draft financial settlement for 2023/24 provided an increase in 'Core Spending Power', a combination of government grants and assumed use of Council Tax raising powers, of 9.2% across England. Camden's specific core spending allocation was lower than the national average and the **fourth** lowest in London at 8.2%. This is despite Camden having some of the most deprived areas in the country, general inflation of 10.1% and ongoing demographic pressures in a number of services especially adult and children's social care.
- 2.25. The Local Government financial settlement refers to a local authorities 'Core Spending Power'. This is an estimate of the total resources available to a Council from Government Grants and Council Tax and Business Rates. The Draft Settlement for Camden assumes an increase of 'Core Spending' of 8.2% or approximately £23m. The Government estimate for Core Spending Power assumes that the Council will increase Council Tax by the maximum 4.99%. In Camden, approximately 28% of the increase in 'Core Spending Power' relates to an assumed increase in Council Tax of 4.99%.
- 2.26. The 'Core Spending' also assumes that the Council will be able to retain business rates equal to a 'spending assessment' set by the government a number of years ago. However, there is a level of risk and reward built into the Business Rates system that will affect the level of business rates that a Council can retain.
- 2.27. Approximately 67% of the core spending power available to the Council in 2023/24 relates to government grants and available council tax precept that are designed to fund pressures in the social care system including improving the discharge of patients from hospital and supporting the sustainability of the social care market.
- 2.28. The government have also announced that the 'fair funding' review, a planned review of the methodology that determines how much funding each authority receives each year, is delayed until at least 2025. The 'fair funding' review was first announced in 2016 but has been delayed a number of times. In the absence of a review of local government funding, the Council has received a series of one-year settlements, meaning it has no certainty about the level of funding it will receive over the medium term, making strategic financial planning very difficult. It also means that the funding Camden receives bears increasingly little resemblance to the community it serves. For example, there

is no real recognition of Camden's current population figures in the current formula.

Council Tax

- 2.29. As with all local authorities, Council Tax is an extremely important source of funding to Camden. The amount of Council Tax collected each year is dependent on a number of factors including the overall size of the Tax base, the number of discounts and exemptions applied to individual properties, the cost of the Council Tax Support scheme and the level of bad or doubtful debts relating to Council Tax. The cost of the Council Tax Support Scheme is estimated to be £29m based on the Council Tax level in 2022/23.
- 2.30. When the government calculate the Council's 'core spending power' they include an estimate of how much the Council could raise from Council Tax including any allowable annual increases. The level by which Council Tax can be raised each year is set by the government as part of the Local Government Finance Settlement. Since 2016 the Council Tax has included a specific 'Social Care precept' that can be levied in addition to the general Council Tax to support demographic and cost pressures across social care services.
- 2.31. In the Autumn Statement the government indicated that they would increase the threshold for local authorities to increase Council tax without a local referendum from 2% to 3%. Local authorities such as Camden that have social care responsibilities will also be able to levy an additional Social Care precept of up to 2% additional Council Tax. Each 1% increase in Council Tax provides the Council with approximately £1.3m in additional resources to support Council services.

Business Rates

- 2.32. Also known as National Non-Domestic Rates (NNDR), business rates are set and levied nationally by government and are local taxes paid by the occupiers of all non-domestic/business properties in the same way that Council Tax is paid on domestic properties. Camden collects business rates on behalf of the government and returns most of the money collected to them for distribution as part of the national budget, with Camden retaining around 14% of the business rates collected each year.
- 2.33. Business rates are part of a complex national system with the Council only retaining a percentage of the tax it collects based on a 'needs assessment' calculated by the government with the remaining income going to the Government and GLA. In the current business rates national system each local authority bears a level of risk if the total value of the tax base and collection reduces. Conversely it is able to retain some of the increase in business rates if the tax base increases.

Changes in Social Care Funding

- 2.34. The national funding arrangements for social care remain volatile as the Government continues its approach of one-off or short-term funding solutions. The Government has, once again, delayed the implementation of Phase 2 of the 2014 Care Act (client charging reforms) which, though disappointing for some recipients of care, has removed a considerable level of financial risk from the Council in this service area. Much of the funding associated with Care Reform has been diverted to social care (Adults and Children) and the NHS in 2023/24 to help to mitigate some of the pressures in the care system. Additional funding for social care pressures form part of the Council's financial settlement from the government. In 2023/24, Camden will receive £13.2m and will be used to fund the existing pressures within social care.

Housing Revenue Account (HRA)

- 2.35. The Housing Revenue Account is a ring-fenced account within the General Fund containing the income and expenditure arising from a housing authority's landlord functions. As it is a requirement to set a balanced budget each year, expenditure needs to be kept in line with income. However, the HRA's main source of income is from social rents which are exposed to losses from right to buy (albeit partly offset from new CIP units) and changes to the Government rent standards. There are a number of other cost and inflationary pressures on budgets and along with recently introduced rent cap set by the government.
- 2.36. The HRA contracts and pay budgets are subject to the same high levels of inflation in the wider economy. Some external contracts are linked to inflation indices (many are forecast to inflate by over 8% and material costs continue to inflate at different rates) and staff costs are linked to the outcome of pay discussions between the Local Government Association and trade unions.
- 2.37. The **Building Safety Act** received Royal Assent in April 2022. The Council included budgetary provision in 2022/23 to fund implementation however there is a need for further funding to be added to meet all the requirements set out in the legislation starting from 2023/24.
- 2.38. **Electricity and gas prices** have increased hugely over the course of 2022/23 and this necessitates significant uplifts to gas and electricity budgets which will impact the proposed charges to tenants and leaseholders.
- 2.39. Under the current rent standard, the Council can usually increase rents up to a maximum of inflation (Sept CPI 10.1%) plus 1%. Therefore, the maximum permitted increase would be 11.1%. However, we are aware of cost of living pressures on our tenants, while government has introduced a **cap on rent increases** of 7% to be brought into effect for 2023/24 following their recent consultation. This puts further pressure on HRA budgets as the maximum rent increases will be below inflation.

- 2.40. Tenants pay fixed **service charges** for caretaking, grounds maintenance and a range of other services if they receive the service. These services are subject to the same inflationary pressures as other council services.

Medium Term Financial Outlook – Housing Revenue Account

- 2.41. These pressures create a funding gap for the Housing Revenue Account (HRA) over the next three years. Chart Three below shows the range of the funding gap with a central forecast of c£8m.

Chart Three – Projected Funding Gap (HRA)



- 2.42. Proposed increases to rents and service charges and a Medium Term Financial Strategy for the HRA are set out in the Housing Revenue Account Budget and Rent Review report elsewhere on the agenda.

Approach to a new Medium Term Financial Strategy

- 2.43. As explained earlier in the report we have structured our savings business cases around key outcome areas and themes from We Make Camden that stretch across our organisation. The result of this approach is a set of thematic areas that form our MTFs, set out below. In Appendix A, further information is provided on each of these thematic areas, including descriptive outlines of the proposals that sit within each theme.
- 2.44. A summary of the decisions that are being requested is identified in Appendix A, shown with the decision being sought categorised as A, B or C as outlined

below. Cabinet is recommended to review the savings proposals shown in Appendix A and to agree one of the following types of decision:

- A The proposal is suitable for immediate implementation (it doesn't require consultation or equalities consideration) and delegated authority should be given to the relevant Director(s) for immediate implementation.
- B A decision in principle should be sought, with a delegation to the relevant Director(s) (in consultation with the relevant Cabinet Member) to:
 - (i) decide whether and how to implement, and if appropriate thereafter to implement, each of the proposals identified, having had due regard to the Council's general equality duties, any other applicable legal duties and the results of any consultation undertaken in respect of the proposal.
 - (ii) undertake any necessary consultation.
 - (iii) make any necessary redundancies, including any proposals involving more than 20 redundancies.
- C Agree that the proposal should be explored further with a report to come back to Cabinet (and, if necessary, Council) for consideration at a later date.

2.45. This report, in terms of budget reductions and savings, seeks to make decisions now or delegate them to an officer or note that they will return to Cabinet. Those decisions which are for immediate implementation (category A above) include a delegation to the named officer granting authority to that officer to do anything reasonably required to put that decision into practical effect.

2.46. Those decisions which are being delegated to an officer in consultation with the relevant Cabinet Member (category B above), or which will come back to Cabinet and if necessary, Council (category C above), will be subject to any applicable consultation requirements and analysis of equalities impacts, together with consideration of other specific legal requirements. This will be undertaken as part of the decision-making process as required to implement the proposals. Such considerations, which will be fully assessed by the decision makers in due course, are therefore not set out in this report.

2.47. It therefore follows that the outcome of these decisions may lead to further amendments and/or changes to the proposals including that the proposal may not, as a result of this detailed further consideration, be put into effect.

2.48. With regard to equalities, officers have considered these in the round and it is not considered that the proposals will have an adverse impact. However, given

the varied nature and time scales impacting the proposed decisions, this is only a preliminary consideration. For those decisions which are being asked to be taken now (Category A), and therefore the immediate implications arising from this report, there are no equalities impacts associated with those proposals. As can be seen for proposals Category B or C, further decision-making is required during which equalities will be fully considered by the decision makers. In addition when the Council sets the budget every year, an overall impact assessment on the Council Tax setting and therefore overall implications of the proposed budget is also undertaken, as well as the implications, when appropriate, on each specific proposal and budget line.

- 2.49. The Council still has some further work to be done to balance the overall forecast £40m deficit position, which demonstrates the difficult position we are in following a decade of cuts to our budget. The recommendations in this report total savings of £27.7m by 2025/26. Officers will continue to monitor the budget deficit and delivery of savings and a further update will be provided to Cabinet in July.

Medium Term Financial Strategy - Proposals

- 2.50. In developing our financial strategy we have supported services to develop business cases that focus the overall budget on outcomes, identify opportunities for change and transformation that will improve delivery, and identify inefficiencies. We are continuing to think about the medium term financial strategy, aligned with We Make Camden and The Way We Work, as a stimulant to long term change in the direction we believe we need to move to deliver public services in a complex and volatile environment, whilst maintaining our values and our ambitions.
- 2.51. We are continuing to support through this strategy cross-cutting and long-term change – some programmes within this MTFS will deliver savings and transformation beyond the proposed three years of this programme. We are also seeking to utilise new models for investing in and driving resources and capacity from our communities and partners including exploring models like a Community Wealth Fund.
- 2.52. Our approach to this financial strategy can be outlined as:
- building on previous investment strategies to make the most of our innovative services, further deepen our work to intervene early and prevent need and continue to improve delivery;
 - ensuring we are ready for the future –transforming the way we work and the way we partner with our anchor institutions, businesses and communities to be the most effective public sector authority to deliver on our ambitions
 - creating value for our communities - identifying ways in which we can ensure that services are as effective and efficient as possible while

delivering the best support for residents and communities when they need it

2.53. Through our outcome focused approach we have begun to identify areas that will need investment to support the change. We will continue to invest in prevention and early intervention and focus on the support residents need to expand their opportunities – for example investment in employment - whilst supporting local communities to come together through our neighbourhoods approach and continuing our digital innovation journey. Our priorities for strategic investment as part of this financial strategy are:

- designing our organisation for a digital future – designing our services and our Council to be accessible, equitable and effective for our residents
- the future of work and our workforce – ensuring we recruit, retain and support the best workforce to meet our ambitions and we continue as a progressive and just employer looking to provide the best working conditions for staff
- improving our front door - improving the accessibility of Council services by making the most of our front doors and our contact channels including making digital contact easier alongside investing in face-to face and advice
- supporting a just transition and tackling the climate emergency - Using our Climate Action Plan as a base, moving faster with bold initiatives that focus on improving the lives of residents. These include action on retrofitting our social, school and corporate portfolios
- supporting effective neighbourhoods - continuing to improve our services as a landlord, while shaping places to be healthy, sustainable and creative. Bringing services across the Council together at a hyper-local level, starting with adult social care and local neighbourhood based regeneration teams
- being proactive in shaping our local economy - taking an interventionist leadership role in the local economy for instance through vehicles such as the Community Wealth Fund, and extracting greater benefit for local people from growth, such as in the life sciences sector
- creating high quality housing - creating a human centred service which gets the basics right, is streamlined, and works alongside tenants in a participative way
- transforming care at home and in our communities - Helping our local communities make people's homes the best place for care, networking care within communities to prevent and intervene early to enable people to be healthy and independent
- supporting resilient families - Continuing to review and improve our resilient families, early help and early years programme to ensure it offers the best support to enable our families and children to have the best start in life
- providing educational excellence and equity - building on our Education Strategy, investing in the best education for children and young people and tackling educational inequality and attainment

- 2.54. As with all large and complex programmes that deliver change over a number of years, specific upfront investment will be required to support the change and enable continued and on-going savings to be delivered. A number of the proposals within this MTFS require such investment and this is detailed within each individual proposal included in Appendix 1.

Recommended Fees & Charges for 2023/24

- 2.55. Fees and charges are proposed by officers and approved by Cabinet and, where required, by Council, on an annual basis. Reporting to Cabinet is on an exception basis, with new fees or those fees or charges with proposed increases above the threshold of 7% listed individually. These are listed in Appendix B, together with detail on the reasons for the charges. Cabinet is recommended to agree the fees as presented and to delegate authority to Executive Directors to increase existing fees and charges by up to 7%.

Planned use of reserves

- 2.56. The Council sets aside specific resources in our reserves as part of our wider approach to prudent financial management. Reserves are treated like long-term savings held for specific purposes and the Council will use them only when strictly necessary. With the on-going financial pressures still being felt by the Council it has been increasingly difficult to transfer unspent income into our reserves. When money is drawn down from reserves and not replenished in equal or greater proportion reserves start to deplete increasing the risk to the Council's financial resilience.
- 2.57. In accordance with CIPFA guidance, we have a number of both general balances and earmarked reserves. General balances are held as a wider financial contingency against unexpected financial shocks while the latter are held for several specific purposes. This includes, but is not limited to, the support to the delivery of our key strategic outcomes within Our Camden Plan, to contribute to our Capital Programme, to mitigate future known financial risks (such as insurance liability or a decline in business rates) and to provide investment and pump prime initiatives that will deliver future financial benefit and longer-term savings as we head into the next round of our three-year savings plan. In managing our reserves over the medium term, we have recognised that they are a one-off resource and not a sustainable solution to the financial challenges that we face over the medium term.
- 2.58. As part of our prudent financial management, all reserves are regularly reviewed to ensure that they remain at appropriate levels and are relevant. If they are no longer required for the purposes originally intended, they are reallocated to best support our strategic priorities. A summary of the current and forecast balances of reserves is presented in Appendix C. The Council has a strategy to increase where possible reserve levels. These have historically

been held at a low level given our strong track record of managing budgets within agreed budget envelope. This is no longer appropriate given the current unpredictable and volatile financial climate. Our general fund balances currently stand at £14.8m or roughly 3.6% of our net budgeted expenditure and our general fund earmarked reserves stand at £164.3m, reducing to £140.7m by the end of the year.

- 2.59. As set out in the December 2021 Cabinet paper a further review of the current reserve allocation to support the Council's financial resilience has been undertaken and officers have identified £1.6m of historic reserve commitments that can be reappropriated. It is proposed that these funds are used as a contribution to the Cost of Change reserve to help support the delivery of our next round of MTFs savings with the remaining funds going to the Council's General Balance contributing to the strategy of increasing our financial resilience. Within the on-going response to the Covid-19 crisis and dealing with the legacy left by the pandemic, the Council will be looking to drawdown most of its remaining Covid reserves in 2022/23.

Capital Strategy

- 2.60. The Capital Strategy plays a key role in the Council meeting the objectives of We Make Camden and the wider renewal of the borough, as well as ensuring the Council can meet its legal and contractual obligations, conduct condition works to control maintenance costs and replace assets at the end of their useful lives.
- 2.61. A key element of the Council's Capital Strategy will be to retain a level of flexibility within the programme, to allow new capital investment to be added to the programme at regular intervals as new priorities emerge. As part of this strategy Cabinet Members agreed a 'pipeline' of future capital priorities that would be regularly updated to allow the Council to assess the full range of capital investment requirements and priorities over the coming years. The pipeline allows the Council to take a more iterative and strategic approach to bringing forward new capital projects to be included in the capital programme at regular intervals and at the point that business cases are fully developed and projects are ready to proceed.

New Capital Investment

Climate Action Plan

- 2.62. In the Council's Climate Action Plan 2020 – 2025, Camden committed to do everything it can to make the Borough Net Zero Carbon by 2030. As part of this commitment the Council is exploring how to reduce carbon emissions in its corporate buildings. As part of this work the Council has secured external funding to support the retrofit of two buildings via the Public Sector Decarbonisation Scheme.

- 2.63. Highgate Library is a Grade II listed building of historical and architectural importance and a hub for the local community. The building is in poor condition and requires external fabric repairs to prevent structural deterioration. To address this a £1.325m proposal to retrofit the library has been developed and includes the restoration of the building fabric and the introduction of low carbon technologies including air source heat pumps, roof and wall insulation double glazing, ventilation improvement and Solar PV. It is predicated that the project will enable energy savings of £20k a year and reduce carbon emissions by 32 tonnes of CO₂e a year.
- 2.64. The Spectrum Centre in Camden Town is home to the Routes of the Street service which are part of the Change Grow Live charity group commissioned by the council. The service provides advice, from employment, training, and mental and physical healthcare services. The centre's heating system has been suffering from failure and is now beyond its useful economic life. The centre also has poor insulative properties. To remedy this the proposal includes replacing the existing boilers with Air Source Heat Pumps, improving the roof insulation and introducing double glazing. The work is expected to cost £572k and is projected to save £7k a year on energy costs and 31 tonnes of CO₂e a year.

Table One shows the recommended capital investment in support of the Climate Action Plan.

Table One

Scheme	2023/24 £m	Total Cost £m
Highgate Library	1.325	1.325
Spectrum Centre	0.592	0.592
Total Cost	1.917	1.917

- 2.65. The projects highlighted above along with the schemes funded from the Camden climate bond will help to reduce carbon emissions. The full cost of retrofit across the Council's corporate buildings, not including schools, is estimated to be c £84m based on work undertaken by the Carbon Trust.

Public Realm Levelling Up Funding

- 2.70 The Levelling Up fund (LUF) is a government capital funding scheme focused on three distinct areas: transport, high street regeneration, and culture and heritage. The funding is allocated via a competitive bidding process with rules dictating the number and value of bids that each authority could make. Camden has submitted two proposal:

- A Healthy and Connected Neighbourhood and;

- Active Kilburn, with the latter proposal submitted in conjunction with Brent Council.

The projects included in the bids were selected and developed by the Council and have received formal support from local Members of Parliament Tulip Siddiq MP (Active Kilburn bid) and Keir Starmer MP (Healthy & Connected bid). The Council expects to hear the outcome of these bids in early 2023.

3. OPTIONS APPRAISAL

- 3.1 This report provides a series of recommendations that will, subject to implementation, reduce expenditure or increase income. The Cabinet could consider an alternative set of initiatives that would achieve the required savings for 2023/24 – 2025/26. The set of savings proposed have our We Make Camden strategy at their heart and we have used the strategy and its priorities to shape outcome-focused change, best value and best services, and creating a Council for the future.

4. WHAT ARE THE KEY IMPACTS / RISKS? HOW WILL THEY BE ADDRESSED?

- 4.1. The main financial pressures and risks faced by the Council are the large-scale cuts in funding outlined in paragraphs 2.23-2.28 and the ongoing impact of the Covid pandemic set out in paragraph 2.14. The following factors present additional pressures and risks to the Council's medium term financial position.

Economic uncertainty

- 4.2. The outlook for the UK economy is extremely uncertain at present, the current economic climate is complex, fast moving and increasingly vulnerable to global shocks. We are in a period of significantly high inflation and a cost of living crisis. This is due to a combination of factors such as the impact of Covid and Brexit on the labour market and supply chains, consequently driving up prices. Also earlier this year the Russian invasion of Ukraine led to a significant increase in the price of gas, which has doubled since May 2022. In addition, the Government's mini budget announcement created significant volatility in the financial markets, resulting in further economic instability.
- 4.3. The state of the national and local economy is critical to the Council's medium term financial position. It affects demand for Council services, its costs, income from sales, fees and charges and its ability to raise funding from business rates and council tax.
- 4.4. Camden is the third largest collector of business rates in England and has a broad tax base, but the cost of living crisis and high inflation creates increased risk to Camden's funding from Council Tax and Business Rates. This is against the backdrop of the Covid pandemic which had an unprecedented impact on the economy of Central London. If Camden's businesses close, downsize or

relocate as a result, this will affect the number of business ratepayers and the rateable value of properties. Even if businesses remain trading, they may struggle to pay their business rates – a fall in the collection rate of 1% reduces the council’s funding circa £1m.

- 4.5. The economic uncertainty, cost of living crisis and projected decline in economic growth over the next two years risks increasing poverty in the borough, with knock-on effects for demand for local services such as social care & housing and income collection. Camden households are already under pressure from unemployment (4.2% of households in March 2022⁴), although the rate is falling and slightly lower than average for London, and the longer-term impacts of Covid and Brexit on the local labour market remain unknown. The Office for Budget Responsibility (OBR) and Bank of England project GDP will fall during Q3 and Q4 2022, with the economy going into recession. Economic recession poses a risk to unemployment and the OBR project the national rate of unemployment to peak at 4.9% in the third quarter of 2024⁵.
- 4.6. Rising inflation, cost pressures and reduced income from taxes, rents, fees and charges have implications for the budget gap set out in the report above and therefore for the need to make savings and/or raise council tax in future years. This is a very challenging time for financial forecasting and the Council will continue to closely monitor the economic environment and regularly update its assumptions to ensure its forecasting is as robust as possible.
- 4.7. The main economic factors and their implications for Camden are summarised below:

Economic Factor	Details	Considerations/potential impact for Camden
Gross domestic product (GDP)	GDP growth in the United Kingdom is slowing and the Bank of England projects the economy to be in recession in the third and fourth quarter of 2022. GDP is projected to contract by 0.5% in Q3 and a further 0.3% in Q4 2022 ⁶ .	Camden is highly integrated into the national economy and so residents and businesses will be affected by changes to GDP.
Services Output	Service output fell by 0.1% in August 2022, after growth of 0.3% in July 2022.	Camden’s economy in common with much of the UK is highly reliant on services.
Unemployment	Unemployment in the borough is gradually falling since peaking in September	Increased unemployment impacts the welfare of Camden residents, may well

⁴ [Camden Business And Employment Bulletin Databook LATEST | Open Data Portal](#)

⁵ [Economic and Fiscal Outlook - November 2022 \(obr.uk\)](#)

⁶ [Monetary Policy Report - November 2022 | Bank of England](#)

	2021 due to the pandemic. The unemployment rate of 4.2% in March 2022 is close to pre-pandemic levels and lower than the London average of 5.4%. The OBR project the national rate of unemployment to increase over the next two years, peaking at 4.9% in the third quarter of 2024.	increase demand for services and impact council tax and rent arrears.
Inflation	Inflation reached 11.1% in November 2022 and the Bank of England forecasts that CPI inflation will peak at just above 11% in 2022 Q4, returning to 2% in Q3 2024. The average quarterly CPI inflation forecast for the financial year 2023/24 is 7.5%, higher than the Bank's 2% target.	Increased inflation has an impact on the Council's costs and those of its supply chain. Rising costs for local residents and businesses may affect their ability to pay local taxes.
Cost of living	The Bank of England has increased its interest rate to 3.5% to manage inflation. This has a direct impact on the cost of borrowing, such as mortgage rates. Inflation has also increased the cost of staples such as fuel and food which account for a significant proportion of overall inflation.	The cost of living crisis will exacerbate existing inequalities and increase poverty across the borough. Residents on low incomes will experience the greatest financial hardship. May result in increased demand for Council services and reduce the ability to raise income from taxes and fees.

Medium Term Financial Strategy Risk

- 4.8. The Council's current Medium Term Financial Strategy (MTFS) was agreed by Cabinet in December 2018 and is due to end March 2023. The current MTFS was extended for one year due to the significant disruption caused by the Covid pandemic. The current MTFS agreed to deliver £31m of permanent savings as part of the Council's plan to ensure it could deliver balanced budgets and maintain its financial resilience over the medium term.
- 4.9. The new MTFS is to run from 2023/24 to 2025/26 and the Council continues to develop this and explore how it may continue to live within its financial means while using its limited resources to ensure it can deliver its strategic priorities. The new MTFS is outlined in this report and the saving proposals are presented in Appendix A.

- 4.10. The Council's financial modelling assumes no further increase or reduction in baseline government funding or the Better Care Fund from 2023/24. The modelling includes allowances for rising costs in the future, however there is a risk that our medium-term inflation allowances are not sufficient to meet rising costs should inflation increase greater than current forecasts or take longer than expected to return to 2%.
- 4.11. A risk to the Council's MTFs and financial resilience is the delay to the delivery of savings, in particular year one. This will be managed through regular reporting and monitoring of the delivery of savings.
- 4.12. Another significant risk to the MTFs is the increasing uncertainty around the economy, and future funding for local authorities, both in terms of quantum of funding, its distribution and business rates growth, which makes it increasingly difficult for councils to plan in the medium term. This uncertainty is made worse by the recent period of political instability.
- 4.13. These risks to the Council's financial resilience will be managed through maintaining prudent and sustainable reserve balances, robust financial governance, regular monitoring and reporting, maintaining effective financial management skills and capacity across the organisation and the delivery of saving proposals to achieve a balanced budget.

Climate Crisis

- 4.14. Tackling the climate crisis and mitigating the effects of climate change is a key mission for the Council:
- As well as providing local leadership, it is committed to investing in improving the energy efficiency of its housing stock, commercial property, estate and other assets to contribute to the net zero target.
 - Transport and active travel are also key components to Camden's approach to tackling the climate emergency, through enabling and encouraging people to travel sustainably, creating less polluted places. Over the past two years Camden has trebled the length of cycle lanes to 24km, accelerated the delivery of nearly 30 Healthy School Streets, introduced over 100 new cycle hangars and increased the number of Electric Vehicle Charging Points to over 330 across the borough.
 - Camden has also committed investment to increasing and supporting a healthy tree population across the borough.
- 4.15. The risk is that the resources available to the Council do not match the scale of the investment needed. The Council continues to explore innovative ways it can unlock resources through alternative forms of finance, such as the launch of the Camden Climate Investment this year, a type of 'community municipal investment'. This raised £1m to fund specific initiatives in our capital programme, from electric vehicle infrastructure to solar panel installations where residents and businesses can invest from as little as £5. The Council has also secured external funding to support the retrofit of two buildings via the Public Sector Decarbonisation Scheme

Risks in Adult Social Care and Health Integration

- 4.16. The Covid-19 response has had a profound effect on the operating model of Adult Social Care. The requirement to “protect the NHS” necessitated the Council to focus much of its social care response on facilitating hospital discharges and preventing admissions. During 2022/23 Adult Social Care has been working to maintain the progress on integrated working with the NHS that was necessary during the height of the pandemic. The pressure to enable rapid hospital discharges has continued into 2022/23. Additional government funds of £1.8m have been received to support discharges.
- 4.17. However, the challenges of two systems, with different funding mechanism, one free at the point of use and the other means tested remains an issue. A further complication has arisen from the reforming of the local NHS bodies into an Integrated Care System, merging the 5 North Central London Clinical Commissioning Groups into one legal entity to work with the local NHS provider bodies. The impact on a major partner of a complex redesign has required that the Council re-establish ways of working with the redesigned entity.
- 4.18. Prior to the pandemic, Adult Social Care was already facing demographic pressures from increasing numbers of older adults with multiple long-term conditions. Learning disability services are also experiencing significant demographic pressures from a combination of increasing numbers of young people with complex needs transitioning into the service, adults being discharged from hospital and improvements in longevity. The impact of the pandemic has led to increases in numbers and frailty of those seeking adult social care support.
- 4.19. The draft 2023/24 Adult Social Care budget includes a 4.5% inflation uplift for care costs. This is in the context of November 2022 RPI of 14.2% and CPI of 11.1%. Of more concern to the care sector is the impact of nationally determined uplifts to the National Minimum Wage of 9.7% and 8.1% for the London Living Wage. The Council is committed to paying the London Living Wage wherever possible and in Adult Social Care the homecare contracts, Shaw residential and nursing care contracts and the in-borough supported living and extra care contracts are all LLW contracts. Remaining contracts and spot purchases will be NMW/NLW dependent. Consequentially it is anticipated that providers will be requesting uplifts considerably above 4.5%, especially considering a national message that uplifts should be circa 9%.

Risks in Children’s Services, Education and Special Educational Needs (SEN)

- 4.20. The Council’s approach to transformation and investment in early intervention and prevention has enabled the management of the children’s social care budget within the available resources. However, the Council is experiencing increasing numbers of unaccompanied asylum-seeking children (UASC)

which are having a consequential impact on the availability of places in the young people's pathway. It is anticipated that the current financial crisis will lead to an increase the number of families seeking help.

- 4.21. In common with other education authorities, Camden has experienced cost pressures on its Dedicated Schools Grant High Needs Block (DSG HNB). The DSG HNB pays for educational services for children and young people with special educational needs (SEN). The HNB is experiencing cost pressures from a combination of demographic and cost inflation. However, the most significant pressure continues to be that caused by the implementation of the Children and Families Act 2014, which extended local authority responsibilities for SEN services to support young people to age 25.
- 4.22. The Council's careful management of its HNB had resulted in the creation of a HNB reserve within the DSG reserve. Additional funding within the Dedicated Schools Grant for the High Needs Block since 2020/21 has mitigated the risk of the HNB falling into deficit in the medium term. However, the longer-term risk of increasing demand and costs for children and young people with special educational needs remains.
- 4.23. The recent Autumn 2022 Financial Statement on 17th November 2022 allocated of £2.3bn to the core schools' budget for the following years of 2023/24 and 2024/25. However commentators and recent reports from the Institute of fiscal studies continue to indicate that whilst this may address the 8% real terms cuts seen since 2009/10, after the current year Bank of England CPI forecasts of 11% to 13% this is still only likely to leave school spending per pupil in England at about the same level in 2023–24 as it was in 2009–10. The details of how this additional funding will be passed to schools have not yet been released by the government.
- 4.24. Camden schools continue to experience cost pressures arising from increasing costs coupled with historical below inflation funding increases and falling rolls. Camden schools received a funding increase of 2.16% for 2020/21 from which they were required to meet the full effect of the Teachers 3% pay award from September 2020 and in 2023/24 schools were set to receive a minimum funding floor increase of 0.5% from which they will also be required to meet the full cost of the current recommended September 2023 pay award of 3%.
- 4.25. Looking ahead, Camden schools are likely to continue to receive the minimum below inflation level of funding increase until all schools are levelled up by the NFF. More information is expected in the next Education and Skills Funding Agency (ESFA) announcement which is expected before the end of December. Following the COVID-19 emergency, the Afghan and Ukrainian Refugee Crisis the main impact on schools' finances going forward is expected to be in the areas around the loss of lettings income additional staffing, cleaning, and premises cost. As with the Covid emergency there will also be additional costs for which the ESFA has planned some provision to support schools but the sufficiency of this is this is likely to be disputed by schools nationally. The ESFA have allocated both Afghan and Homes for

Ukraine Education Grants to Councils to disperse to schools at the local level as appropriate.

- 4.26. Pupil intake numbers into Camden primary schools have fallen by nearly 9% from 2015 and are projected to continue to fall. Over the last 4 years, the Council has taken a range of actions that have removed two forms of entry permanently via the closure of St Aloysius Primary School, and a further three via the closure of Carlton primary school in September 2021 and St Michaels in September 2022. The Council is continuing to work closely with schools to explore different options for future school places.
- 4.27. The Council is continuing to evaluate these options, with the aim to reduce the overall number of primary school places available and will bring forward any final proposals for public consultation the appropriate Cabinet meeting. Additionally, the Council, with Camden Learning, has developed an education strategy in response to the issues raised in the Education debate at Council on 20 January 2020. This includes setting out a vision for education in the borough that captures the unique collaborative and inclusive model in Camden, including Special Educational Needs and Early Years and the Council's response to alternative governance, leadership or administrative arrangements that enable sharing of resources that will enable our education system to continue to be high performing and sustainable whatever the external challenges

5. CONSULTATION/ENGAGEMENT

- 5.1 The summaries in Annex A set out the potential impact of the changes and the steps we are taking to ensure we are considering the implications on staff and residents. As such, we have identified and set out which of the proposals will by law require an equalities impact assessment and statutory consultation as part of their implementation.
- 5.2 However it should be noted that in addition to the consultation we identify as being a requirement, we will for all our proposals build on our community's strong sense of activism, and our commitment through We Make Camden to giving our citizens a voice in designing services that they use and impact their lives. We will continue to shape the delivery of organisational investment and savings with partners and communities and staff.

6. LEGAL IMPLICATIONS

- 6.1. The comments of the Borough Solicitor are included within the report.

7. RESOURCE IMPLICATIONS

- 7.1. The comments of the Executive Director - Corporate Services are included within this report.

8. ENVIRONMENTAL IMPLICATIONS

- 8.1. This report seeks approval for the addition of two retrofit projects to the Council's capital programme. The Council has submitted external funding applications to support the retrofit of Highgate Library and the Spectrum Centre via the Public Sector Decarbonisation Scheme which would require match funding to proceed. The proposed match funding requirement via the capital programme is detailed in paragraph 2.64.
- 8.2. It is estimated that these projects will reduce carbon emissions by 32 tonnes of CO₂e a year at Highgate Library and 31 tonnes of CO₂e a year at the Spectrum Centre.
- 8.3. In addition, the Council continues to explore innovative ways it can unlock resources through alternative forms of finance, such as the launch of the Camden Climate Investment this year. This raised £1m to fund specific initiatives in our capital programme, from electric vehicle infrastructure to solar panel installations.
- 8.4. The projects highlighted above along with the schemes funded from the Camden Climate Investment will help to reduce carbon emissions in the borough.

9. TIMETABLE FOR IMPLEMENTATION

- 9.1. Implementation of proposals will occur as outlined in the body of the report. Council will receive a council tax and budget setting report for the financial year 2023/24 for agreement at its meeting on 27 February 2023. The Fees and Charges agreed in this report will be in effect for the financial year 2023/24.

10. APPENDICES

- 10.1. Further information is provided in the attached appendices:
 - A. Medium Term Finance Strategy – Savings Proposals
 - B. 2023/24 Fees & Charges and reserves
 - C. Council Reserves.
 - D. Equality Impact Assessment

REPORT ENDS